



# Instructions for Forms 1099-QA and 5498-QA

## Distributions from ABLE Accounts and ABLE Account Contribution Information

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Forms 1099-QA and 5498-QA and their instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099qa](http://www.irs.gov/form1099qa) or [www.irs.gov/form5498qa](http://www.irs.gov/form5498qa).

### What's New

Public Law 114-113, Division Q, section 303, eliminates the residency requirement for qualified ABLE Programs.

### Reminder

In addition, you should also use the 2016 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Who must file (nominee/middleman).
- When and where to file.
- Electronic reporting requirements.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers.
- Backup withholding.
- Penalties.
- Other general topics.

You can get the general instructions at [www.irs.gov/form1099qa](http://www.irs.gov/form1099qa) or [www.irs.gov/form5498qa](http://www.irs.gov/form5498qa).

### Qualified ABLE Program

A qualified ABLE program is a program established and maintained by a State, or agency, or instrumentality of a State:

- Under which an ABLE account may be established for a blind or disabled individual whose blindness or disability occurred before age 26 (an “eligible individual”), who is the owner and designated beneficiary of the account;
- Which permits contributions to such ABLE account to pay for the qualified disability expenses of the account’s designated beneficiary;
- Which limits a designated beneficiary to one ABLE account.
- That meets the other requirements of section 529A.

**Cash contributions.** A program is not treated as a qualified ABLE program unless it provides that no contribution will be accepted:

- unless it is in cash; or
- except in the case of a rollover or program-to-program transfer, if such contribution would result in contributions from all contributors to the ABLE account for the tax year

exceeding \$14,000 for the calendar year in which the tax year begins (an “excess contribution”).

**Separate accounting.** A qualified ABLE program must provide separate accounting for each designated beneficiary.

**Limited investment direction.** A qualified ABLE program provides that a designated beneficiary may directly or indirectly direct the investment of any contributions to the program (or any earnings on it) no more than 2 times in any calendar year.

**Pledging of interest as security.** A program is not treated as a qualified ABLE program if it allows any interest in the program or any portion of it to be used as security for a loan.

**Excess aggregate contributions.** A qualified ABLE program must provide adequate safeguards to prevent aggregate contributions on behalf of a designated beneficiary in excess of the limit established by the State under the State’s qualified tuition program. Aggregate contributions include contributions to any prior ABLE account maintained by any qualified ABLE program for the same designated beneficiary or any prior designated beneficiary.

**Return of excess contributions and excess aggregate contributions.** A qualified ABLE program must return an excess contribution or excess aggregate contribution (including all net income attributable to that excess contribution or excess aggregate contribution) to the person who made the contribution on or before the due date (including extensions) for the Federal income tax return of the designated beneficiary for the tax year in which the excess contribution or excess aggregate contribution was made.

**Rollovers and program-to-program transfers.** For purposes of these instructions, a “rollover” means a contribution to an ABLE account of the designated beneficiary (or of an eligible individual who is a member of the family of the designated beneficiary) of all or a portion of an amount withdrawn from the designated beneficiary’s ABLE account, provided the contribution is made within 60 days of the date of the withdrawal and, in the case of a rollover to the designated beneficiary’s ABLE account, no rollover has been made to an ABLE account of the designated beneficiary within the prior 12 months.

A “program-to-program transfer” means the direct transfer of the entire balance of an ABLE account to an ABLE account of the same designated beneficiary in which the transferor ABLE account is closed upon completion of the transfer, or of part or all of the balance to an ABLE account of another eligible individual who is a member of the family of the former designated

beneficiary, without any intervening distribution or deemed distribution to the designated beneficiary.

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## Specific Instructions for Form 1099-QA

### Who Must File

Any State or its agency or instrumentality that establishes and maintains a qualified ABLE program must file a Form 1099-QA, Distributions from ABLE Accounts, with the IRS on or before February 28, 2017, for each ABLE account from which any distribution was made or which was terminated during 2016. The filing may be done by either an officer or employee of the State or its agency or instrumentality having control of the qualified ABLE program, or the officer's or employee's designee.

Do not file Form 1099-QA for a change in the name of the designated beneficiary on an ABLE account if the new designated beneficiary is an eligible individual and a member of the family of the former designated beneficiary. For these purposes, a "member of the family" means a sibling, whether by blood or by adoption, and includes a brother, sister, stepbrother, stepsister, half-brother, or half-sister. If the new designated beneficiary is not an eligible individual for the tax year or is not a member of the family of the former beneficiary, the Form 1099-QA filed with respect to the former designated beneficiary should include in Box 1 the fair market value of the assets in the ABLE account on the date on which the change is made to the new designated beneficiary.

### Statements to Recipients

If you are required to file Form 1099-QA, you also must furnish a statement to the designated beneficiary of the ABLE account reporting their distribution, and to each contributor who received a returned contribution (plus earnings) attributable to the calendar year. Furnish a copy of Form 1099-QA or an acceptable substitute statement to each recipient. See part M in the 2016 General Instructions for Certain Information Returns.

**Truncating recipient's identification number on payee statements.** Pursuant to Treasury Regulations section 301.6109-4, all filers of this form may truncate a recipient's identification number (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on recipient statements. Truncation is not allowed on any documents the filer files with the IRS. A payer's identification number may not be truncated on any form. See part J in the 2016 General Instructions for Certain Information Returns.

### Payer's Name and Federal Identification Number

For the payer's name and federal identification number, enter the name, address, and taxpayer identification number (TIN). For a program established and maintained by a state that uses the EIN of the state, enter the name of the state on the first name line and the name of the program on the second name line.

