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Notice 2018-62: Future regulations on contribution limits for ABLE accounts

The IRS today released an advance version of Notice 2018-62 stating that the U.S. Treasury Department and IRS intend to issue proposed regulations to clarify the contribution limits provided in section 529A(b)(2) with respect to "achieving a better life experience" (ABLE) accounts.

ABLE accounts are designed to allow disabled individuals and their families to save and pay for disability-related expenses. The contribution limits for ABLE accounts and other provisions of section 529A were modified by the new tax law (Pub. L. No. 115-97, enacted December 22, 2017).

Notice 2018-62 [PDF 66 KB] announces that the to-be-issued proposed regulations will aim to clarify measures in the new tax law that increase the contribution limits to ABLE accounts from certain designated beneficiaries.

ABLE accounts

A related **IRS transmittal message** explains that Notice 2018-62:

- Provides that in addition to the annual gift tax exclusion, a designated beneficiary who works may also contribute up to the lesser of: (1) the designated beneficiary's compensation for the tax year, or (2) the poverty line for a one-person household in the state in which the designated beneficiary lives

- States that an employed designated beneficiary is not eligible for the increased contribution limit for the tax year if any contribution is made on behalf of the employee to a 401(a) defined contribution plan or 403(a) annuity contract, a 403(b) annuity contract, or a 457(b) eligible deferred compensation plan

Before the future proposed regulations are issued, Notice 2018-62 states that taxpayers, beneficiaries, and administrators of ABLE programs may rely on this notice. Comments are requested on the issues addressed Notice 2018-62; the due date for comments is November 1, 2018.