



More individuals with disabilities will be eligible for tax-advantaged ABLE accounts in 2026

Did you know there's a tax-advantaged way to save for the expenses of a person with a disability that's similar to saving for college expenses with a Section 529 plan? Achieving a Better Life Experience (ABLE) accounts can help fund qualified disability expenses for an eligible beneficiary. The SECURE 2.0 Act, signed into law in 2022, made changes that will allow more people to be eligible for ABLE accounts beginning in 2026. The One Big Beautiful Bill Act (OBBBA), signed into law July 4, 2025, has made certain enhancements to them permanent.

The benefits

ABLE accounts can be created by eligible individuals to support themselves, by family members to support their dependents, or by guardians for the benefit of the individuals for whom they're responsible. Anyone can contribute to an ABLE account.

The OBBBA made permanent the ability of the designated beneficiary to claim the saver's credit for contributions he or she makes to his or her ABLE account. The maximum saver's credit for an individual for 2025 and 2026 is \$1,000.

While contributions aren't tax-deductible, the funds in the account are invested and grow tax-deferred. Distributions used to pay eligible expenses are tax-free. (If distributions are used for nonqualified expenses, the portion of the distribution that represents earnings on the account is subject to income tax — plus a 10% penalty.)

Having an ABLE account generally won't affect the beneficiary's eligibility for the government benefits to which he or she is entitled. ABLE accounts have no impact on Social Security Disability Insurance (SSDI) payments or Medicaid eligibility.

However, ABLE account balances in excess of \$100,000 are counted toward the Supplemental Security Income (SSI) program's \$2,000 individual resource limit. Therefore, an individual's SSI benefits are suspended, but not terminated, when his or her ABLE account balance exceeds \$102,000 (assuming the individual has no other assets). In addition, distributions from an ABLE account to pay housing expenses count toward the SSI income limit.

Expanded eligibility

Eligible individuals must be blind or disabled. For 2025 and prior years, the individual must have become so before turning age 26. But under SECURE 2.0, this age increases to 46 beginning on January 1, 2026.

To be eligible, individuals generally must be entitled to benefits under the SSI or SSDI programs. Alternatively, individuals can become eligible if a disability certificate is filed with the IRS.

Qualified expenses

Distributions from an ABLE account are tax-free if used to pay for expenses that maintain or improve the beneficiary's health, independence or quality of life. These expenses include:

- Education,
- Housing,
- Transportation,
- Health and wellness,
- Assistive technology, and
- Personal support services.

Employment support expenses also qualify.

Setting up an account

Like 529 plans, ABLE accounts are established under state programs, and there are many choices. An account may be opened under the program of a state other than the one where the individual resides (as long as the state allows out-of-state participants).

The funds in an account can be invested in a variety of options, and the account's investment directions can be changed up to twice a year.

Be aware that an eligible individual can have only one ABLE account. Also, there's an annual contribution limit of \$19,000 for 2025 and \$20,000 for 2026. The OBBBA made permanent the ability to roll over 529 plan funds to an ABLE account without penalty, as long as the ABLE account is owned by the beneficiary of the 529 plan or a member of the beneficiary's family. Such rolled-over amounts count toward the annual contribution limit.

However, if the beneficiary works, he or she can also contribute part, or all, of his or her income to the account. (This additional contribution is limited to the poverty-line amount for a one-person household.)

A new opportunity

If you or someone in your family became disabled or blind after turning 26 but before age 46, the expansion of ABLE account eligibility in 2026 provides a new opportunity for tax-advantaged savings. To learn more about the tax benefits and other financial considerations, contact us.

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