



Estimated Number of ABLE Act Participants

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The ABLE Act allows eligible individuals with disabilities to hold assets up to \$100,000 in a tax advantaged savings account without jeopardizing their eligibility for SSI, Medicaid and other means-tested public benefits. The Act limits eligibility to people who meet the SSI definition of disability and whose disability began prior to age 26.

Based on data from a variety of sources (shown below), we estimate 2.6 – 4 million children and 4.1-8 million adults will be eligible for ABLE accounts based on their disability status and age of onset.

The actual number of people who open accounts will depend on the characteristics and marketing of the accounts. We believe that these account holders will most likely come from families earning over \$90,000 per year. As shown below, we estimate that this will amount to 575,000- 880,000 children and 1-1.8 million adults.

If the financial product is structured differently, however, lower income families may also participate. Any contributor—the person with a disability, a family member, or a friend, can establish an ABLE account. Once established, anyone can contribute. States can apply some of the lessons learned from their 529 plans to ABLE accounts. For example, some states have adopted strategies to expand participation among lower income families by offering matching programs, low minimum initial contributions, and less risky investment options. One state has focused its marketing on saving an amount as small as \$25 each month.

1. The ABLE legislation

Prior to the ABLE Act families with children or adults with disabilities faced three options: (1) do not save (2) save but risk the individual's eligibility for SSI and other means-tested programs, or (3) establish special needs or supplemental needs trusts. Families chose different options based on their financial situation, the expected costs associated with the disability, their need for means-tested programs and their

knowledge and understanding of the options. The ABLE Act will benefit families who are currently choosing any of these three options.

The ABLE account has two important components: First, assets in an ABLE account and qualified distributions from the account will be disregarded when determining the beneficiary's eligibility for federal means-tested programs. Second, earnings are not taxed and funds can be withdrawn from the account tax-free for eligible expenses.

The ABLE account will have several advantages over a special needs trust: (1) earnings on the ABLE account are tax free compared to a relatively high tax rate on earnings in a special needs trust; (2) The individual with a disability as well as family members and friends can contribute to the account whereas the individual beneficiary cannot contribute to a trust; (3) The individual with a disability controls the ABLE account which gives them an increased level of self-determination and (4) It is less expensive to set up.

The legislation includes two important eligibility requirements that affect the number of people who are likely to open an ABLE account:

1. SSA determination or disability certification from a physician under the SSI definition
2. Onset of disability prior to age 26

Children and adults with disabilities could benefit from different aspects of the program depending on their current situation.

1. *Children with disabilities:* The ABLE accounts will be appealing to parents of children with disabilities, especially those with higher incomes. The tax-exempt account can be used to cover some of their current unreimbursed disability-related expenses. More importantly, by funding the account, the parents or other relatives can provide for children when they become adults without jeopardizing their access to SSI and other means-tested disability related services.
2. *Adult SSI recipients:* These recipient's and their families could use the ABLE account to provide support for the recipient without compromising his or her SSI eligibility. This population is disproportionately poor and, as a result, many will not participate or participate at a very minimal level.
3. *Adults with disabilities who do not participate in SSI* These adults either have work experience which qualifies them for SSDI or they are working, and could theoretically use ABLE accounts for their tax benefits. However, as the onset of their disability had to occur prior to age 26, they most likely did not have time to acquire a substantial amount of assets. Therefore, it is most

likely the case that only a small number of them will have assets that they will want to put into an ABLE account.

2. Estimate of Children with Qualifying Disabilities

Based on estimates from two sources—the 2009/10 National Survey of Children with Special Health Care Needs (NS-CSHCN) and the number of students served under the Individuals with Disabilities Education Act (IDEA) in 2013 as collected by the National Center for Education statistics, between 2.6 and 4 million children are likely to meet the disability criteria in the ABLE Act.

Data from the S-CSHCN indicates that roughly 22% of these children live in families with incomes above 400% of the Federal Poverty Line (FPL). Thus, Between 575,000 and 880,000 school-age children are likely participants in an ABLE program.

Data Sources

Survey of Children with Special Health Care needs: Children with special health care needs are defined in the National Survey of Children’s Health as those who have one or more chronic physical, developmental, behavioral or emotional conditions for which they require an above routine type or amount of health and related services. Based on this definition, 15% of children in the US have a special health care need such as elevated use of medical care; use of prescription medications; use of specialized therapies; emotional, behavioral or developmental issues; or functional limitations. However, many of these children are unlikely to meet the definition of disability as set forth in the ABLE legislation. According to the survey 3.5% of children 0-17 (2.7 million children) have functional limitations—the group that is most likely to meet the ABLE definition ¹

According to the survey data, children with functional limitations are more likely to live in lower-income families than children without disabilities. Of the 2.7 million children that CSHCN identifies with functional limitations, 22% (575,000) have family incomes 400% of FPL or more (\$95,000 for a family of 4-See Appendix 1 for a table of poverty thresholds).

