
OLR Bill Analysis

HB 6753

AN ACT CONCERNING ABLE ACCOUNTS.

SUMMARY

This bill makes several changes to the state treasurer's federally qualified Achieving a Better Life Experience (ABLE) program (see BACKGROUND). Specifically, it:

1. requires the state treasurer to designate a director of outreach for the ABLE program who must coordinate outreach and marketing efforts for ABLE accounts (§ 1);
2. authorizes a personal income tax deduction for contributions made to ABLE accounts up to \$5,000 for individual taxpayers or \$10,000 for joint filers (§ 2);
3. establishes a credit against the corporation business and personal income taxes for contributions employers make into employees' ABLE accounts capped at \$10,000 per employee per year (§ 3); and
4. exempts ABLE accounts, to the extent allowed by federal law, from claims by the state against the estates of Medicaid beneficiaries (§ 4).

EFFECTIVE DATE: October 1, 2023, except the tax deduction and tax credit provisions take effect January 1, 2024, and apply to taxable and income years beginning on or after that date.

INCOME TAX DEDUCTION

Under the bill, the deduction is allowed for contributions made to ABLE accounts established through Connecticut's ABLE program and capped at \$5,000 for individuals and \$10,000 for joint filers.

A similar deduction applies under existing law for contributions to Connecticut Higher Education Trust (CHET) accounts (the state's 529 education savings plan). The deduction is capped at \$5,000 for individuals and \$10,000 for joint filers, and any contribution that is not deducted in the taxable year in which it was made may be carried forward for the succeeding five years, subject to the cap (CGS § 12-701a). (The bill does not specify whether the ABLE account deduction is limited to contributions made in the taxable year or whether contributions may be carried forward.)

EMPLOYER ABLE ACCOUNT CONTRIBUTION TAX CREDIT

Under the bill, taxpayers may claim this credit against the corporation business or personal income tax (but not the withholding tax) for contributions they make to the state-administered ABLE accounts of their employees, up to \$10,000 per employee per income or taxable year, as applicable. (It is unclear if the bill applies to contributions to just ABLE accounts that employees establish for themselves or if it extends to cover those that employees establish on behalf of someone else, like a child.)

The tax credit under the bill may be claimed by the shareholders or partners of S corporations or entities treated as partnerships for federal income tax purposes. For single member limited liability companies treated as disregarded entities for federal tax purposes, it may be claimed by their owners.

BACKGROUND

ABLE Program

Similar to 529 plans for education savings, ABLE accounts (also known as 529A plans) are tax-advantaged savings plans designed to encourage savings for a designated beneficiary's future expenses. They allow individuals to retain assets to offset costs associated with living with a disability (up to certain account limits) without affecting eligibility for means-tested public programs such as supplemental security income (SSI) and Medicaid. Individuals may open an ABLE account, or one may be opened on their behalf, if they developed their disability before age 26 and either (1) qualify for SSI or Social Security

disability income (SSDI) or (2) have a certification from a licensed physician stating that their disability meets the “marked and severe” standard set forth in federal law. Account funds may be used to cover “qualified disability expenses,” which are disability-related expenses that help increase or maintain a person’s health, independence, or quality of life (e.g., housing, transportation, education, and assistive technology costs).

Total annual contributions to an ABLE account by all individuals are generally capped at the federal gift tax exclusion amount (\$17,000 per year, as of January 1, 2023), though certain employed ABLE account owners may make additional deposits.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 12 Nay 0 (03/07/2023)