

# SENATE BILL No. 1636

November 12, 2008, Introduced by Senators JANSEN and HUNTER and referred to the Committee on Families and Human Services.

A bill to amend 2006 PA 513, entitled  
"Individual or family development account program act,"  
by amending sections 2, 3, 5, 7, 8, 9, and 10 (MCL 206.702,  
206.703, 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 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

1 an account holder.

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

5 (D) "DEPARTMENT" MEANS THE DEPARTMENT OF LABOR AND ECONOMIC  
6 GROWTH.

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

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

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

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

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

22 (iv) A state-licensed proprietary school.

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

1 35, 42 USC 9902.

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

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

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

13 (k) "Individual or family development account" or "account"  
14 means an account established pursuant to section 4.

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

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

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

27 Sec. 3. (1) The individual or family development account

1 program is established within the agency. The program shall provide  
2 eligible individuals and families with an opportunity to establish  
3 accounts to be used for education, first-time purchase of a primary  
4 residence, or business capitalization as provided in section 4.

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

17 (3) In reviewing the qualifications of fiduciary organizations  
18 and program sites, the agency shall consider all of the following  
19 factors:

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

21 (b) The fiscal accountability of the organization.

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

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

26 (e) The availability of a financial literacy program for  
27 account holders.

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

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

10 (a) Administer 1 or more reserve funds to provide matching  
11 funds for account holders pursuant to participant savings plan  
12 agreements.

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

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

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

18 (e) Work in conjunction with approved program sites to hold,  
19 manage, and disburse matching funds for accounts as provided in  
20 section 5.

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

24 (5) The agency shall select program sites to administer the  
25 accounts **UNDER THE OVERSIGHT OF A FIDUCIARY** on a not-for-profit  
26 basis. In reviewing the qualifications of program sites, the agency  
27 shall consider the ability of the program site to do all of the

1 following:

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

5 (i) The purpose for which the account holder's account is  
6 established.

7 (ii) The schedule of deposits that the account holder will make  
8 to the account.

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

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

16 (b) Develop a partnership with all account holders with whom  
17 the program site has a participant savings plan agreement to assist  
18 the account holder to effectively make financial decisions relating  
19 to the use of the funds available through the account and to offer  
20 support services to maximize the opportunities provided by the  
21 individual or family development account program.

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

26 Sec. 5. (1) A program site shall enter into a participant  
27 savings plan agreement with each account holder who is approved to

1 establish an individual or family development account.

2 (2) ~~The~~ **UPON REQUEST FROM A** program site, **THE FIDUCIARY**  
 3 **ORGANIZATION** shall provide matching funds for contributions to an  
 4 account by an account holder pursuant to a participant savings plan  
 5 agreement.

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

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

16 Sec. 7. (1) An individual who is not an account holder and who  
 17 is subject to the tax imposed by the income tax act of 1967, 1967  
 18 PA 281, MCL 206.1 to 206.532, may claim a credit under section ~~272~~  
 19 **276** of the income tax act of 1967, 1967 PA 281, MCL ~~206.272~~  
 20 **206.276**, equal to 75% of the contributions made to the reserve fund  
 21 of a fiduciary organization against the tax imposed by the income  
 22 tax act of 1967, 1967 PA 281, MCL 206.1 to 206.532.

23 (2) The administrator of a fiduciary organization that  
 24 administers 1 or more reserve funds, with the cooperation of the  
 25 participating financial institutions, shall submit the names of  
 26 contributors and the ~~total~~ amount that each contributor contributes  
 27 to an individual or family development account reserve fund ~~for~~

1 ~~each calendar year to the agency~~ **WITHIN 15 DAYS AFTER RECEIPT OF**  
2 **EACH CONTRIBUTION.** ~~The director shall determine the date by which~~  
3 ~~the information shall be submitted to the agency.~~

4       Sec. 8. (1) The total of all credits under section ~~272-276~~ of  
5 the income tax act of 1967, 1967 PA 281, MCL ~~206.272-206.276~~, shall  
6 not exceed \$1,000,000.00 per calendar year.

7       (2) A taxpayer that makes a contribution to a reserve fund as  
8 provided under section 7 shall apply to the agency for  
9 certification that the contribution qualifies for a credit under  
10 section ~~272-276~~ of the income tax act of 1967, 1967 PA 281, MCL  
11 ~~206.272-206.276~~. An application shall be approved or denied not  
12 more than 45 days after receipt of the application. If the  
13 application is not approved or denied 45 days after the application  
14 is received by the agency, the application is considered approved  
15 and the agency shall issue a certificate under this subsection. If  
16 the agency approves an application under this section, the director  
17 or his or her designee shall issue a certificate that states that  
18 the taxpayer is eligible to claim a credit based on the  
19 contribution and the amount of the credit. If an application is  
20 denied under this section, a taxpayer is not prohibited from  
21 subsequently applying under this section for another contribution.

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

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

27       (b) The approval of the credit will not exceed the annual

1 maximum amount under subsection (1).

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

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

6 (5) A taxpayer shall attach the certificate received pursuant  
7 to subsection (2) to the return filed under the income tax act of  
8 1967, 1967 PA 281, MCL 206.1 to 206.532, on which a credit allowed  
9 under section ~~272-276~~ of the income tax act of 1967, 1967 PA 281,  
10 MCL ~~206.272-206.276~~, is claimed.

11 Sec. 9. (1) A fiduciary organization selected to administer an  
12 individual or family development account program under this act  
13 shall file **WITH THE AGENCY** an annual report ~~with the agency~~ of the  
14 fiduciary organization's individual development account program  
15 activity **RELATED TO ACCOUNTS ESTABLISHED FOR THE FIRST-TIME**  
16 **PURCHASE OF A PRIMARY RESIDENCE**. The report shall be filed no later  
17 than September 30 each year. The report shall include, but is not  
18 limited to, all of the following:

19 (a) The number of individual development accounts **ESTABLISHED**  
20 **FOR THE FIRST-TIME PURCHASE OF A PRIMARY RESIDENCE AND** administered  
21 by the fiduciary organization.

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

24 (c) The purpose of each account.

25 (d) The number of withdrawals made.

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

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

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

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

14 (B) THE AMOUNT OF DEPOSITS AND MATCHING DEPOSITS FOR EACH  
15 ACCOUNT.

16 (C) THE PURPOSE OF EACH ACCOUNT.

17 (D) THE NUMBER OF WITHDRAWALS MADE.

18 (E) THE NUMBER OF TERMINATED ACCOUNTS AND THE REASONS FOR  
19 TERMINATION.

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

22 (3) ~~(2) The~~ NOT LATER THAN DECEMBER 31 OF EACH YEAR, THE  
23 agency AND THE DEPARTMENT shall JOINTLY file WITH THE CLERK OF THE  
24 HOUSE OF REPRESENTATIVES AND THE SECRETARY OF THE SENATE a report  
25 ~~not later than December 31 each year with the clerk of the house of~~  
26 ~~representatives and the secretary of the senate that~~ includes all  
27 of the information under ~~subsection~~ SUBSECTIONS (1) AND (2) and

1 copies of any changes in policies or procedures used to administer  
2 this act that occurred during the year.

3       Sec. 10. The Michigan state housing development authority **AND**  
4 **THE DEPARTMENT, IN CONSULTATION WITH ONE ANOTHER,** may promulgate  
5 rules as needed to implement **THEIR RESPECTIVE RESPONSIBILITIES**  
6 **UNDER** this act under the administrative procedures act of 1969,  
7 1969 PA 306, MCL 24.201 to 24.328.