

Qualifying taxpayers can claim a subtraction on their Colorado income tax returns for the 2023 through 2025 tax periods for qualifying contributions made 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.¹

Qualifying contributions²

In general, the subtraction is allowed beginning with tax year 2023 through 2025 and is allowed for payments and contributions made to a qualified ABLE program with Colorado ABLE. 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 contribution. The amount that was originally invested in the other state account may qualify for the subtraction, while the earnings do not. To determine the eligible amounts, please refer to 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 in the *Limitations* section of 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.³

Limitations⁴

The amount a taxpayer can subtract is limited. 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.

If the taxpayer makes contributions to both a qualified state tuition program and a qualified ABL^E 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:⁵

Per-Beneficiary Limits

Tax Year	Single Filers	Joint Filers
2023	\$20,700	\$31,000

The amount that may be contributed to a qualified ABL^E program is also limited under federal law. Please see *IRS Publication 907* and ColoradoABLE.org/faqs/ for additional information.

Distributions, refunds, & withdrawals

An account holder must make an addition on their Colorado return for any distribution, refund, or withdrawal from a qualified ABL^E program if used for a purpose other than one of the following qualifying reasons:⁶

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

Qualified disability expenses⁷

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 life⁸. 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.

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*



¹ § 39-22-104(1.7) and (4)(i)(IV)(D), C.R.S.

² § 39-22-104(4)(i)(II), C.R.S.

³ § 39-22-104(4)(i)(III.5), C.R.S.

⁴ § 39-22-104(4)(i)(II)(B), C.R.S.

⁵ § 39-22-104(4)(i)(II)(C), C.R.S.

⁶ § 39-22-104(4)(i)(III.5), C.R.S.

⁷ § 39-22-104(4)(IV)(E) C.R.S. and 26 U.S.C. § 529A(e)(5)

⁸ 26 U.S.C. § 529A(e)(5), and 26 CFR § 1.529A-1(b)(15)