

Qualifying taxpayers can claim a subtraction on their Colorado income tax returns for qualifying contributions made during tax years 2023, 2024, or 2025 to a qualified Achieving a Better Life Experience (ABLE) program administered by Colorado ABLE, subject to certain limitations.

This publication is designed to provide general guidance regarding the subtraction and is intended to supplement guidance provided in the *Colorado Individual Income Tax Guide*. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

The information in this publication does not apply to contributions made to a qualified state tuition program pursuant to section 529 of the Internal Revenue Code. For information about the subtraction for contributions made to a qualified state tuition program see *Income Tax Topics: 529 Contribution Subtraction*. Department publications are available online at Tax.Colorado.gov/guidance-publications.

Qualifying taxpayers

Only individuals, estates, and trusts may claim a subtraction on their Colorado income tax returns for payments or contributions made to a qualified ABLE program administered by Colorado ABLE.

Qualifying contributions

In general, the subtraction is allowed for payments and contributions made to a qualified ABLE program with Colorado ABLE under section 529A of the Internal Revenue Code. Information about ABLE savings plans can be found online at www.ColoradoABLE.org. The subtraction is allowed irrespective of whether the individual making the payment or contribution is, or is related to, either the account owner or beneficiary. The subtraction is generally subject to the same requirements described in *IRS Publication 907*.

Rollovers

Rollovers from an out-of-state ABLE program or an out-of-state qualified tuition program plan to a Colorado qualified ABLE program may qualify for the subtraction, subject to the same conditions and requirements of any other qualifying contribution. The amount that was originally invested in the other state account may qualify for the subtraction but the earnings do not. The eligible amounts should appear in box 3 (Basis) of the *IRS Form 1099-QA, Distributions from ABLE Accounts*, provided by the qualified ABLE program administrator.

Rollovers from an out-of-state qualified ABLE program account to a Colorado qualified ABLE program are subject to the same limitations discussed later in this publication.

Rollovers from an in-state qualified tuition program to a Colorado qualified ABLE program do not qualify for the subtraction.

Non-qualifying contributions

Certain types of payments and contributions related to a qualified ABLE program do not qualify for the subtraction. The subtraction is not allowed for any of the following types of payments or contributions:

- Rollovers from a qualified ABLE program within Colorado to another qualified ABLE program within Colorado; or
- Payments or contributions made to a qualified ABLE program established and maintained by another state.

No subtraction is allowed for any payments or contributions that are excluded from the taxpayer's federal taxable income for the taxable year.



Limitations

Limitations apply to the amount a taxpayer can subtract for contributions made to qualified state tuition programs and qualified ABLE programs. The limitation applies on a per beneficiary basis to the total of all payments or contributions made to accounts for that beneficiary, including all contributions made to qualified state tuition program and qualified ABLE program accounts. For information about contributions made to qualified state tuition programs, please see Department publication *Income Tax Topics: 529 Contribution Subtraction*, available online at [Tax.Colorado.gov/individual-income-tax-guidance-publications](https://tax.colorado.gov/individual-income-tax-guidance-publications).

The limitation applies with respect to each beneficiary for whom the taxpayer makes qualifying contributions and depends in part on whether the taxpayer files their return as a joint or single filer. For taxpayers filing a joint return, the limit applies jointly, rather than separately. For the purpose of the limitation, a taxpayer who files married filing separately or head of household on their federal income tax return is considered a single filer.

If the taxpayer makes contributions to both a qualified state tuition program and a qualified ABLE program for the same beneficiary during the tax year, the aggregate subtraction the taxpayer can claim for these contributions is subject to the limitation.

The limitation amounts reflected in the following table are adjusted annually based on the percentage change in the combined average annual costs of tuition and room and board for all state institutions of higher education:

Per-Beneficiary Limits

| Tax Year | Single Filers | Joint Filers |
|----------|---------------|--------------|
| 2023 | \$20,700 | \$31,000 |
| 2024 | \$22,700 | \$34,000 |

The amount that may be contributed to a qualified ABLE program is also limited under federal law. Please see *IRS Publication 907* and [ColoradoABLE.org/faqs/](https://coloradoable.org/faqs/) for additional information.

Examples

The following examples illustrate the application of the preceding limitations for tax year 2023.

Example #1

A taxpayer filing as a single filer for the 2023 tax year makes contributions towards a qualified state tuition program account as well as a qualified ABLE program account for the same beneficiary. The subtraction the taxpayer may claim for the combined contributions made to all accounts for this beneficiary is limited to \$20,700.

Example #2

A taxpayer filing as a single filer for the 2023 tax year contributes \$25,000 to one beneficiary’s qualified ABLE account and \$15,000 to another beneficiary’s qualified ABLE account. Because of the limitation, the taxpayer may claim a subtraction for no more than \$20,700 of contributions made to each beneficiary’s account. The taxpayer may claim a total subtraction of \$35,700, including \$20,700 for the first beneficiary and \$15,000 for the second beneficiary.

Claiming the subtraction

Eligible taxpayers who make qualifying contributions to a qualified ABLE account can claim the subtraction on the appropriate line of their Colorado income tax return. Individuals may claim the subtraction on the (“Colorado ABLE Contribution”) line of the *Subtractions from Income Schedule (DR 0104AD)*. Please note that the account owner’s name and identifying number (social security number (SSN) or individual taxpayer identification number (ITIN) must be included to claim the subtraction.

Distributions, refunds, & withdrawals

An account holder must make an addition on their Colorado return for any distribution, refund, or withdrawal from a qualified ABLE program if used for a purpose other than one of the following qualifying reasons:

- To pay qualified disability expenses (discussed later in this publication);
- As a result of a beneficiary's death or disability; or
- As a result of a change in the designated beneficiary for the account, as described in the "ABLE Account" section of *IRS Publication 907*.

Qualified disability expenses

Qualified disability expenses are any expenses related to the designated beneficiary's blindness or disability, including expenses that are for the benefit of the designated beneficiary in maintaining or improving his or her health, independence, or quality of life. Qualified disability expenses include expenses for:

- Education;
- Housing;
- Transportation;
- Employment training and support;
- Assistive technology and personal support services;
- Health;
- Prevention and wellness;
- Financial management and administrative services;
- Legal fees;
- Expenses for oversight and monitoring; and
- Funeral and burial expenses.

Addition for non-qualifying distributions, refunds, and withdrawals

If a distribution, refund, or withdrawal is made for any purpose other than the qualifying reasons listed earlier in this publication, the account holder must add to their taxable income for the year of the distribution, refund, or withdrawal the amount displayed in box 3 of IRS Form *IRS Form 1099-QA, Distributions from ABLE Accounts*.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the ABLE Contribution Subtraction. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-22-104, C.R.S. Income tax imposed on individuals, estates, and trusts.
- 26 U.S.C. § 529A. Qualified ABLE programs.

Forms and guidance

- *Colorado.gov/Tax*
- *IRS Publication 907*
- *DR 0104 Colorado Individual Income Tax Return*
- *DR 0105 Colorado Fiduciary Income Tax Return*
- *Income Tax Topics: 529 Contribution Subtraction*
- *IRS Form 1099-QA, Distributions from ABLE Accounts*