


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: September 28, 2015

SUBJECT: Fiscal Impact Statement – “ABLE Program Trust Establishment Act of 2015”

REFERENCE: Bill 21-252, Bill as Introduced

Conclusion

Funds are sufficient in the FY 2016 through FY 2019 budget and financial plan to implement the bill.

Background

In 2014, Congress authorized¹ the establishment of state-run ABLE accounts. ABLE accounts are special savings accounts for individuals with a disability. Eligible individuals² may open a single account, which can receive up to \$14,000 of after-tax dollars, including contributions from their family and friends and the contributions to these accounts do not count as assets in means-tested government benefits³. Earnings accumulate tax-free, and account holders may use distributions from the fund for qualified disability expenses⁴.

¹ Stephen Beck Jr. Achieving a Better Life Experience Act of 2014, approved December 19, 2014 (128 Stat. 4056; 26 U.S.C. 529A).

² The bill defines “eligible individual” as an individual who during the taxable year is entitled to benefits based on blindness or disability under title II or XVI of the Social Security Act, and the blindness or disability occurred prior to age 26, or a disability certification with respect to such individual is filed with the OCFO for such taxable year, as defined in federal ABLE act.

³ So long as the account does not exceed \$100,000 in accumulated assets, account holders are exempt from the \$2,000 limit on personal assets for Medicaid and Supplemental Security Income (SSI.)

⁴ The bill defines “qualified disability expense” as expenses related to the eligible individual’s blindness or disability that are made for the benefit of an eligible individual who is the designated beneficiary, including expenses for: education, housing, transportation, employment training and support, assistive technology, health prevention and wellness, financial management and administrative services, legal fees, expenses for

The Honorable Phil Mendelson

FIS: "ABLE Program Trust Establishment Act of 2015," Bill 21-252, Bill as Introduced.

The bill authorizes the Office of the Chief Financial Officer to establish a 529-ABLE program in the District. The OCFO will contract with a financial services provider to operate the program, similar to the way in which the OCFO manages the 529 College Savings Program.

Financial Plan Impact

Funds are sufficient in the FY 2016 through FY 2019 budget and financial plan to implement the bill.

The Office of Finance and Treasury will offer the ABLE accounts through an outside vendor; this is similar to the management of the District's 529 College Savings program and the same vendor may administer it. The vendor will cover its management costs, such as custodial, marketing, and accounting costs through fees assessed on account deposits. Until the number of accounts and total assets are sufficient to cover vendor costs, it is likely the District will need to pay administrative fees to the vendor.

The Office of Finance and Treasury can absorb the fees, estimated to be approximately \$200,000 annually, and the cost of managing the program with its current personnel.

Individuals cannot deduct their contributions to ABLE accounts from their annual incomes. For this reason, the tax implications of the ABLE accounts proposed by this bill are limited. Capital gains realized by the accounts are exempt from taxes. While this is a potential revenue loss, we expect it to be *de minimis*.

overnight monitoring, funeral and burial expenses, and other expenses consistent with the federal ABLE act, and approved by the OCFO.