

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1636

A bill to amend 2006 PA 513, entitled
"Individual or family development account program act,"
by amending sections 2, 3, 4, 5, 7, 8, 9, and 10 (MCL 206.702,
206.703, 206.704, 206.705, 206.707, 206.708, 206.709, and 206.710).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. As used in this act:

2 (a) "Account holder" means a person who is the owner of an
3 individual or family development account or the family if the
4 account is a family account.

5 (b) "Agency" means the Michigan state housing development
6 authority of the department of **ENERGY**, labor, and economic growth.

7 (c) "Contributor" means a person that makes a contribution to
8 an individual or family development account reserve fund and is not
9 an account holder.

~~1 (d) "Director" means the executive director of the Michigan~~
~~2 state housing development authority of the department of labor and~~
~~3 economic growth.~~

4 (D) "DEPARTMENT" MEANS THE DEPARTMENT OF ENERGY, LABOR, AND
5 ECONOMIC GROWTH.

6 (e) "Education expenses" means tuition and fees required for
7 the enrollment or attendance of a student at an eligible
8 educational institution, and expenses for fees, books, supplies,
9 and equipment required for courses of instruction at an eligible
10 educational institution.

11 (f) "Eligible educational institution" means any of the
12 following:

13 (i) A college, university, community college, or junior college
14 described in section 4, 5, or 6 of article VIII of the state
15 constitution of 1963 or established under section 7 of article VIII
16 of the state constitution of 1963.

17 (ii) An independent nonprofit college or university located in
18 this state.

19 (iii) A state-licensed vocational or technical education
20 program.

21 (iv) A state-licensed proprietary school.

22 (g) "Federal poverty level" means the poverty guidelines
23 published annually in the federal register by the United States
24 department of health and human services under its authority to
25 revise the poverty line under section 673(2) of subtitle B of title
26 VI of the omnibus budget reconciliation act of 1981, Public Law 97-
27 35, 42 USC 9902.

1 (h) "Fiduciary organization" or "organization" means a
2 charitable organization exempt from taxation under section
3 501(c)(3) of the internal revenue code that is approved by the
4 ~~director of the agency or his or her designee~~ to manage a reserve
5 fund. A fiduciary organization may also be a program site.

6 (i) "Financial institution" means a state chartered bank,
7 state chartered savings bank, savings and loan association, credit
8 union, or trust company; or a national banking association or
9 federal savings and loan association or credit union.

10 (j) "Financial literacy" means personal financial planning and
11 education.

12 (k) "Individual or family development account" or "account"
13 means an account established ~~pursuant to~~ **UNDER** section 4.

14 (l) "Individual or family development account reserve fund" or
15 "reserve fund" means an account established and managed by a
16 fiduciary organization housed at a financial institution. The
17 reserve fund holds money that will be used to match participant
18 savings based on a participant savings plan agreement.

19 (m) "Program" means the individual or family development
20 account program established in section 3.

21 (n) "Program site" means a charitable organization exempt from
22 taxation under section 501(c)(3) or 501(c)(14) of the internal
23 revenue code that is approved by the ~~director or his or her~~
24 ~~designee~~ **AGENCY** to implement the individual or family development
25 account program.

26 (o) **"QUALIFIED HOME IMPROVEMENT" MEANS THE PURCHASE AND**
27 **INSTALLATION OF ANY QUALIFIED ENERGY STAR PRODUCT INTENDED FOR**

1 RESIDENTIAL OR NONCOMMERCIAL USE THAT MEETS OR EXCEEDS THE
2 APPLICABLE ENERGY STAR ENERGY EFFICIENCY GUIDELINES DEVELOPED BY
3 THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED
4 STATES DEPARTMENT OF ENERGY, INCLUDING, BUT NOT LIMITED TO,
5 WINDOWS, DOORS, INSULATION, HIGH EFFICIENCY HEATING AND COOLING
6 EQUIPMENT, AND ANY APPLIANCES SUCH AS DISHWASHERS, CLOTHES WASHERS,
7 AND REFRIGERATORS.

8 Sec. 3. (1) The individual or family development account
9 program is established within the agency. The program shall provide
10 eligible individuals and families with an opportunity to establish
11 accounts to be used for education, first-time purchase of a primary
12 residence, **QUALIFIED HOME IMPROVEMENTS**, or business capitalization
13 as provided in section 4.

