

Special Needs Planning Newsletter: Special Needs Planning Benefits from Recent Tax Reform

Section 1.01 *Chambliss Law Firm Monthly Editorial – January 2018*

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If you have paid attention to the news, you have heard there has been quite the shake-up in the tax code. Did you know there were several changes that will have a significant impact on special needs planning?

One of the biggest changes in the special needs arena is the authorization to roll over a 529 plan to an ABLÉ account. Prior to this law, if a child was the beneficiary of a 529 plan and became disabled, the 529 plan could not help pay for disability expenses. Now, the 529 plan owners (e.g. the parents) can make a rollover contribution each year to the child's ABLÉ account to help pay for those disability expenses.

The new tax law also increased the contribution limits to ABLÉ accounts. Under previous law, the contribution limit to an ABLÉ account from all sources was tied to the annual gift tax exclusion amount (\$14,000 for 2017). Now, in addition to the annual exclusion amount being raised to \$15,000, ABLÉ account beneficiaries can add additional funds up to the lesser of their compensation for the year or the federal poverty limit (currently \$12,060).

(i) Example:

Your daughter Mary works a part-time job and earns \$10,000 per year. Under the new tax law, \$15,000 can be contributed to her ABLÉ account plus another \$10,000 (her compensation for the year). Therefore, up to \$25,000 can be contributed to her ABLÉ account in 2018.

On top of the increased contribution limit, the ABLÉ account beneficiary can claim the [Saver's Credit](#) against their taxes for contributions to the ABLÉ account. For questions about the Saver's Credit, please contact us or your tax

professional. With the Saver's Credit and the increased contribution limit, people with disabilities can now begin to save for their later years without feeling punished for doing so.

Finally, the tax law was changed to no longer create phantom income for a person whose student loans are forgiven due to becoming disabled. With this change to the tax code, a person whose life was altered by a disability won't get a tax bill because his or her student loans were forgiven.

If you know of someone who would like to use a 529 plan to pay for disability expenses, or if you have questions about ABLE accounts, please contact us to see if there are opportunities in the new tax law for specific special needs planning goals.