

PAABLE



Stacy Garrity
Pennsylvania Treasurer

PA ABLE SAVINGS PROGRAM

EMPLOYER TAX CREDIT GUIDE

I. ABLE Plan Employer Tax Credit Overview

- **Employers are permitted to claim a Pennsylvania state tax credit for matching contributions to their employees' ABLE accounts**
 - An employer may claim a tax credit against its state tax liability on matching contributions of up to \$500 per tax year.
 - An employer's tax credit will be 25% of the aggregate amount of all matching contributions in a tax year.
 - **Example: In tax year 2026, an employer makes matching contributions of \$500 per ABLE account for 10 employees. The employer's tax credit will be 25% of \$5,000 or \$1,250.**
 - Employers may claim this state tax credit in tax year 2025 and after.
 - The employer is responsible for providing the Pennsylvania Department of Revenue (Revenue) with proof of matching contributions being claimed for a state tax credit each tax year. While employers may be able to use ACH documentation as proof of a matching contribution, Revenue may issue more specific requirements in the future. Employers should consult with a tax expert for more information.
 - Employees are required to provide employers with proof of all ABLE plan contributions made during a tax year. While an employer can establish the type of proof required, one possibility is to track employee contributions made via payroll deduction through their internal payroll systems. Employers can also ask employees to submit contribution confirmations as proof. Most ABLE plans, including Pennsylvania's, send a confirmation each time a contribution is made. Here is an example from PA ABLE Plan:



PA ABLE Savings Program
P.O. Box 219414
Kansas City, MO 64121

Transaction Notice 1 of 2

Account: 910000000-01

Date: January 31

JOHN DOE
123 MAIN ST
ANYTOWN, PA 12345

Please see below for details pertaining to your recent financial activity.

INVESTMENT SUMMARY

Investment Option	Units	Unit Price	Value
Checking Account Option			\$1,050.00
Total Portfolio Net Worth:			\$1,050.00

INVESTMENT TRANSACTIONS

Trade Date	Transaction Description	Units Transacted	Unit Price	Transaction Amount
01/01	Investment Option Checking Option Contribution			\$50.00

Please log into your account at www.PAABLE.gov to review your information in detail.

DISCLOSURES

You should carefully review this confirmation upon receipt. If you believe this confirmation does not accurately reflect your instructions or does not accurately reflect information about your account, you must promptly notify the Plan of any inaccuracy or discrepancy; otherwise you acknowledge this confirmation to be accurate.

• Carry-over of tax credits

- If the amount of an employer’s state tax credit exceeds its tax liability in the tax year in which the tax credit is approved, the excess tax credit may be taken up to three tax years after it was approved.
 - **Example: Using the facts from the example above, if the employer’s Pennsylvania state tax liability for 2026 is \$1,000, it may be able to claim the remaining \$250 state tax credit in tax year 2027, 2028, or 2029, depending on the employer’s circumstances and must be applied to the earliest tax year possible.**
- There are a number of other considerations in determining how these tax credits may be applied. Employers should consult with Revenue and a tax expert for more information.

• Other considerations

- ALL ABLE rules regarding contribution limits still apply, so employees should be cautious about exceeding the annual contribution limit.
 - For 2026, the standard annual contribution limit is \$20,000.
 - ABLE account owners who are employed and who have not, during a tax year, made contributions to:
 - a defined contribution plan,
 - an annuity contract, or
 - a deferred compensation plan

May contribute an amount above the annual ABLE contribution limit up to the lesser of the amount of their compensation or the federal poverty level for the prior year. The poverty level for 2025 is \$15,650.
 - **Example: An employee who owns an ABLE account earns compensation of \$60,000 in tax year 2026. She does not make contributions to a defined contribution plan, annuity contract, or deferred compensation plan. She may contribute a total of \$35,650 (\$20,000 + \$15,650) to her ABLE account in that tax year.**
- Employees may be responsible for paying federal and state taxes on matching contributions. They should consult with a tax expert for more information. As such, employers may need to report matching contributions on employees’ Form W-2.
- Employers may receive the state tax credit for making matching contributions to **any** ABLE plan, not just PA ABLE.
- The tax credit is scheduled to expire on December 31, 2029, unless the Pennsylvania General Assembly renews it before that time.
- Employers should consult with their legal, tax, and employee benefits experts in order to determine implications specific to their circumstances.