14 (2) The agency, **IN CONSULTATION WITH THE DEPARTMENT**, shall
15 establish policies and procedures for the program taking into
16 consideration the policies and procedures adopted by the department
17 of human services to implement the individual development account
18 program under section 57k of the social welfare act, 1939 PA 280,
19 MCL 400.57k. **EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION,**
20 **THE AGENCY SHALL BE RESPONSIBLE FOR APPROVING FIDUCIARY**
21 **ORGANIZATIONS AND PROGRAM SITES AND FOR ALL ACTIVITIES RELATED TO**
22 **THE PROGRAM. THE DEPARTMENT SHALL BE RESPONSIBLE FOR APPROVING ALL**
23 **ACTIVITIES RELATED TO THESE PROGRAMS THAT RELATE SOLELY TO ACCOUNTS**
24 **TO BE USED FOR EDUCATION OR BUSINESS CAPITALIZATION AS PROVIDED IN**
25 **SECTION 4.**

26 (3) In reviewing the qualifications of fiduciary organizations
27 and program sites, the agency shall consider all of the following

1 factors:

2 (a) The not-for-profit status of the organization.

3 (b) The fiscal accountability of the organization.

4 (c) The ability of the organization to provide or raise money
5 for matching contributions.

6 (d) The significance and quality of proposed auxiliary
7 services to support the goals of the program.

8 (e) The availability of a financial literacy program for
9 account holders.

10 (f) The ability to maintain and manage necessary program data
11 for tracking account holders and participants in the program and
12 for development of reports as required under section 9.

13 (4) The agency shall select fiduciary organizations to provide
14 technical assistance and support to program sites and ~~establish and~~
15 ~~manage~~ **OVERSEE PROGRAM SITES'** reserve accounts on a not-for-profit
16 basis. In reviewing the qualifications of fiduciary organizations,
17 the agency shall consider the ability of the fiduciary
18 organizations to do all of the following:

19 (a) Administer 1 or more reserve funds to provide matching
20 funds for account holders ~~pursuant~~ **ACCORDING** to participant savings
21 plan agreements.

22 (b) Administer any money appropriated by this state for the
23 purposes of this act.

24 (c) Collaborate with program sites on a regional basis.

25 (d) Provide technical assistance and support to program sites
26 to assist them to effectively administer programs.

27 (e) Work in conjunction with approved program sites to hold,

1 manage, and disburse matching funds for accounts as provided in
2 section 5.

3 (f) Maintain and manage necessary program data for tracking
4 account holders and participants in the program and for development
5 reports as required under section 9.

6 (5) The agency shall select program sites to administer the
7 accounts **UNDER THE OVERSIGHT OF A FIDUCIARY** on a not-for-profit
8 basis. In reviewing the qualifications of program sites, the agency
9 shall consider the ability of the program site to do all of the
10 following:

11 (a) Develop and implement participant savings plan agreements
12 to be used with account holders that include at least all of the
13 following:

14 (i) The purpose for which the account holder's account is
15 established.

16 (ii) The schedule of deposits that the account holder will make
17 to the account.

18 (iii) The agreed-upon amount of matching funds and the projected
19 date when those matching funds will be provided.

20 (iv) A plan to provide financial literacy; homeownership
21 training; education, career, or business planning assistance, if
22 appropriate; and any other services designed to increase the
23 independence of the account holder or the account holder's family
24 through the achievement of the designated purpose of the account.

25 (b) Develop a partnership with all account holders with whom
26 the program site has a participant savings plan agreement to assist
27 the account holder to effectively make financial decisions relating

1 to the use of the funds available through the account and to offer
2 support services to maximize the opportunities provided by the
3 individual or family development account program.

4 (6) The agency shall work cooperatively with financial
5 institutions, fiduciary organizations, program sites, and
6 ~~contributors~~**THE DEPARTMENT** to implement the programs under this
7 act.

8 Sec. 4. (1) An individual or family whose household income is
9 less than or equal to 200% of the federal poverty level for an
10 individual or for that family's family size may apply to a program
11 site to establish an individual or family development account.

12 (2) A program site may approve applications to the extent that
13 the program site has matching funds available to meet matching
14 commitments in participant savings plan agreements.

15 (3) A program site may reject an application made under
16 subsection (1) if approving the application would result in the
17 establishment of an individual or family development account by 1
18 or more of the members of a family that has established an
19 individual or family development account for the same person for
20 the same purpose.

21 (4) A household shall not have more than 1 account for the
22 same purpose if that purpose is a first-time purchase of a primary
23 residence or start-up capitalization of a business.

24 (5) If the program site approves the individual's or the
25 family's application to establish an individual or family
26 development account, the individual shall do all of the following:

27 (a) Establish the individual or family development account

1 with a financial institution.

2 (b) Enter into a participant savings plan agreement with a
3 program site.

4 (c) Declare, with the approval of the program site, the
5 purpose for which the account is established.

6 (d) Any other criteria required by the program site.

