

2018 Legislation and Changes Regarding College Savings and ABLE

On December 22, 2017, Congress passed the *Tax Cuts and Jobs Act* which included changes to 529 and 529A Savings Programs.

- Effective December 23, 2017, individuals with disabilities will be able to rollover funds from a traditional 529 College Savings Account to an ABLE Account without incurring any tax or penalty. Funds are subject to the annual contribution limit for any given tax year. Sunsets on 1/1/2026.
- Effective December 23, 2017, The *ABLE to Work Act* allows account owners who are employed to be eligible to contribute above the \$15,000 annual contribution limit. This is limited to the lesser of the account owner's annual compensation (current year) or the prior year's Federal Poverty Limit for a one-person household (currently \$12,060), potentially allowing as much as \$27,060 in deposits per year. Questions remain about aspects of the provision relating to these increased contributions and may require guidance from the U.S. Dept. of Treasury. Sunsets on 1/1/2026.
- Effective December 23, 2017, ABLE account owners who choose to contribute into their own ABLE account may now be eligible to take advantage of the Retirement Savings Contributions Tax Credit (otherwise known as the Saver's Credit). Contributions are limited to \$2,000. Income limits apply and beneficiary must be 18 or older and cannot be a full-time student or dependent on another person's tax return. Sunsets on 1/1/2026.
- Effective January 1, 2018, the annual contribution limit is increased to \$15,000 (previously \$14,000). This change is due to the annual gift tax exclusion increase.
- Effective January 1st, 2018, Section 529 of the IRS Code now includes K-12 expenses for tuition at public, private or religious schools up to \$10,000 a year. In the Alabama Legislature, Sen. Dick Brewbaker and Rep. Ken Johnson have sponsored bills to update the Alabama law to allow for these changes. The bills were introduced the week of January 15th and are moving through the process.
- The language to give full financial powers to guardians in Alabama for ABLE purposes was also included in the bills sponsored by Sen. Brewbaker and Rep. Johnson. This was discussed in the November Board meeting.