

AN ACT concerning State government.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The State Treasurer Act is amended by changing Section 16.6 as follows:

(15 ILCS 505/16.6)

Sec. 16.6. ABLE account program.

(a) As used in this Section:

"ABLE account" or "account" means an account established for the purpose of financing certain qualified expenses of eligible individuals as specifically provided for in this Section and authorized by Section 529A of the Internal Revenue Code.

"ABLE account plan" or "plan" means the savings account plan provided for in this Section.

"Account administrator" means the person selected by the State Treasurer to administer the daily operations of the ABLE account plan and provide marketing, recordkeeping, investment management, and other services for the plan.

"Aggregate account balance" means the amount in an account on a particular date or the fair market value of an account on a particular date.

"Beneficiary" means the ABLE account owner.

"Board" means the Illinois State Board of Investment.

"Contracting state" means a state without a qualified ABLE program which has entered into a contract with Illinois to provide residents of the contracting state access to a qualified ABLE program.

"Designated representative" means a person who is authorized to act on behalf of an account owner. An account owner is authorized to act on his or her own behalf unless the account owner is a minor or the account owner has been adjudicated to have a disability so that a guardian has been appointed. A designated representative acts in a fiduciary capacity to the account owner. The State Treasurer shall recognize a person as a designated representative without appointment by a court in the following order of priority:

- (1) The account owner's plenary guardian of the estate, or the account owner's limited guardian of financial or contractual matters. Any guardian acting in this capacity shall not be required to seek court approval for any ABLE qualified distributions.

- (2) The agent named by the account owner in a property power of attorney recognized as a statutory short form power of attorney for property.

- (3) Such individual or entity that the account owner so designates in writing, in a manner to be established by the State Treasurer.

- (4) Such other individual or entity designated by the

State Treasurer pursuant to its rules.

"Disability certification" has the meaning given to that term under Section 529A of the Internal Revenue Code.

"Eligible individual" has the meaning given to that term under Section 529A of the Internal Revenue Code.

"Participation agreement" means an agreement to participate in the ABLE account plan between an account owner and the State, through its agencies and the State Treasurer.

"Qualified disability expenses" has the meaning given to that term under Section 529A of the Internal Revenue Code.

"Qualified withdrawal" or "qualified distribution" means a withdrawal from an ABLE account to pay the qualified disability expenses of the beneficiary of the account.

(b) The "Achieving a Better Life Experience" or "ABLE" account program is hereby created and shall be administered by the State Treasurer. The purpose of the ABLE plan is to encourage and assist individuals and families in saving private funds for the purpose of supporting individuals with disabilities to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary's employment, and other sources. Under the plan, a person may make contributions to an ABLE account to meet the qualified disability expenses of

the designated beneficiary of the account. The plan must be operated as an accounts-type plan that permits persons to save for qualified disability expenses incurred by or on behalf of an eligible individual.

The State Treasurer shall promote awareness of the availability and advantages of the ABLE account plan as a way to assist individuals and families in saving private funds for the purpose of supporting individuals with disabilities. The cost of these promotional efforts shall not be funded with fees imposed on participants by the State Treasurer.

The State Treasurer shall not accept contributions for ABLE accounts under this Section until the Internal Revenue Service has issued its final regulations or interim guidance concerning ABLE accounts.

A separate account must be maintained for each beneficiary for whom contributions are made, and no more than one account shall be established per beneficiary. If an ABLE account is established for a designated beneficiary, no account subsequently established for such beneficiary shall be treated as an ABLE account. The preceding sentence shall not apply in the case of an ABLE account established for purposes of a rollover as permitted under Section 529A of the Internal Revenue Code.

An ABLE account may be established under this Section for a designated beneficiary who is a resident of Illinois, a resident of a contracting state, or a resident of any other

state.

Prior to the establishment of an ABLE account, an account owner must provide documentation to the State Treasurer that the account beneficiary is an eligible individual.

Annual contributions to an ABLE account on behalf of a beneficiary are subject to the requirements of subsection (b) of Section 529A of the Internal Revenue Code. No person may make a contribution to an ABLE account if such a contribution would result in the aggregate account balance of an ABLE account exceeding the account balance limit authorized under Section 529A of the Internal Revenue Code. The Treasurer shall review the contribution limit at least annually.