7 (6) An account may be established only to pay qualified
8 expenses as provided in subsection (7).

9 (7) An account shall be established for 1 or more of the
10 following purposes:

11 (a) To pay educational expenses for the individual account
12 holder who will be 17 years of age or older when the funds in the
13 account will be used if the account is an account for educational
14 purposes.

15 (b) For the first-time purchase of a primary residence by the
16 individual account holder if the account is an account for the
17 purchase of a primary residence.

18 (c) For start-up capitalization of a business for the
19 individual account holder who is 18 years of age or older if the
20 account is an account for capitalization of a business based on a
21 business plan approved by the program site.

22 **(D) FOR QUALIFIED HOME IMPROVEMENTS.**

23 (8) An account established under this section shall be an
24 account that requires 2 signatures for withdrawals. The 2 required
25 signatures shall be those of the account holder and an
26 administrator of the program site with which the account holder has
27 a participant savings plan agreement.

Senate Bill No. 1636 (H-3) as amended December 18, 2008

1 Sec. 5. (1) A program site shall enter into a participant
2 savings plan agreement with each account holder who is approved to
3 establish an individual or family development account.

4 (2) ~~The~~**UPON REQUEST FROM A** program site, **THE FIDUCIARY**
5 **ORGANIZATION** shall provide matching funds for contributions to an
6 account by an account holder ~~pursuant~~**ACCORDING** to a participant
7 savings plan agreement. **[ONLY THE FIDUCIARY ORGANIZATION SHALL]**
8 **EXPEND FUNDS TO PROVIDE MATCHING FUNDS OR FOR ACCOUNT HOLDER**
9 **SUPPORT SERVICES.**

10 (3) Matching fund distributions shall be made on behalf of an
11 account holder ~~pursuant~~**ACCORDING** to participant savings plan
12 agreements at the same time that an account holder withdraws money
13 to pay qualified expenses. Matching distributions shall be at least
14 a match of \$1.00 for every \$1.00 withdrawn from an account by an
15 account holder to pay expenses for a purpose described in section
16 4(7) or for a purpose approved by the agency.

17 (4) Matching distributions under this section shall be made by
18 check to the order of the account holder and the entity the account
19 holder is paying.

20 Sec. 7. ~~(1)~~An individual who is not an account holder and who
21 is subject to the tax imposed by the income tax act of 1967, 1967
22 PA 281, MCL 206.1 to 206.532, **OR A TAXPAYER WHO IS SUBJECT TO THE**
23 **TAX IMPOSED BY THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL**
24 **208.1101 TO 208.1601, IF APPLICABLE,** may claim a credit under
25 section ~~272-276~~ of the income tax act of 1967, 1967 PA 281, MCL
26 ~~206.272-206.276~~, equal to 75% of the contributions made to the
27 reserve fund of a fiduciary organization against the tax imposed by

1 the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.532, OR
2 **THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL 208.1101 TO**
3 **208.1601, IF APPLICABLE.**

4 ~~—— (2) The administrator of a fiduciary organization that~~
5 ~~administers 1 or more reserve funds, with the cooperation of the~~
6 ~~participating financial institutions, shall submit the names of~~
7 ~~contributors and the total amount that each contributor contributes~~
8 ~~to an individual or family development account reserve fund for~~
9 ~~each calendar year to the agency . The director shall determine the~~
10 ~~date by which the information shall be submitted to the agency.~~

11 Sec. 8. (1) The total of all credits under section ~~272-276~~ of
12 the income tax act of 1967, 1967 PA 281, MCL ~~206.272-206.276~~, **AND**
13 **UNDER THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL 208.1101 TO**
14 **208.1601, IF APPLICABLE**, shall not exceed \$1,000,000.00 per
15 calendar year.

16 (2) A taxpayer that makes a contribution to a reserve fund as
17 provided under section 7 shall apply to the agency for
18 certification that the contribution qualifies for a credit under
19 section ~~272-276~~ of the income tax act of 1967, 1967 PA 281, MCL
20 ~~206.272-206.276~~, **OR THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL**
21 **208.1101 TO 208.1601, IF APPLICABLE.** An application shall be
22 approved or denied not more than 45 days after receipt of the
23 application. If the application is not approved or denied 45 days
24 after the application is received by the agency, the application is
25 considered approved and the agency shall issue a certificate under
26 this subsection. If the agency approves an application under this
27 section, the director or his or her designee shall issue a

1 certificate that states that the taxpayer is eligible to claim a
2 credit based on the contribution and the amount of the credit. If
3 an application is denied under this section, a taxpayer is not
4 prohibited from subsequently applying under this section for
5 another contribution.

