

## 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](mailto: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. For tax year 2018 and 2019 a taxpayer may deduct a maximum contribution amount of \$15,000 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 \$15,000 of contributions per tax year. **Note:** The Internal Revenue Code limits the total yearly contributions from all contributors to any single ABLE account to \$15,000.

**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.

#### Tax Year Contribution Limits

- 2019 - \$15,000
- 2018 - \$15,000
- 2017 - \$14,000