

## ABLE Accounts are in the Tax Code...

Practical tax rules, SNT coordination and basic SSI/ISM  
Where ABLE fits in planning and where its limits matter

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Stetson Tax Intensive  
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## ABLE in the distribution plan

ABLE tax rules and qualified spending

Coordination with special needs trusts

SSI income, resources and shelter



IRC § 529A, POMS SI 01130.740, Stetson Tax Intensive, October 21, 2026

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## Three questions for every dollar

**Income tax**  
Who reports income, and what tax remains?

**Public benefits**  
What counts as income or a resource, and when?

**Control and administration**  
Who can act, and what happens at death?



IRC §§ 529, 529A, 661-662, POMS SI 01130.740

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## ABLE's federal tax framework

### After-tax contributions

Earnings grow without current federal income tax.

Qualified withdrawals remain excluded.

Trust contributions have a separate tax analysis.

IRC § 529A(c), IRC §§ 661-662. Details and authorities in notes



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## ABLE rules for 2026

### Disability onset before age 46.

One ABLE account per eligible beneficiary.

General annual contribution limit: \$20,000 in aggregate.

Eligible workers may contribute more under ABLE to Work.

IRC § 529A(b), (e), Rev. Proc. 2025-32 § 3.34

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## Qualified disability expenses

### Related to the beneficiary's blindness or disability.

For the beneficiary's health, independence or quality of life.

Includes basic living expenses and housing.

Medical necessity is not required.

IRC § 529A(e)(5), Treas. Reg. § 1.529A-1(b)(15)

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Trump Accounts: rollover to ABLE

Only in the calendar year the beneficiary turns 17.

Entire balance moves directly, trustee to trustee.

The beneficiary must be the same and ABLE-eligible.

The qualifying rollover bypasses the ordinary ABLE contribution cap.

IRC §§ 530A(d)(4), 529A(b)(2)(B), (b)(6), Notice 2025-68

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Review: SNT tax classification

| Trust type                 | Who reports income?                                         |
|----------------------------|-------------------------------------------------------------|
| Grantor trust              | The deemed owner                                            |
| Nongrantor trust           | The trust and/or beneficiary                                |
| Qualified disability trust | A qualifying nongrantor trust can claim a special deduction |

IRC §§ 641-643, 671-679

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Review: QDT deduction and DNI

2026 QDT deduction: \$5,300, if the trust qualifies.

Distribution deduction: generally limited to DNI.

The beneficiary reports the DNI carried out.

Capital gains often remain taxable at the trust.

IRC §§ 642(b)(2)(C), 643, 661-662, Rev. Proc. 2025-32 § 3.35

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### Comparison 1: \$80,000 in each vehicle

Same assets and earnings. No administrative expenses, fees or state taxes.

| 2026 ordinary interest: \$4,000 | ABLE            | Qualifying QDT                  |
|---------------------------------|-----------------|---------------------------------|
| Retain all earnings             | \$0 current tax | \$0 tax after \$5,300 deduction |
| Ending balance                  | \$84,000        | \$84,000                        |

IRC §§ 529A(c), 642(b)(2)(C). Rev. Proc. 2025-32 § 3.35

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### Comparison 2: \$160,000 with \$10,000 spending

No administrative expenses, fees or state taxes.  
ABLE balances above \$100,000 can affect SSI.

| 2026 result                  | ABLE                    | Nongrantor third-party SNT               |
|------------------------------|-------------------------|------------------------------------------|
| Ordinary interest            | \$8,000                 | \$8,000 DNI                              |
| Qualified spending           | \$10,000                | \$10,000 distribution                    |
| Federal tax at vehicle level | \$0                     | \$0 after \$8,000 distribution deduction |
| Beneficiary gross income     | \$0 from QDE withdrawal | \$8,000 K-1 interest                     |
| Ending balance               | \$158,000               | \$158,000                                |

IRC §§ 529A(c), 643(a)(2), 661-662. Assumptions and clarification in notes

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### The beneficiary's return

| \$8,000 K-1 interest, no other income | Full single deduction | Adult dependent            |
|---------------------------------------|-----------------------|----------------------------|
| 2026 standard deduction               | \$16,100              | \$1,350                    |
| Taxable income                        | \$0                   | \$6,650                    |
| Federal income tax                    | \$0                   | About \$665 before credits |

