



Testimony of Denise L. Nappier  
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SUBMITTED TO THE COMMITTEE ON FINANCE, REVENUE AND BONDING  
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Senator Fonfara, Representative Berger, and Members of the Committee: thank you for the opportunity to present testimony this afternoon in support of **Raised Bill 7038, *An Act Concerning the Establishment of tax-free accounts to provide for disability related expenses pursuant to the Federal Achieving a Better Life Experience Act.*** Passage of this legislation will ensure that individuals with disabilities in this state can save for qualified disability expenses without fear that their federal means-tested benefits will be jeopardized. I urge your favorable report.

Throughout my years of public service, I have been a strong advocate of measures that have helped our citizens overcome obstacles to their financial self-sufficiency and well-being -- whether involving financial literacy, college savings accounts, IDAs, or other measures that remove barriers to advancement and help people help themselves. Today, I am pleased to support another such measure, Connecticut's ABLE Act, which will provide assistance to our citizens with disabilities.

This legislation is enormously important. A recent report by the National Council on Disability showed that one in three disabled individuals lives below the poverty level, currently \$11,670 for a single person. A 2012 report by the Financial Industry Regulatory Authority found that 78% of people with disabilities found it difficult to make ends meet, compared with 56% of people without disabilities.

Federal Medicaid rules have restricted an individual's ability to accumulate more than \$2,000 in assets without jeopardizing their eligibility for benefits, leaving disabled individuals unable to save for expenses that could help them get ahead, or simply make their lives easier or improve their ability to live independently. These asset restrictions, while intended to protect the public fisc, have enforced a life of poverty and dependency on many individuals with disabilities, as eligibility for services depends upon their qualification for Medicaid.

The federal ABLE Act, and this enabling state legislation, marks the beginning of a new chapter. Under this legislation, disabled individuals will be able to open accounts to save for qualified disability expenses, including education expenses, job training, assistive technology, the down payment for an apartment, transportation expenses, and other expenses as yet to be defined by the Secretary of the Treasury. Although contributions to an ABLE account, up to the federal gift tax limit (currently \$14,000 annually), are not exempt from federal income taxes, the investment earnings and withdrawals would be tax free. In addition, this bill allows an unlimited Connecticut state income tax deduction for contributions to ABLE accounts. By comparison, for the Connecticut Higher Education Trust ("CHET"), the Legislature authorized a state income tax deduction of up to \$5,000 for individuals making contributions and \$10,000 for those filing joint returns.

By loosening the asset restrictions to allow disabled individuals or their families to save for qualified disability expenses, we are providing disabled citizens the tools to achieve financial security and eventual economic self-sufficiency. It will also allow families to save and pay for expensive medical and behavioral treatment that often is not covered or fully covered by insurance. This is sound public policy that deserves your support.

Following President Obama's signing of the federal ABLE Act in December, the U.S. Treasury Department has been tasked with developing regulations which would specify eligibility requirements and other details for administering this tax-advantaged program. Final regulations are expected mid-2015. Once this federal guidance is in place, and assuming that this bill is enacted, work can then begin to issue a request for proposals for managing the program. That would likely take several months, depending on the timing of final regulations. So, notwithstanding the October 1 effective date of the raised bill, the opening of ABLE Accounts will ultimately depend on the timely adoption of federal regulations and the outcome of the process to select a manager to administer this program.

Thank you for the opportunity to testify in support of this important measure.