The State Treasurer shall administer the plan, including accepting and processing applications, maintaining account records, making payments, and undertaking any other necessary tasks to administer the plan, including the appointment of an account administrator. The State Treasurer may contract with one or more third parties to carry out some or all of these administrative duties, including, but not limited to, providing investment management services, incentives, and marketing the plan.

In designing and establishing the plan's requirements and in negotiating or entering into contracts with third parties under this Section, the State Treasurer shall consult with the Board. The State Treasurer shall establish fees to be imposed on participants to recover the costs of administration,

recordkeeping, and investment management. The State Treasurer must use his or her best efforts to keep these fees as low as possible, consistent with efficient administration.

The Illinois ABLE Accounts Administrative Fund is created as a nonappropriated trust fund in the State treasury. The State Treasurer shall use moneys in the Administrative Fund to pay for administrative expenses he or she incurs in the performance of his or her duties under this Section. The State Treasurer shall use moneys in the Administrative Fund to cover administrative expenses incurred under this Section. The Administrative Fund may receive any grants or other moneys designated for administrative purposes from the State, or any unit of federal, state, or local government, or any other person, firm, partnership, or corporation. Any interest earnings that are attributable to moneys in the Administrative Fund must be deposited into the Administrative Fund. Any fees established by the State Treasurer to recover the costs of administration, recordkeeping, and investment management shall be deposited into the Administrative Fund.

Subject to appropriation, the State Treasurer may pay administrative costs associated with the creation and management of the plan until sufficient assets are available in the Administrative Fund for that purpose.

Applications for accounts, account owner data, account data, and data on beneficiaries of accounts are confidential and exempt from disclosure under the Freedom of Information

Act.

(c) The State Treasurer may invest the moneys in ABLE accounts in the same manner and in the same types of investments provided for the investment of moneys by the Board. To enhance the safety and liquidity of ABLE accounts, to ensure the diversification of the investment portfolio of accounts, and in an effort to keep investment dollars in the State, the State Treasurer may make a percentage of each account available for investment in participating financial institutions doing business in the State, except that the accounts may be invested without limit in investment options from open-ended investment companies registered under Section 80a of the federal Investment Company Act of 1940. The State Treasurer may contract with one or more third parties for investment management, recordkeeping, or other services in connection with investing the accounts.

The account administrator shall annually prepare and adopt a written statement of investment policy that includes a risk management and oversight program. The risk management and oversight program shall be designed to ensure that an effective risk management system is in place to monitor the risk levels of the ABLE plan, to ensure that the risks taken are prudent and properly managed, to provide an integrated process for overall risk management, and to assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and

standards.

The State Treasurer may enter into agreements with other states to either allow Illinois residents to participate in a plan operated by another state or to allow residents of other states to participate in the Illinois ABLE plan.

(d) The State Treasurer shall ensure that the plan meets the requirements for an ABLE account under Section 529A of the Internal Revenue Code. The State Treasurer may request a private letter ruling or rulings from the Internal Revenue Service and must take any necessary steps to ensure that the plan qualifies under relevant provisions of federal law. Notwithstanding the foregoing, any determination by the Secretary of the Treasury of the United States that an account was utilized to make non-qualified distributions shall not result in an ABLE account being disregarded as a resource.

A person may make contributions to an ABLE account on behalf of a beneficiary. Contributions to an account made by persons other than the account owner become the property of the account owner. Contributions to an account shall be considered as a transfer of assets for fair market value. A person does not acquire an interest in an ABLE account by making contributions to an account. A contribution to any account for a beneficiary must be rejected if the contribution would cause either the aggregate or annual account balance of the account to exceed the limits imposed by Section 529A of the Internal Revenue Code.

Any change in account owner must be done in a manner consistent with Section 529A of the Internal Revenue Code.

Notice of any proposed amendments to the rules and regulations shall be provided to all owners or their designated representatives prior to adoption. Amendments to rules and regulations shall apply only to contributions made after the adoption of the amendment. Amendments to this Section automatically amend the participation agreement. Any amendments to the operating procedures and policies of the plan shall automatically amend the participation agreement after adoption by the State Treasurer.

All assets of the plan, including any contributions to accounts, are held in trust for the exclusive benefit of the account owner and shall be considered spendthrift accounts exempt from all of the owner's creditors. The plan shall provide separate accounting for each designated beneficiary sufficient to satisfy the requirements of paragraph (3) of subsection (b) of Section 529A of the Internal Revenue Code. Assets must be held in either a state trust fund outside the State treasury, to be known as the Illinois ABLE plan trust fund, or in accounts with a third-party provider selected pursuant to this Section. Amounts contributed to ABLE accounts shall not be commingled with State funds and the State shall have no claim to or against, or interest in, such funds.