II. Employer Matching Contributions Walkthrough

Step 1: Employee opens a PA ABLE account

How to set up a PA ABLE account:

1. Visit paable.gov
2. Click Open an Account
3. Follow the account opening instructions.

Step 2: Employee establishes payroll deduction

Employee contributions via payroll deduction are a convenient way for the employee to contribute, but payroll deduction is not required.

How to set up direct deposit from payroll to a PA ABLE account:

1. Employee obtains Payroll Deduction/Direct Deposit Form from the PA ABLE Savings Program
 - Login to pa.savewithable.com/paabletpl/auth/II.cs > Click on Profile & Documents > Payroll Deduction > Change payroll instructions > Choose Amount > Submit > Get Form

Below is an example of the Payroll Deduction/Direct Deposit Form

Print your Payroll Deduction Instructions

Step 1. (FOR EMPLOYEES): Complete this form and return to your employer

Please print this page, sign it, include your Social Security number and the date, and submit it to the HR, benefits, or payroll representative responsible for administering payroll deduction contributions to the Program. Your employer will initiate or change your payroll deduction after they receive this form.

Employee Name: Joe Employee

Total amount to be deducted per pay period: \$5.00

Employee Signature: _____ Employee SSN: ____ - ____ - ____ Date: ____ / ____ / ____



Step 2. (FOR EMPLOYERS): Establish Payroll Deduction Instructions on Your Payroll System

When updating ACH direct deposit instructions for this employee, please make sure that you provide the following information with your transmittal:

1. ABA Number 011001234 (Mellon Bank)
2. Account Number if you are establishing payroll deduction for this employee 5509XXXXXXXX
3. For Employer Matching contributions replace the first 3 digits of the Account Number above (550) with 619. The correct number will be shown on the actual form.
4. Code Transmittal for Checking

For Employers Transmitting Funds by Check

By U.S. Mail:

PA ABLE
P.O. Box 219414
Kansas City, MO 64121

By Registered, Certified or Overnight Mail:

PA ABLE
1001 E 101st Terrace, Suite 200
Kansas City, MO 64131

Note: The account number is a 12-digit field. The first 3 digits identify the new bank account of PA ABLE. The last 9 digits are the first nine digits of the employee's account number in PA ABLE.

If you have any questions, please call customer service at (885) 529-ABLE(2253) Monday-Friday 8:00am to 5:00pm ET.

2. Use the Payroll Deduction/Direct Deposit instructions to add the direct deposit information to self-serve payroll system or give form to HR department.
3. There will be two account numbers on this instruction form. One will be used for the employee contributions and the other will be used for the employer match contributions.

Print your Payroll Deduction Instructions

Step 1. (FOR EMPLOYEES): Complete this form and return to your employer

Please print this page, sign it, include your Social Security number and the date, and submit it to the HR, benefits, or payroll representative responsible for administering payroll deduction contributions to the Program. Your employer will initiate or change your payroll deduction after they receive this form.

Employee Name: Joe Employee

Total amount to be deducted per pay period: \$5.00

Employee Signature: _____ Employee SSN: ____ - ____ - ____ Date: ____ / ____ / ____

Step 2. (FOR EMPLOYERS): Establish Payroll Deduction Instructions on Your Payroll System

When updating ACH direct deposit instructions for this employee, please make sure that you provide the following information with your transmittal:

1. ABA Number 011001234 (Mellon Bank)
2. Account Number if you are establishing payroll deduction for this employee 5509XXXXXXXX
3. For Employer Matching contributions replace the first 3 digits of the Account Number above (550) with 619. The correct number will be shown on the actual form.
4. Code Transmittal for Checking

For Employers Transmitting Funds by Check

By U.S. Mail:

PA ABLE
P.O. Box 219414
Kansas City, MO 64121

By Registered, Certified or Overnight Mail:

PA ABLE
1001 E 101st Terrace, Suite 200
Kansas City, MO 64131

Note: The account number is a 12-digit field. The first 3 digits identify the new bank account of PA ABLE. The last 9 digits are the first nine digits of the employee's account number in PA ABLE.