Rev. Proc. 2025-32 §§ 3.01, 3.14. IRC § 63(c)(5)

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Retained earnings: the \$200,000 sensitivity

No administrative expenses, fees or state taxes.  
ABLE balances above \$100,000 can affect SSI.

| \$10,000 ordinary interest, no distributions | ABLE               | Qualifying QDT                  |
|----------------------------------------------|--------------------|---------------------------------|
| Taxable income at vehicle level              | \$0 current income | \$4,700 after \$5,300 deduction |
| Federal income tax                           | \$0                | \$666                           |
| Ending balance                               | \$210,000          | \$209,334                       |

Rev. Proc. 2025-32 §§ 3.01, 3.35. POMIS SI 01130.740(C)(3)

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Non-QDE distribution: the actual tax

| Annual distribution facts                                  | Amount   |
|------------------------------------------------------------|----------|
| Gross distributions                                        | \$10,000 |
| Reported earnings within distributions                     | \$2,000  |
| QDEs                                                       | \$9,000  |
| Taxable earnings: $\$2,000 \times (\$1,000 \div \$10,000)$ | \$200    |
| 10% additional tax: $\$200 \times 10\%$                    | \$20     |

IRC § 529A(c)(1), (3). Illustration assumes no exception

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Form 1099-QA

| Form field            | What it tells the preparer                      |
|-----------------------|-------------------------------------------------|
| Box 1                 | Gross distributions                             |
| Box 2                 | Earnings included in distributions              |
| Box 3                 | Contribution basis                              |
| Beneficiary's records | Whether annual spending satisfies the QDE rules |

Form 1099-QA (Rev. April 2025). IRC § 529A(c)

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### Annual ABLE reconciliation

Account statements establish contributions and withdrawals.

Receipts and invoices establish qualified spending.

Annual distributions and QDEs determine taxable earnings.

Monthly withdrawal timing determines separate SSI resource issues.

IRC § 529A(c), POMS SI 01130.740(C)-(F)

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### SSA review of ABLE distributions

SSA develops withdrawals when funds appear retained into later months.

Staff verify amount, date and recipient.

Staff obtain and accept the person's allegation of intended use.

The IRS QDE analysis remains separate.

POMS SI 01130.740(F)(1)-(2)

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### Retained withdrawals and SSI

| Withdrawal use | During receipt month | If retained into next month    |
|----------------|----------------------|--------------------------------|
| Housing        | Not SSI income       | Countable resource             |
| Non-QDE        | Not SSI income       | Countable resource             |
| Nonhousing QDE | Not SSI income       | Conditional resource exclusion |

POMS SI 01130.740(C)(4)-(5), (D)(2)

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### Rent paid through ABLE

Housing is a QDE. The month boundary still matters.

| Timing                                | SSI result for the withdrawn money        |
|---------------------------------------|-------------------------------------------|
| Withdraw May 10, pay May rent May 10  | No retained withdrawal on June 1          |
| Withdraw May 28, pay June rent June 3 | Money held on June 1 counts as a resource |

POMS SI 01130.740(C)(4), (D)(2), SI 01110.600

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### Change of purpose: two different dates

| Previously excluded nonhousing funds      | Resource consequence                     |
|-------------------------------------------|------------------------------------------|
| Later spent on housing or a non-QDE       | Count amount spent in the spending month |
| Intent changes while funds remain unspent | Count beginning the following month      |

POMS SI 01130.740(D)(3), (F)(3)

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### An SNT contribution to ABLE

**SSI: a permissible third-party contribution can be excluded.**

Tax: the trust payment may carry out DNI to the beneficiary.

Administration: annual contribution capacity and spending dates matter.

Beneficiary-owned income keeps its income character.

POMS SI 01130.740(C)(1), IRC §§ 661–662

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**Audience exercise: the \$600,000 SNT**

\$600,000 nongrantor third-party SNT

\$18,000 of income

\$8,000 of expected QDEs

**Would you move all \$18,000 into ABLE?**

IRC § 642(b)(2)(C), 661-663. Article example 1

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**A parent-owned 529 after diagnosis**

**A disability diagnosis can create a planning choice.**

Parents may retain the 529 for qualifying education.