6 (3) In reviewing applications for credits, the agency shall
7 consider all of the following criteria:

8 (a) The funds available to match contributions are deposited
9 into a reserve fund in the same year that the credit will be
10 claimed.

11 (b) The approval of the credit will not exceed the annual
12 maximum amount under subsection (1).

13 (c) The overall benefit to the program of the contribution for
14 which a credit is requested.

15 **(4) THE AGENCY MAY DELEGATE RESPONSIBILITY FOR SUBSECTIONS (2)**
16 **AND (3) TO FIDUCIARY ORGANIZATIONS.**

17 (5) ~~(4)~~ A taxpayer shall not claim a credit in excess of the
18 amount approved under subsection (2).

19 (6) ~~(5)~~ A taxpayer shall attach the certificate received
20 ~~pursuant~~ **ACCORDING** to subsection (2) to the return filed under the
21 income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.532, on which
22 a credit allowed under section ~~272~~ **276** of the income tax act of
23 1967, 1967 PA 281, MCL ~~206.272~~ **206.276**, is claimed.

24 Sec. 9. (1) A fiduciary organization selected to administer an
25 individual or family development account program under this act
26 shall file **WITH THE AGENCY** an annual report ~~with the agency~~ of the
27 fiduciary organization's individual development account program

Senate Bill No. 1636 (H-3) as amended December 18, 2008

activity RELATED TO ACCOUNTS ESTABLISHED FOR THE FIRST-TIME

PURCHASE OF A PRIMARY RESIDENCE [OR FOR QUALIFIED HOME IMPROVEMENTS]. The report shall be filed no later than September 30 each year. The report shall include, but is not limited to, all of the following:

(a) The number of individual development accounts ESTABLISHED FOR THE FIRST-TIME PURCHASE OF A PRIMARY RESIDENCE [AND FOR QUALIFIED HOME IMPROVEMENTS] AND administered by the fiduciary organization.

(b) The amount of deposits and matching deposits for each account.

(c) The purpose of each account.

(d) The number of withdrawals made.

(e) The number of terminated accounts and the reasons for termination.

(f) Any other information the agency may require for the purpose of making a return on investment analysis.

(2) A FIDUCIARY ORGANIZATION SELECTED TO ADMINISTER AN INDIVIDUAL OR FAMILY DEVELOPMENT ACCOUNT PROGRAM UNDER THIS ACT SHALL FILE WITH THE DEPARTMENT AN ANNUAL REPORT OF THE FIDUCIARY ORGANIZATION'S INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM ACTIVITY RELATED TO ACCOUNTS ESTABLISHED EITHER FOR EDUCATIONAL PURPOSES OR CAPITALIZATION OF A BUSINESS. THE REPORT SHALL BE FILED NO LATER THAN SEPTEMBER 30 EACH YEAR. THE REPORT SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING:

(A) THE NUMBER OF INDIVIDUAL DEVELOPMENT ACCOUNTS ESTABLISHED EITHER FOR EDUCATIONAL PURPOSES OR CAPITALIZATION OF A BUSINESS AND ADMINISTERED BY THE FIDUCIARY ORGANIZATION.

(B) THE AMOUNT OF DEPOSITS AND MATCHING DEPOSITS FOR EACH

1 ACCOUNT.

2 (C) THE PURPOSE OF EACH ACCOUNT.

3 (D) THE NUMBER OF WITHDRAWALS MADE.

4 (E) THE NUMBER OF TERMINATED ACCOUNTS AND THE REASONS FOR
5 TERMINATION.

6 (F) ANY OTHER INFORMATION THE DEPARTMENT MAY REQUIRE FOR THE
7 PURPOSE OF MAKING A RETURN ON INVESTMENT ANALYSIS.

8 (3) ~~(2) The~~ NOT LATER THAN DECEMBER 31 OF EACH YEAR, THE
9 agency AND THE DEPARTMENT shall JOINTLY file WITH THE CLERK OF THE
10 HOUSE OF REPRESENTATIVES AND THE SECRETARY OF THE SENATE a report
11 ~~not later than December 31 each year with the clerk of the house of~~
12 ~~representatives and the secretary of the senate that~~ includes all
13 of the information under ~~subsection~~ SUBSECTIONS (1) AND (2) and
14 copies of any changes in policies or procedures used to administer
15 this act that occurred during the year.

16 Sec. 10. The Michigan state housing development authority AND
17 THE DEPARTMENT, IN CONSULTATION WITH ONE ANOTHER, may promulgate
18 rules as needed to implement THEIR RESPECTIVE RESPONSIBILITIES
19 UNDER this act under the administrative procedures act of 1969,
20 1969 PA 306, MCL 24.201 to 24.328.