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[HF 835](#) – Achieving a Better Life Experience (ABLE) Accounts (LSB1093HV.1)  
Staff Contact: Jess Benson (515.281.4611) [jess.benson@legis.iowa.gov](mailto:jess.benson@legis.iowa.gov)  
Fiscal Note Version – Final Action

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## **Description**

[House File 835](#) amends various provisions related to the Iowa Achieving a Better Life Experience (ABLE) Savings Plan Trust Accounts.

The Bill allows a person other than the account owner to enter into a participation agreement and have signature authority over the ABLE Account on behalf of the account owner in accordance with the Internal Revenue Code and regulations promulgated under federal law.

The Bill also allows any funds retained in a Medical Assistance Special Needs Trust or in a Supplemental Needs Trust to be transferred to the ABLE Account of the designated beneficiary.

The Bill specifies that to the extent allowed under federal law, the Department of Human Services (DHS) cannot seek recovery of any account balance remaining in the designated beneficiary's ABLE Account for Medicaid, and any remaining account balance may be transferred to another eligible individual or to the estate of the designated beneficiary or to the successor.

## **Background**

ABLE Accounts allow individuals and families to save for qualified disability expenses without losing eligibility for certain assistance programs, like Supplemental Security Income (SSI) and Medicaid. The earnings on investments are federally tax-deferred and tax-free if used for qualified disability expenses. ABLE Accounts are limited to \$100,000 without affecting Medicaid eligibility, and the annual contribution to an ABLE Account is limited to \$15,000 per year. In addition, ABLE Accounts may be canceled at will, with the account owner receiving the balance.

## **Assumptions**

- As of January 19, 2021, there were 385 Medicaid Special Needs Trusts monitored by the DHS, with a total of \$53.2 million invested, and total funds have been increasing by 6.0% annually. This includes:
  - 207 Accounts contain less than \$100,000, for a total of \$6.7 million.
  - 107 Accounts contain more than \$100,000, of which \$100,000 may be available to move to ABLE Accounts, for a total of \$10.7 million.
  - 71 individuals have not yet reported the balance of their Account. They are required to file a report on the Account with the DHS annually.
- A maximum of \$15,000 per year may be moved from a Medicaid Special Needs Trust to an ABLE Account.
- Supplemental Needs Trusts may also be impacted. The DHS does not have data on the number of Supplemental Needs Trusts or the balances in the Trust accounts.

**Fiscal Impact**

The fiscal impact of HF 835 cannot be determined, but it will likely lead to a significant reduction in Medicaid recoveries over time. If all current Medicaid Special Needs Trust beneficiaries qualify for an ABLÉ Account, up to \$17.4 million could be transferred to an ABLÉ Account over a seven-year time period, in addition to the unknown impact from the Supplemental Needs Trusts. This could result in fewer potential Medicaid recoveries due to less rigid guidelines to withdraw funds from an ABLÉ Account and due to the prohibition on Medicaid recovering ABLÉ Account balances. The DHS recovered \$1.1 million from the six largest Medicaid Special Needs Trusts in calendar year 2020.

**Source**

Department of Human Services

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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