An adult designated beneficiary generally does not own the parent's account.

A limited rollover can fund broader ABLE spending.

IRC § 529, POMS SI 01140.150(C)-(D)

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**529 ownership and SSI**

| Account ownership                        | SSI resource analysis                     |
|------------------------------------------|-------------------------------------------|
| Parent owns, beneficiary age 18 or older | Generally the parent's resource           |
| Parent owns, beneficiary under 18        | Parent-to-child deeming may apply         |
| Beneficiary owns                         | Account may be the beneficiary's resource |
| Third-party SNT owns                     | Review trust rights and account terms     |

POMS SI 01140.150, SI 01330.200, SI 01120.200

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529 qualified education spending

Tuition, fees and required books or equipment.

Qualifying apprenticeships and credentialing.

Special-needs services connected with enrollment or attendance.

Room and board has separate attendance and dollar limits.

IRC § 529(e), (f), IRS Publication 970

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Investment authority and remainder planning

| Planning issue           | ABLE                          | Third-party SNT                 |
|--------------------------|-------------------------------|---------------------------------|
| Ownership                | Beneficiary owns              | Trustee holds under trust terms |
| Investments              | Sponsoring program menu       | Instrument and fiduciary law    |
| Remaining funds at death | Possible state Medicaid claim | Remainder provisions govern     |

IRC § 529A(b)(4), (f), CMS SMD #17-002

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Medicaid and HUD use different rules

| Program  | ABLE                                      | 529                                                    |
|----------|-------------------------------------------|--------------------------------------------------------|
| SSI      | \$100,000 account exclusion               | Ownership and deeming matter                           |
| Medicaid | Full account disregard under CMS guidance | MAGI has no asset test. Non-MAGI requires state review |
| HUD      | Express ABLE exclusions                   | HOTMA excludes account value and income/distributions  |

CMS SMD #17-002, 24 C.F.R. §§ 5.603, 5.609, HUD Notice 2019-09

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**Annual trustee review**

Compute the trust's taxable income and DNI.

Check beneficiary tax status and planned spending.

Confirm ABLE capacity, support and withdrawal timing.

Document the tax and benefits result for each payment.

IRC §§ 661-663, POMS SI 01130.740

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**The combined planning result**

The SNT can retain long-term assets and fiduciary control.

ABLE can support planned spending and beneficiary participation.

529 can preserve education options and donor planning.

The transaction determines the tax and benefits outcome.

IRC §§ 529, 529A, 661-662, POMS SI 01130.740

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**Appendix: direct gifts to a trust-owned 529**

An individual donor contributes directly to the 529 plan.

The third-party SNT serves as account owner.

The person with a disability is the designated beneficiary.

Section 529(c)(2) supplies a statutory present-interest rule.

IRC § 529(c)(2). Planning position requires account-specific review

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**Appendix: noneducation 529 withdrawals**

The earnings portion generally enters taxable income.

Disability can except the 10% additional tax.

The exception does not exclude the earnings from income.

Direct shelter payments still need an SSI analysis.

IRC § 529(c)(6), IRS Publication 970, POMS SI 00815.400

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**Appendix: tax authorities**

**ABLE:** IRC § 529A and Treas. Reg. §§ 1.529A-1 through -3.

529: IRC § 529 and IRS Publication 970.

Trust tax: IRC §§ 642–643 and 661–663.

2026 amounts: Rev. Proc. 2025-32 §§ 3.01, 3.14, 3.34–3.35.

Primary authorities and links in speaker notes

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**Appendix: benefits authorities**

**SSI ABLE:** POMS SI 01130.740.

SSI 529: POMS SI 01140.150 and SI 01330.200.

Medicaid: CMS SMD #17-002 and current state policy.

HUD: 24 C.F.R. §§ 5.603, 5.609 and Notice PIH 2019-09.

Primary authorities and links in speaker notes

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**Appendix: developing planning positions**

Direct donor gifts to a trust-owned 529 require plan and trust review.

Scott Trust analysis is fact-specific regional guidance.

Announcement 2008-17 does not settle all trust-contributor issues.

Trump-account rollover procedures require current guidance.

IRC §§ 529(c)(2), 530A(d)(4), POMS PS 01825.025

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