Table I: Income Category of Children with Functional Difficulties on the Survey of Children with Special Health Care Needs

¹ National Survey of Children with Special Health Care Needs. NS-CSHCN 2009/10. Data query from the Child and Adolescent Health Measurement Initiative, Data Resource Center for Child and Adolescent Health website. <http://www.childhealthdata.org/browse/survey/results?q=1828&r=1>. Qualifying disability defined as having a functional limitation

Income Category (as a percent of FPL)	Percent of Families	
	All	With a child with a disability
0-99%	21%	28%
100-199%	21%	23%
200-399%	29%	26%
400% or more	28%	22%

Source: <http://www.childhealthdata.org/browse/survey/results?q=1828&r=1>.

Children receiving Special Education Services under IDEA: According to data compiled by the National Center for Education Statistics, 13% of school-age children receive special education services. Many of these students have learning disabilities or speech/language impairments that are unlikely to be significant enough to meet the ABA Act definition of disability. Excluding these two groups, 5.5% of children (about 4 million children) are likely to meet the criteria.²

3. Estimate of Qualified Adults

Assuming this cohort of children identified above remains roughly the same size as they progress through adulthood, the total number of adults 20-60 who come from families with income over 400% of FPL is twice times the number of children with disabilities or 5.2- 8 million adults with 1.1-1.8 million from families with incomes over 400% of FPL.

Data from the Behavioral Risk Factor Surveillance Survey (BRFSS) and the National Beneficiary Survey of SSI and SSDI beneficiaries both point to the lower end of the estimate.

Data Sources

Population based data from the Behavioral Risk Factor Surveillance Survey (BRFSS): Using the 1998-2000 BRFSS in seven states and the District of Columbia, Jamoom et al estimated that 16% of the adult population had a disability and that 13% of those with a disability (ie. 2% of the total adult population) had a disability with an onset prior to age 21.³ Applying this percentage to the total adult

² Calculated based on National Center for Education Statistics Fast Facts <http://nces.ed.gov/fastfacts/display.asp?id=64>

³Jamoom EW et al (2008). Age at disability onset and self-reported health status. https://www.researchgate.net/publication/5666847_Age_at_disability_onset_and_self-reported_health_status Calculations based on data in Table 1: Sample characteristics by age at onset.

population of 242 million⁴ we estimate that 5 million adults will qualify for the program based on disability status and age of onset.

SSI and SSDI data from the National Beneficiary Survey (NBS): The NBS, administered as part of the evaluation of the Ticket to Work program surveyed 7,500 beneficiaries in 2004 and found that 31.6% reported that the condition causing their disability began prior to age 24. Applying this percentage the total number of SSI and DI beneficiaries, we estimate there are there are 4.1 million current adult SSI/SSDI beneficiaries (ages 18-64) with onsets prior to age 24 (Table II).

Table II: SSI/SSDI Disability Beneficiaries by Age of Disability Onset

	SSI and DI Beneficiaries	SSI only	DI only	Receiving both SSI and DI (Concurrent beneficiaries)
Total (from SSA) ⁵	12,956,156	3,527,788	8,021,728	1,406,640
Age at onset (%) (from MPR analysis of NBS) ⁶				
<18	21.7	35.2	10.4	31.8
18-24	9.9	11.4	8.1	12.4
25-39	24.1	24.5	24.2	23
40-54	31.6	21	40.4	24
55-64	9.6	4.3	14.1	5.6
Missing	3.2	3.6	2.9	3.3
N onset less than 24	4,094,145	1,643,949	1,484,020	621,735

4. Estimate of SSI recipients who have families with resources

The ABLE program is most beneficial for SSI recipients and those who expect to become SSI recipients in the future. The ABLE Act allows the SSA to disregard assets in the ABLE account in determining their future eligibility.

1.3 million children below age 18 receive SSI benefits based on their disability status. The SSI program counts a portion of the income and assets of the parent in

⁴http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_D_P05&prodType=table

⁵ Data from SSA: http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2013/sect03.html . 8,021,728 SSDI only; 3,527,788 SSI only; 1,406,640 both SSDI and SSI.

