

## **ABLE Account Changes**

**Quick-Take:** The big change to ABLE accounts starting in 2026 is that an individual who became disabled before age 46 may qualify for an ABLE account.

**Background:** Back in 2014 Congress passed the Achieving a Better Life Experience Act (ABLE) which allowed states to set up ABLE financial accounts for individuals with disabilities to own and manage. The ABLE account beneficiary and others can contribute to an ABLE account without jeopardizing the individual's eligibility for means-tested governmental benefits, such as Supplemental Security Income (SSI) or Medicaid. The stated goal of the ABLE legislation is to permit disabled individuals to enjoy greater autonomy. The funds held in an ABLE account can be used to pay for 'qualified disability expenses' (QDE) to include food, housing, travel, entertainment, and education- the QDEs are not considered 'income' for means-tested benefits, and investment growth in an ABLE account is tax-free.

**ABLE Eligibility:** A disabled individual had to qualify in order to open an ABLE account. That meant that he/she had to meet the Social Security Administration's definition of 'disability.' In addition, the individual must have become disabled by age 26- which is admittedly an arbitrary age. Due to this age-26 cutoff, it limited ABLE accounts primarily to those individuals with early-onset, or birth related, disabilities. For those individuals who experienced a disability later in life, e.g., workplace accident, mental illness, they were denied the ability to open an ABLE account. With the change an ABLE account can be opened for a disabled individual who is under the age 46. Note, too, that this cutoff age refers only to the onset of disability; it does not limit when ABLE accounts can be opened or money added to the account.

**Other ABLE Changes:** As was covered in a prior missive, there are a couple of other ABLE account changes that were added starting this year.

**Annual Contribution Limit Increase:** The standard annual contribution limit to an ABLE account has increased from \$19,000 to \$20,000. From inception, the maximum ABLE contribution was limited to the gift tax annual exclusion amount. Now, it has been de-

coupled from the annual exclusion gift tax amount, but like the annual exclusion amount (which remains at \$19,000 for 2026) it will be annual adjusted for cost-of-living.

**ABLE-to-Work Permanent:** The One Big Beautiful Bill Act (OB3) made the ABLE-to-Work provision permanent. Consequently, ABLE beneficiaries can now deposit a portion (perhaps all) of their income into their ABLE account **beyond** the new \$20,000 annual limit.

**529 Rollover:** The OB3 also extends the tax-free rollovers from a 529 higher education account into an ABLE account. However, those 529 rollovers are limited to the same annual \$20,000 maximum, and a rollover will also be applied against any other ABLE contributions in the 'rollover' year.

**Planning Point:** If a disabled person already has a 'special needs trust' established for his/her benefit, e.g., one that holds the beneficiary's inheritance, that trust could be drafted, or amended, to authorize the trustee to make direct contributions to the ABLE account for that beneficiary up to the \$20,000 maximum.

**Conclusion:** ABLE accounts provide a unique estate and special needs planning device for disabled individuals and their families. These 2026 changes will be helpful when either drafting trusts or gift- planning for disabled individuals.

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