

Pennsylvania Achieving a Better Life Experience (PA ABLE) Savings Program

On October 30, 2017, Governor Tom Wolf signed into law Act 43, providing taxing provisions related to the Pennsylvania Achieving a Better Life Experience (PA ABLE) savings program.

WHAT IS PENNSYLVANIA ABLE?

PA ABLE is a program that allows eligible individuals with qualified disabilities, and their families and friends, a tax-free way to save for disability-related expenses through an IRC § 529A ABLE savings account while maintaining government benefits. Federal and state law authorized the creation of PA ABLE accounts.

Where can I find out more?

- <http://www.paable.gov/index.html>
- 855-529-ABLE(2253)
- info@paable.gov

WHAT ARE THE TAX CONSEQUENCES?

Are earnings or distributions taxable?

PA ABLE accounts are exempt from all Commonwealth taxation. Further undistributed earnings are not subject to tax.

Distributions from PA ABLE accounts are non-taxable if used for qualified disability expenses of the designated beneficiary.

Are contributions tax deductible?

Beginning with tax year 2017, contributions to a PA ABLE account are deductible for Pennsylvania personal income tax purposes. A taxpayer may deduct a maximum contribution amount of \$14,000 per year.

- Deductions claimed cannot reduce the taxpayer's taxable income to less than zero.
- A deduction that exceeds the taxpayer's taxable income for the tax year cannot be carried forward or back to other tax years.

A taxpayer and spouse each may deduct up to \$14,000 of contributions per tax year. **Note:** The Internal Revenue Code limits the total yearly contributions from all contributors to any single ABLE account to \$14,000.

IMPORTANT: *Only contributions to PA ABLE accounts qualify for this tax deduction.*

Can I claim a rollover as a deduction?

You may not claim a deduction for a rollover of amounts from one PA ABLE account into another PA ABLE account (or any other IRC Section 529A account). You also may not claim a deduction for changing of beneficiaries of a PA ABLE account.

How do I claim a deduction for PA PIT?

In order to claim a deduction, you must complete and attach the PA Schedule O to your PA-40, Personal Income Tax return. The name and social security number of the beneficiary for whom a contribution was made must be provided.