Plan assets are not subject to claims by creditors of the State and are not subject to appropriation by the State.

Payments from the Illinois ABLE account plan shall be made under this Section.

The assets of ABLE accounts and their income may not be used as security for a loan.

The assets of ABLE accounts and their income and operation shall be exempt from all taxation by the State of Illinois and any of its subdivisions to the extent exempt from federal income taxation. The accrued earnings on investments in an ABLE account once disbursed on behalf of a designated beneficiary shall be similarly exempt from all taxation by the State of Illinois and its subdivisions to the extent exempt from federal income taxation, so long as they are used for qualified expenses.

Notwithstanding any other provision of law that requires consideration of one or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, any amount, including earnings thereon, in the ABLE account of such individual, any contributions to the ABLE account of the individual, and any distribution for qualified disability expenses shall be disregarded for such purpose with respect to any period during which such individual maintains, makes contributions to, or receives distributions from such ABLE account.

(e) The account owner or the designated representative of

the account owner may request that a qualified distribution be made for the benefit of the account owner. Qualified distributions shall be made for qualified disability expenses allowed pursuant to Section 529A of the Internal Revenue Code. Qualified distributions must be withdrawn proportionally from contributions and earnings in an account owner's account on the date of distribution as provided in Section 529A of the Internal Revenue Code. Unless prohibited by federal law, upon the death of a designated beneficiary, proceeds from an account may be transferred to the estate of a designated beneficiary, or to an account for another eligible individual specified by the designated beneficiary or the estate of the designated beneficiary. An agency or instrumentality of the State may not seek payment under subsection (f) of Section 529A of the federal Internal Revenue Code from the account or its proceeds for benefits provided to a designated beneficiary. ~~Upon the death of a beneficiary, the amount remaining in the beneficiary's account must be distributed pursuant to subsection (f) of Section 529A of the Internal Revenue Code.~~

(f) The State Treasurer may adopt rules to carry out the purposes of this Section. The State Treasurer shall further have the power to issue peremptory rules necessary to ensure that ABLE accounts meet all of the requirements for a qualified state ABLE program under Section 529A of the Internal Revenue Code and any regulations issued by the Internal Revenue Service.

(Source: P.A. 99-145, eff. 1-1-16; 99-563, eff. 7-15-16.)

Section 10. The Trusts and Trustees Act is amended by changing Section 15.1 as follows:

(760 ILCS 5/15.1) (from Ch. 17, par. 1685.1)

Sec. 15.1. Trust for a beneficiary with a disability.

(a) A discretionary trust for the benefit of an individual who has a disability that substantially impairs the individual's ability to provide for his or her own care or custody and constitutes a substantial disability shall not be liable to pay or reimburse the State or any public agency for financial aid or services to the individual except to the extent the trust was created by the individual or trust property has been distributed directly to or is otherwise under the control of the individual, provided that such exception shall not apply to a trust created with the property of the individual with a disability or property within his or her control if the trust complies with Medicaid reimbursement requirements of federal law. Notwithstanding any other provisions to the contrary, a trust created with the property of the individual with a disability or property within his or her control shall be liable, after reimbursement of Medicaid expenditures, to the State for reimbursement of any other service charges outstanding at the death of the individual with a disability. Property, goods and services purchased or owned

by a trust for and used or consumed by a beneficiary with a disability shall not be considered trust property distributed to or under the control of the beneficiary. A discretionary trust is one in which the trustee has discretionary power to determine distributions to be made under the trust.

(b) The court or a person with a disability may irrevocably assign resources of that person to either or both of: (i) an ABLE account, as defined under Section 16.6 of the State Treasurer Act; or (ii) a discretionary trust that complies with the Medicaid reimbursement requirements of federal law. As used in this subsection, "resources" includes, but is not limited to, any interest in real or personal property, judgment, settlement, annuity, maintenance, minor child support, and support for non-minor children. Assignment is not authorized if otherwise prohibited by law. A court may reserve the right to determine the amount, duration, or enforcement of the irrevocable assignment.

(Source: P.A. 99-143, eff. 7-27-15.)

Section 99. Effective date. This Act takes effect upon becoming law.