### Recipient's Name and Social Security Number (SSN)

List the designated beneficiary as the recipient unless you are reporting a returned excess contribution to the contributor. In that case, list the contributor as the recipient. Enter the SSN of the applicable recipient.

### Account Number

The IRS encourages you to designate an account number for all Forms 1099-QA that you file. See part L in the 2016 General Instructions for Certain Information Returns.

### Box 1. Gross Distribution

Enter the gross distribution from the ABLE account in 2016. The gross distribution includes amounts distributed that the designated beneficiary intends to roll over to another ABLE account, but does not include program-to-program transfers. See *Rollovers and program-to-program transfers*, earlier. A gross distribution also includes a withdrawal of excess contributions plus earnings.

### Box 2. Earnings

To determine the earnings on the gross distribution reported in box 1, see Proposed Regulations section 1.529A-3(c).

### Box 3. Basis

Enter the portion of the distribution that constitutes the return of investment in the account. The amount of the gross distribution minus the earnings portion of that distribution is the portion of the distribution that constitutes the return of investment in the account. This amount is computed by subtracting the amount in box 2 from the amount in box 1.

### Box 4. Program-to-Program Transfer Checkbox

Check this box if a program-to-program transfer was made from this ABLE account to another ABLE account in 2016. See *Rollovers and program-to-program transfers*, earlier.

### Box 5.

Check the box if the ABLE account terminated in 2016.

### Box 6. Other Than Designated Beneficiary Checkbox

Check this box if this form is being filed with respect to a distribution to or for the benefit of someone other than the designated beneficiary of the ABLE account, for example, a distribution of an excess contribution to the contributor.

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## Specific Instructions for Form 5498-QA

### Who Must File

Any State or its agency or instrumentality that establishes and maintains a qualified ABLE program must file, for each ABLE account, a Form 5498-QA, ABLE Account Contribution Information, with the IRS on or before May 31, 2017. The filing may be done by either an officer or

employee of the State or its agency or instrumentality having control of the qualified ABLE program, or the officer's or employee's designee.

### Statements to Beneficiaries

If you are required to file Form 5498-QA with the IRS, you also must furnish a statement to the designated beneficiary by March 15, 2017. Furnish a copy of Form 5498-QA or an acceptable substitute statement to each beneficiary. See part M in the 2016 General Instructions for Certain Information Returns.

**Truncating beneficiary's identification number on payee statements.** Pursuant to Treasury Regulations section 301.6109-4, all filers of this form may truncate a beneficiary's identification number (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A issuer's identification number may not be truncated on any form. See part J in the 2016 General Instructions for Certain Information Returns.

### Account Number

The IRS encourages you to designate an account number for all Forms 5498-QA that you file. See part L in the 2016 General Instructions for Certain Information Returns.

### Box 1. ABLE Contributions

Enter the total amount of contributions made to the ABLE account in 2016, net of any excess contributions returned to the contributor. Do not include the amount of any rollover or program-to-program transfer. If no contributions were made in 2016, enter zero in this box.

### Box 2. Rollover Contributions

Enter the amount of any rollover or program-to-program transfer to this ABLE account in 2016. See *Rollovers and program-to-program transfers*, earlier.

### Box 3. Cumulative Contributions

You may but are not required to enter the amount of cumulative contributions to this ABLE account. This amount is the total of amounts contributed since the establishment of the ABLE account, including amounts contributed to an ABLE account for the same designated beneficiary that was rolled over, or directly transferred (in a program-to-program transfer), to the current ABLE account.

### Box 4. Fair Market Value

Enter the FMV of the account as of December 31, 2016.

### Box 5.

Check the box if the ABLE account was opened in 2016.

### Box 6. Basis of Eligibility



*You must enter one code letter in box 6.*

Report the basis of the designated beneficiary's eligibility using the codes below.

- Code A—Eligibility established under IRC 529A(e)(1)(A), SSDI, Title II SSA.
- Code B—Eligibility established under IRC 529A(e)(1)(A), SSI, Title XVI SSA.
- Code C—Designated beneficiary is the subject of a disability certification filed with the IRS for 2016.

### Box 7.



*The following information will only be used for aggregate reporting purposes as required by law.*

Report only one primary code number for the type of disability for which the designated beneficiary is receiving ABLE qualifying benefits. If more than one code applies, select the most significant code.

- Code 1—Developmental Disorders: Autistic Spectrum Disorder, Asperger's Disorder, Developmental Delays and Learning Disabilities.
- Code 2—Intellectual Disability: May be reported as mild, moderate, or severe intellectual disability.
- Code 3—Psychiatric Disorders: Schizophrenia; Major depressive disorder; Post-traumatic stress disorder (PTSD); Anorexia nervosa; Attention deficit/hyperactivity disorder (AD/HD); Bipolar disorder.
- Code 4—Nervous Disorders: Blindness, Deafness, Cerebral Palsy, Muscular Dystrophy, Spina Bifida Juvenile-onset Huntington's disease; Multiple sclerosis; Severe sensorineural hearing loss; Congenital cataracts.
- Code 5—Congenital Anomalies: Chromosomal abnormalities, including Down Syndrome, Osteogenesis imperfecta; Xeroderma pigmentosum; Spinal muscular atrophy; Fragile X syndrome; Edwards syndrome.
- Code 6—Respiratory Disorders: Cystic Fibrosis.
- Code 7—Other: Includes Tetralogy of Fallot; Hypoplastic left heart syndrome; End-stage liver disease; Juvenile-onset rheumatoid arthritis; Sickle cell disease; Hemophilia; and any other disability not listed under Codes 1–6.