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BILL ANALYSIS

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Senate Bill 1393 (as introduced 8-30-06)
Sponsor: Senator Bill Hardiman
Committee: Banking and Financial Institutions

Date Completed: 9-6-06

CONTENT

The bill would amend the Social Welfare Act to require the Department of Human Services (DHS) to disregard all savings deposited in an individual or family development account under the proposed "Individual or Family Development Account Program Act" in determining an individual's eligibility for family independence assistance and the amount of the individual's grant.

The Social Welfare Act requires the DHS to operate a program allowing an individual eligible for family independence assistance to establish an individual development account (IDA) for postsecondary education, business capitalization, or a first-time home purchase. The DHS must disregard all savings deposited in an IDA, including accrued interest, when determining an individual's eligibility for family independence assistance and the amount of the grant the individual receives. Under the bill, the DHS also would have to disregard all savings deposited, including accrued interest, in an individual or family development account.

The bill would require the DHS to operate the IDA program authorized under the Social Welfare Act in coordination with the individual or family development account program operated by the Michigan State Housing Development Authority (MSHDA) under the proposed Act.

MCL 400.57k

BACKGROUND

Senate Bill 640 (S-1) would create the "Individual or Family Development Account Program Act", effective January 1, 2007, to do all of the following:

- Establish the Individual or Family Development Account Program within MSHDA, requiring that agency to establish policies and procedures for the program taking into consideration the policies and procedures adopted by the DHS to implement the IDA program under the Social Welfare Act.
- Require MSHDA to select program sites to administer the individual or family development accounts, and fiduciary organizations to provide technical assistance to program sites and establish and manage reserve accounts, based on specific criteria, and require MSHDA to work cooperatively with financial institutions, fiduciary organizations, program sites, and contributors to implement the program.
- Allow an individual or family whose income was 200% or less of the Federal poverty level to apply to a program site to establish a development account to pay for educational

expenses of an account holder who was at least 17 years old; the first-time purchase of a primary residence by the account holder; or start-up capitalization of a business for an account holder who was at least 18.

- Require a program site to enter into a participant savings plan agreement with each account holder, and provide matching funds for an account holder's contributions to an account.
- Require matching fund distributions to be made when an account holder withdrew money for qualified expenses; and require matching distributions to be at least a match of \$1 for every \$1 withdrawn.
- Allow an entity to claim a single business tax credit, and an individual who was not an account holder to claim an income tax credit, equal to 75% of contributions to a reserve fund, and limit the tax credits to an annual cumulative amount of \$1.0 million.
- Require fiduciary organizations to file annual reports with MSHDA, and MSHDA to file an annual report with the Legislature.

"Program site" would mean a charitable organization exempt from taxation under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code (IRC) approved by the MSHDA Director, or the Director's designee, to implement the Individual or Family Development Account Program. "Fiduciary organization" would mean a charitable organization exempt from taxation under Section 501(c)(3) of the IRC approved by the MSHDA Director, or the Director's designee, to manage a reserve fund (an account established at a financial institution to hold money used to match participant savings based on a participant savings plan agreement).

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on the Department of Human Services. Section 418 of Public Act 147 of 2005 and Public Act 345 of 2006 appropriates \$200,000 in Federal Temporary Assistance for Needy Families funds "to expand the availability of individual development accounts...for allocation to qualified IDA programs...to serve TANF eligible households in Michigan". The bill would result in no additional costs to the State.

Fiscal Analyst: Connie Cole

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.