



UNITED STATES  
HOUSE OF REPRESENTATIVES

**The Financial Security Accounts for  
Individuals with Disabilities Act of 2007  
H.R. 2370**

**Fact Sheet**

**General Purpose**

The federal government gives American families a helping hand in saving for the future. Accounts with special tax advantages help people save for college, retirement, and other normal life events. But people with disabilities don't have the same expectations for the future. They need a new savings instrument.

A typical tax-deferred savings plan, such as a "529" college tuition plan, can't help a family with a child who may not go to college or become financially independent. On the other hand, the need for savings is even greater for a child with a disability because he or she will likely be less able to earn an income, and may require additional spending on medical treatment or adaptive equipment. Without a clear vision of the future, parents of children with disabilities must choose between turning down the advantages of savings plans or risking a penalty if their child cannot use the funds according to the account restrictions.

The Financial Security Accounts for Individuals with Disabilities Act of 2007 was first introduced in the 109th Congress. The legislation amends the Internal Revenue Code of 1986 to provide for the establishment of Financial Security Accounts for Individuals with Disabilities (FSAID) for the care of family members with disabilities.

## Legislative Highlights

- FSAID's are exempt from taxation during the period of contribution;
- Anyone can contribute to the financial security of a loved one;
- Proceeds from the account, when used in accordance with this legislation, are not includible in the gross income of the beneficiary;
- Accounts are for the exclusive purpose of paying qualified expenses of an individual who is disabled and who is designated the beneficiary of the trust;
- Accounts are used for qualified expenses, not compensated for by insurance or otherwise, as detailed in the legislation. Such expenses include:
  - Educational expenses,
  - Medical and dental care,
  - Community based support services,
  - Employment training and support,
  - Moving,
  - Assistive technology, and
  - After the age of 18, housing and transportation expenses;
- Under the proposal, an "individual with a disability" is defined as anyone currently receiving supplemental security income benefits under title XVI of the Social Security Act or an individual otherwise eligible to receive such benefits notwithstanding the income and assets tests required for eligibility for such benefits;
- Rollovers from other accounts are allowed without penalty into a FSAID;
- Prohibits amounts held by, or paid or distributed from, FSAID's from being treated as income or assets when determining eligibility for benefits provided by any Federal benefits program;
- Any distributions that exceed qualifying expenses are subject to an income tax on the non-qualifying portion of the disbursement;
- Contributions to a FSAID are capped at \$500,000.00.

## **Why Pass the FSAID Legislation?**

### ***Flexibility, Portability, and Financial Security for families...***

#### **1. Flexibility**

- FSAID accounts are easy to establish, unlike some other savings instruments.
- Anyone - other family members, friends, employers - can contribute to an account on behalf of a beneficiary;
- Since they are as easy as a savings account to establish, the costs associated in administering the account are low;
- The Beneficiary can serve as the Trustee of the account;
- A family who saves money in a traditional account for a child who becomes disabled later in life can roll over the funds into a disability savings account without penalty;
- The beneficiary can be changed to other qualified family members.

#### **2. Portability**

- Unlike some savings instruments, such as "529" college accounts, the FSAID would be created and regulated only on the federal level, so they would operate under the same rules in every state.

#### **3. Financial Security**

- The Financial Security Accounts for Individuals with Disabilities Act of 2007 would give families of people with disabilities the ability to save for their child's future just like every other American family, and help people with disabilities live full, productive lives in their communities.

## Who Supports the FSAID Legislation?

- National Down Syndrome Society
- National Down Syndrome Congress
- National Fragile X Foundation
- Kennedy Krieger Hospital
- Children's National Medical Center

### **H.R. 2370 Financial Security Accounts for Individuals with Disabilities Current Co-Sponsors as of February 8, 2008**

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