If you have any questions, please call customer service at (885) 529-ABLE(2253) Monday-Friday 8:00am to 5:00pm ET.

Step 3: Employer (or employee via self-service) sets up payroll direct deposit to the PA ABLE account

Employer Chooses **ONE** of the following methods:

ACH Deposit

1. Employee completes payroll deduction documents required by employer.
2. Each pay period, employer sends one ACH transfer to PA ABLE.

Consideration: Some administrative requirements; partially automated; contributions credited to account the day ACH transfer received (typically 1-2 days after pay date).

Check and Roster

1. Employees complete payroll deduction documents required by employer.
2. Each pay period, employer mails check for total amount of all payroll deductions to PA ABLE.
3. Employer manages and submits instructions on how to apply to individual PA ABLE accounts (roster); must include names of employees, deduction amounts, PA ABLE account number, and date of paycheck.

Consideration: More administrative requirements; completely manual; slowest option; credited to account the day the check is received (varies by employer, but typically 4–7 days after pay date).

Step 4: Employer adds the matching contribution

Employer adds the matching contribution to the employee's contribution and includes the funds in the ACH using the employer match contribution account number from the payroll deduction form or sends a check contribution. Employer can also calculate and fund the match at any time by simply adding 619 to the employee's account number, as shown in the sample form listed below.

Print your Payroll Deduction Instructions

Step 1. (FOR EMPLOYEES): Complete this form and return to your employer

Please print this page, sign it, include your Social Security number and the date, and submit it to the HR, benefits, or payroll representative responsible for administering payroll deduction contributions to the Program. Your employer will initiate or change your payroll deduction after they receive this form.

Employee Name: Joe Employee

Total amount to be deducted per pay period: \$5.00

Employee Signature: _____ Employee SSN: ____ - ____ - ____ Date: ____ / ____ / ____

Step 2. (FOR EMPLOYERS): Establish Payroll Deduction Instructions on Your Payroll System

When updating ACH direct deposit instructions for this employee, please make sure that you provide the following information with your transmittal:

1. ABA Number 011001234 (Mellon Bank)
2. Account Number if you are establishing payroll deduction for this employee 5509XXXXXXXX
3. For Employer Matching contributions replace the first 3 digits of the Account Number above (550) with 619. The correct number will be shown on the actual form.
4. Code Transmittal for Checking

For Employers Transmitting Funds by Check

By U.S. Mail:

PA ABLE
P.O. Box 219414
Kansas City, MO 64121

By Registered, Certified or Overnight Mail:

PA ABLE
1001 E 101st Terrace, Suite 200
Kansas City, MO 64131

Note: The account number is a 12-digit field. The first 3 digits identify the new bank account of PA ABLE. The last 9 digits are the first nine digits of the employee's account number in PA ABLE.

If you have any questions, please call customer service at (885) 529-ABLE(2253) Monday-Friday 8:00am to 5:00pm ET.

Sample Roster for Check Contributions

PA ABLE Savings Program		Employer Name: <u>ABC Company, Inc.</u>				
Remittance for Pay Date: <u>January 15</u>		Employer EIN: <u>XX-XXXXXXX</u>				
Employee	SSN	PA 529 Account Number	Beneficiary Name	Employee Contribution	Match Contribution	Total Contribution
John Doe	XXX-XX-XXXX	This number is provided by the employee. It will be an 11-digit number beginning with 619 and will include an -01 at the end.	John Doe	\$25.00	\$25.00	\$50.00

III. Contact the Pennsylvania Treasury Department

If you have any questions, please reach out to our PA ABLE team:

Phone: 855-529-ABLE (2253)

Email: info@paable.gov