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Massachusetts Society of CPAs publishes “Year End Special Needs Planning”

BY KRISTIN WILDMAN SHIRAHAMA • OCTOBER 15, 2018

Thanks to the new tax law, there’s a more robust toolbox available to people looking to provide financial support to disabled family members.

To qualify for federal assistance programs, people with disabilities typically can’t exceed a strict dollar cap limiting their assets. But changes in the rules governing both ABLE accounts and 529 tuition savings plans are now providing the disabled with a bit more financial flexibility.

These new options are best used in conjunction with traditional planning vehicles such as special needs trusts.

HERE’S WHAT’S CHANGED:

- Created in 2014, Achieving a Better Life Experience—or ABLE—accounts can be used to pay for qualified disability expenses without triggering taxes or disqualifying a disabled person for federal benefits. The current annual contribution limit is $15,000, but starting this year ABLE account beneficiaries can boost those contributions by up to $12,410 if of their own earnings. Such additional contributions can’t exceed income earned and are only available if the employee doesn’t get workplace retirement benefits.

- Another enhanced planning strategy involves 529 plans, which for the first time can be rolled over into ABLE accounts. Moreover, use of 529 plans has been broadened to include educational expenses in both public and private schools from grades K to 12 and may include special-needs expenses.

- There also may be opportunities for ABLE account beneficiaries who contribute to their own accounts to qualify for the “saver’s credit.” This credit is helpful if the beneficiary has enough income to trigger income taxes.

This article was previously published by the Massachusetts Society of CPAs.