IR-2015-130: New IRS Guidance to Simplify ABLE Program Administration

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New IRS Guidance to Simplify ABLE Program Administration

WASHINGTON — The Internal Revenue Service today announced three changes to the proposed rules for new tax-favored Achieving a Better Life Experience (ABLE) accounts for eligible disabled individuals that will be included in the final regulations when issued. These changes will make it easier for states to offer and administer ABLE programs.

States, program administrators and other interested commenters identified the three areas for change this summer during a 90-day comment period and at an Oct. 14 public hearing on the proposed implementation regulations. The new law, enacted last December, authorizes states to offer specially designed ABLE accounts to people who become disabled before age 26.

Notice 2015-81, posted today on IRS.gov, fully describes these changes. They include:

- ***Categorization of distributions not required:*** ABLE programs need not include safeguards to determine which distributions are for qualified disability expenses, nor are they required to specifically identify those used for housing expenses. Commenters noted that such a

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requirement would be unduly burdensome and that, in any case, the eventual use of a distribution may not be known at the time it is made. Designated beneficiaries will still need to categorize distributions when determining their federal income tax obligations.

- ***Contributors' TINs not required:*** ABLE programs will not be required to request the taxpayer identification numbers (TINs) of contributors to the ABLE account at the time when the contributions are made, if the program has a system in place to reject contributions that exceed the annual limits. However, if an excess contribution is deposited into a designated beneficiary's ABLE account, the program will need to request the contributor's TIN. For most people, the TIN is their Social Security number (SSN).
- ***Disability diagnosis certification permitted:*** Designated beneficiaries can open an ABLE account by certifying, under penalties of perjury, that they meet the qualification standards, including their receipt of a signed physician's diagnosis if necessary, and that they will retain that diagnosis and provide it to the program or the IRS upon request. This means that eligible individuals with disabilities will not need to provide the written diagnosis when opening the ABLE account, and ABLE programs will not need to receive, retain, or evaluate detailed medical records.

Until the final regulations are issued, taxpayers may rely on the guidance in Notice 2015-81. More information on ABLE accounts, including the proposed regulations issued in June, can be found at www/irs.gov/Tax Benefit for Disability: IRC Section 529A.

Recognizing the special financial burdens faced by families raising children with disabilities, ABLE accounts are designed to enable people with disabilities and their families to save for and pay for disability-related expenses. Contributions totaling up to the annual gift tax exclusion amount, currently $14,000, may be made to an ABLE account each year (subject to a cumulative limit), and distributions, including earnings, are tax-free to the designated beneficiary if used to pay qualified disability expenses. These expenses can include housing, education, transportation, health, prevention and wellness, employment training and support, assistive technology and personal support services and other disability-related expenses.

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