

Tax-Advantaged ABLE Accounts for Individuals with Disabilities

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According to a National Disability Institute report (available [here](#)), adults living with disabilities need 28% more income on average to achieve the same standard of living as those without disabilities. There are some tools designed to address this disparity, including Achieving a Better Life Experience (“ABLE”) accounts, a potentially overlooked but useful tool available through state-run programs for individuals with disabilities.

Almost all states and the District of Columbia have programs under which individuals with disabilities may open tax-advantaged accounts to pay for disability expenses. Significantly, up to \$100,000 of the assets in an ABLE account are disregarded for purposes of the relatively low Supplemental Security Income (“SSI”) and Medical Assistance (“Medicaid”) resource limits.

Since ABLE accounts were first created over a decade ago, only about 170,000 individuals with disabilities have opened one. That is a fraction of the approximately 8,000,000 individuals in the United States who are eligible to do so, and starting in 2026, another 6,000,000 individuals in the United States will be eligible to open an ABLE account.

Below is a brief summary of who is eligible to open an ABLE account, key benefits of ABLE accounts, and other considerations for individuals with, or considering opening, an ABLE account.

Eligibility

An ABLE account may be opened by individuals (or their representatives) who are blind or have a disability, if the blindness or disability occurred before the individual turned age 26 (which will be extended to age 46 effective January 1, 2026).

Blindness or a disability for purposes of ABLE account eligibility may be proven through one of the below methods:

- Receiving SSI benefits;

- Eligibility for SSI benefits but benefits are suspended due solely to excess income or resources;
- Receiving disability insurance benefits (“DIB”);
- Receiving childhood disability benefits (“CDB”);
- Receiving disabled widow’s/widower’s disability benefits (“DWB”); or
- A disability certification signed by a physician that certifies the individual is blind or has a physical or mental impairment that results in marked and severe functional limitations.
- Conditions on the Social Security Administration’s list of “Compassionate Allowances Conditions” (available [here](#)) meet the requirements for a disability certification if the condition was present and produced marked and severe functional limitations before the individual turned age 26 (which will be extended to age 46 effective January 1, 2026).

An eligibility determination is done every tax year to determine whether the individual remains eligible to have an ABLE account.

Benefits

ABLE accounts provide individuals with several critical benefits:

- Up to \$100,000 of the assets in an ABLE account are disregarded for purposes of SSI and Medicaid resource limits, which are relatively low.
- Each year, an amount up to the annual per donee gift tax exclusion may be contributed to an ABLE account (currently \$19,000 for 2025 and adjusted annually). In 2025, for individuals who do not have contributions made to certain qualified retirement plans, up to an additional \$15,650 may also be contributed to an ABLE account (\$19,550 or \$17,990 if the individual lives in Alaska or Hawaii, respectively).
- Contributions may be made directly to an ABLE account by the ABLE account holder or by someone else, in which case the amount contributed is not taxable to the ABLE account holder.
- An ABLE account holder may be eligible for a nonrefundable tax credit known as the Saver’s Credit for contributions made to an ABLE account. The credit is up to 50% of the first \$2,000 contributed to an ABLE account—that is, an up to \$1,000 tax credit—depending on an individual’s filing status and adjusted gross income during the applicable tax year. The credit is available for contributions made to an

ABLE account in 2025. The credit was also available for 2021 to 2024, and if an ABLE account holder was eligible for the Saver's Credit for any of those years but did not claim it on their tax return, they may be able to amend their tax return to claim the credit. Additional information on the Saver's Credit from the Internal Revenue Service is available [here](#).

- Earnings are not taxable if distributions are used for “qualified disability expenses.” These are expenses that relate to the blindness or disability of the ABLE account holder and are for the benefit of the ABLE account holder in maintaining or improving their health, independence, or quality of life. This includes expenses related to the ABLE account holder's education, housing, transportation, employment training and support, assistive technology and related services, personal support services, health, prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, and funeral and burial expenses.

Considerations

Individuals with, or considering opening, an ABLE account should note the following:

- An individual is not limited to opening an account with the ABLE program of the state in which they reside. A majority of states permit out-of-state residents to participate in their programs.
- An individual may generally have only one ABLE account at a time.
- ABLE accounts are subject to cumulative limits, which are set by each state's ABLE program. The limits generally range from \$235,000 to \$550,000.
- Some states' ABLE account programs may have limited investment options. Programs generally include checking and savings account options, along with conservative to aggressive investment options.
- Accounts are generally subject to an annual account maintenance fee, which may vary depending on whether physical or electronic confirmations and statements are requested.
- An individual may not change their investment options more than two times in a calendar year.
- A portion of earnings distributed from an ABLE account that is not used for qualified disability expenses may be taxable and subject to an additional 10% tax.
- After an ABLE account holder passes away, a state may file a claim against the remaining assets in the ABLE account for the amount of medical assistance paid

under that state's Medicaid program after the ABLE account was opened. Claims are paid after all qualified disability expenses have been paid, including funeral and burial expenses. The amount of the claim is reduced by the amount of all premiums paid to the state's Medicaid buy-in program.

Additional Resources

For more information, here are some additional resources:

- Social Security Administration Spotlight on ABLE Accounts summary, available [here](#).
- Internal Revenue Service ABLE Accounts – Tax Benefits for People with Disabilities summary, available [here](#).
- Internal Revenue Service Publication 907 – Tax Highlights for Persons with Disabilities, available [here](#).
- Department of Labor Financial Education and Incentive summary, available [here](#).
- Links to state ABLE programs:

Alabama	Kentucky	North Carolina
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Maryland	Oregon has two programs (links here and here)
California	Massachusetts	Pennsylvania
Colorado	Michigan	Rhode Island
Connecticut	Minnesota	South Carolina
Delaware	Mississippi	Tennessee
District of Columbia	Missouri	Texas
Florida	Montana	Utah
Georgia	Nebraska	Vermont
Hawaii	Nevada	Virginia has two programs (links here and here)
Illinois	New Hampshire	Washington
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