⁶ Thornton et al (2006). Evaluation of the Ticket to Work Program: Implementation Experience During the Second Two Years of Operations (2003-2004) http://www.ssa.gov/disabilityresearch/ttw2/ttw_report2.pdf (Table c.9)

determining whether a child under age 18 meets the financial criteria for SSI (this is called “deeming”). Thus, child SSI recipients come from low income families.

At age 18, the parent’s income is no longer “deemed” so children with disabilities from higher income families become eligible for SSI benefits. SSA does not collect data specifically about this population but we can infer the relevant figure from the following data:

In 2013, there were 134,823 SSI applications⁷ and 48,395 allowances⁸ for those 18-21. This is the upper estimate of children who would have been child beneficiaries but had family incomes that exceeded the eligibility threshold.

As shown in Table III there is a jump in applications in the 18-21 age group. The number of new recipients who would have been eligible earlier had their parent’s income not been deemed is likely the difference between the actual number of allowances (48,395) and the number that could be predicted based on the 13-17 and 22-25 age categories (ie. around 25,000). Thus it is likely that the actual number of awards to individuals who have parents (or guardians) who are not poor is about 23,000 per year.

Table III: SSI Awards by Age, 2013

Age	Number of SSI Awards 2013
Under 5	78,518
5-12	71,564
13-17	24,918
18-21	48,395
22-25	26,001
26-29	25,239
30-39	74,805
40-49	126,061
50-59	259,105
60-64	63,783

These families are the most likely to start up ABLE accounts because they have more assets and need to protect the individual’s access to SSI and Medicaid. Following this cohort through childhood and adulthood indicates that there would be 414,000 children (23,000 multiplied by 18 years) and 1.1 million adults 19-65 (23,000 multiplied by 46 years) in this critical group.

⁷ Table 59 http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2013/sect08.html

⁸ Table 65 http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2013/sect09.html

5. Estimate based on CBO estimate of reduced tax revenues

The Committee Report provides a cost estimate prepared by the Congressional Budget Office (CBO).⁹ CBO estimated that the Act would reduce tax revenues by 898 million over 10 years but did not provide details of the estimate. Table IV uses the CBO estimate to develop an estimate of the number of people CBO expected would use the program.

Table IV: Estimate of ABLE participants based on CBO estimate of reduction in tax revenue.

R1	Reduced tax revenue each year	\$89,900,000	CBO estimated reduced tax revenue of \$898,000,000 over 10 years. (This is rough because it does not adjust for present discounted value)
R2	Amount of earnings needed to generate the 89.9 million of taxes per year	\$899,000,000	This is assuming an average tax rate of 10%.
R3	Amount of principle in the accounts to generate the earnings in R2	\$9 billion	This is assuming a return rate of 10% in each account
R4	Number of accounts	600,000	Assuming that on average, each account has a balance of \$15,000

This approach yields the same results as experience in the 529 plans. GAO reported that in 2012, 529 plans had 11 million participants, \$167 billion in assets and estimated forgone tax revenue of \$1.6 billion. In other words: The foregone tax revenue is 1% of assets and each account has a balance of 15,000.

⁹ Committee on Ways and Means, report for HR 647. <https://www.congress.gov/congressional-report/113th-congress/house-report/614/1>

Appendix: Income Distribution and Poverty Guidelines

Selected Characteristics of Families by Total Money Income in 2013

	All Families	No related children	One or more related children	One child	Two children or more
Total (in \$ thousands)	81,217	42,871	38,346	16,674	21,672
Under 25,000	16.2%	13.3%	19.5%	19.6%	19.4%
25,000-49,999	22.8%	23.8%	21.6%	21.8%	21.4%
50,000-74,999	18.7%	20.5%	16.6%	17.1%	16.1%
75,000-99,999	13.9%	14.5%	13.2%	13.2%	13.2%
100,000-149,999	15.5%	15.3%	15.8%	15.4%	16.2%
150,000+	12.9%	12.6%	13.3%	12.9%	13.7%
over 75,000	42.4%	42.4%	42.3%	41.4%	43.0%

Source: U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement.

2014 POVERTY GUIDELINESS FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA		
Persons in family/household	poverty guideline	400% of FPL
1	\$11,670	\$46,680
2	15,730	\$62,920
3	19,790	\$79,160
4	23,850	\$95,400
5	27,910	\$111,640
6	31,970	\$127,880
7	36,030	\$144,120
8	40,090	\$160,360
For families/households with more than 8 persons, add \$4,060		