

THE NEW "ABLE" ACCOUNT

Congress has passed legislation allowing the establishment of bank accounts called ABLE (Achieving a Better Life Experience) accounts. These accounts are designed to create easier ways for individuals with disabilities to create tax-free savings accounts. The ABLE accounts allow contributions by any person, including the account beneficiary (who is the disabled person), their family or friends. Contributions to the account are not tax deductible, but income earned by the accounts will not be taxed. The amounts in an ABLE account will not penalize an individual seeking SSI, Medicaid, or other public benefits. The accounts are only available to people who became disabled before age 26. The limit for total annual contributions by all individuals to the account is \$14,000.00, adjusted annually for inflation.

The money in the ABLE account can only be used to pay for "qualified disability expense." IRS and Treasury regulations will be issued to determine how these accounts will be administered and what exactly counts as a "qualified disability expense." The language in the statute indicates the money in the accounts can be used for education; housing; transportation; employment training and support; assistive technology and personal support services; health; prevention and wellness; financial management and administrative expenses; legal fees; expenses for oversight and monitoring; funeral and burial expenses. Federal regulations have been proposed by the IRS and are expected to be final by the end of 2015.

Each state is also responsible for establishing and operating a program regarding the ABLE accounts. Tennessee approved the establishment of ABLE accounts in May, 2015. After federal regulations are approved, the State of Tennessee Treasury Department also will issue state regulations.

ABLE accounts are not expected to be available until after January 1, 2016. The accounts will also have a total limit on the amount in the account, set by the State of Tennessee. But if the account exceeds \$100,000.00, the beneficiary would lose SSI benefits.

As these accounts become publicized, we anticipate banks will begin receiving questions from customers about establishing these accounts and the Banks will need to have account documents ready.

Effective October 1, 2015, Rainey, Kizer, Reviere & Bell, PLC has opened an office in Nashville. The address is 424 Church Street, Suite 2000, Nashville, TN 37219. Phone number 615.651.7420.