

SECOND REGULAR SESSION

# SENATE BILL NO. 699

89TH GENERAL ASSEMBLY

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INTRODUCED BY SENATORS MAXWELL AND SIMS.

Read 1st time January 12, 1998, and 1,000 copies ordered printed.

TERRY L. SPIELER, Secretary.

S2947.011

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## AN ACT

To amend chapter 620, RSMo, by adding thereto six new sections relating to the establishment of the family development account program.

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*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Chapter 620, RSMo, is amended by adding thereto six new sections, to be known as sections 620.1410, 620.1412, 620.1415, 620.1417, 620.1420 and 620.1423, to read as follows:

**620.1410. 1. Sections 620.1410 to 620.1423 shall be known and may be cited as the "Family Development Account Program".**

**2. For purposes of sections 620.1410 to 620.1423, the following terms mean:**

**(1) "Community-based organization", any religious or charitable association formed pursuant to chapter 352, RSMo, that is approved by the director of the department of economic development to implement the family development account program;**

**(2) "Department", the department of economic development;**

**(3) "Director", the director of the department of economic development;**

**(4) "Family development account", a financial instrument established pursuant to section 620.1415;**

**(5) "Federal poverty level", poverty income guidelines for the most recent calendar year by the United States Department of Health and Human Services;**

**(6) "Financial institution", any bank, trust company, savings bank, credit union or savings and loan association as defined in chapter 362, 369 or 370, RSMo, and with an office in Missouri which is approved by the director for participation in the program;**

**(7) "Program", the Missouri family development account program established in sections 620.1410 to 620.1423;**

**(8) "Program contributor", a person or entity who makes a contribution to a family development account and is not a subaccount holder;**

**(9) "Subaccount", an account within a family development account maintained by a community based organization within a financial institution;**

**(10) "Subaccount holder", a person who is the owner of a subaccount within a family development account.**

**620.1412. 1. There is hereby established within the department of economic development a program to be known as the "Family Development Account Program". The program shall provide eligible families and individuals with an opportunity to hold subaccounts within special savings accounts for moneys which may be used by such families and individuals for education, home ownership or small business capitalization.**

**2. The department shall solicit proposals from community-based organizations seeking to administer the accounts on a not for profit basis. Community-based organization proposals shall include:**

**(1) A requirement that the individual subaccount holder periodically make contributions to the account;**

**(2) A process for including subaccount holders in decision making regarding the investment of funds in the account; and**

**(3) Specifications of the population or populations targeted for priority participation in the program.**

**3. In reviewing the proposals of community-based organizations, the department shall consider the following factors:**

**(1) The not for profit status of such organization;**

**(2) The fiscal accountability of the community-based organization;**

**(3) The ability of the community-based organization to provide or raise moneys for matching contributions;**

**(4) The ability of the community-based organization to maintain a family development account which shall receive all contributions from program contributors;**

**(5) The ability of the community-based organization to establish and administer subaccounts within the family development account for each subaccount holder; and**

**(6) The significance and quality of proposed auxiliary services and their relationship to the goals of the family development account program.**

**4. No more than fifteen percent of all funds in the family development account may be used for administrative costs of the program. Funding for administrative costs of the program shall not originate from individual subaccounts within the family**

**development account.**

**620.1415. 1. A family or individual whose household income is less than or equal to two hundred percent of the federal poverty level may participate in this program as a subaccount holder in order to accumulate and withdraw moneys for specified expenditures. The subaccount holder may have moneys withdrawn from the subaccount upon the approval of the community-based organization, without penalty, for any of the following expenditures:**

**(1) Educational costs for any family member at an accredited institution of higher education;**

**(2) Job training costs for any family member eighteen years of age or older, at an accredited or licensed training program;**

**(3) Purchase of a primary residence;**

**(4) Major repairs or improvements to a primary residence; or**

**(5) Start-up capitalization of a small business for any family member eighteen years of age or older.**

**2. Pursuant to an agreement with a community-based organization, financial institutions approved by the department may establish a family development account pursuant to sections 620.1410 to 620.1423. The community-based organization shall certify to the department, on forms prescribed by the department and accompanied by any documentation required by the department, that such an account has been established pursuant to the provisions of sections 620.1410 to 620.1423.**

**3. A financial institution in which a family development account is established shall:**

**(1) Keep the account in the name of the community-based organization;**

**(2) Permit deposits to be made in the account by a community-based organization and by any subaccount holder; and**

**(3) Require the account to earn at least the market rate of interest.**

**4. A community-based organization maintaining a family development account shall:**

**(1) Manage the account with a financial institution as a single account, but with ledgered subaccounts owned by individual subaccount holders;**

**(2) Credit all interest earned by the account proportionally to the various subaccounts;**

**(3) Permit contributions to be made to the account by program contributors;**

**(4) Have the option of matching contributions made by subaccount holders to their subaccounts up to three times the amount contributed by the subaccount holder; and**

**(5) Permit the subaccount holder, after obtaining the approval of the community-**

based organization, to withdraw moneys from the account for any of the purposes listed in subsection 1 of this section.

5. The total of all deposits into a family development subaccount in a calendar year shall not exceed two thousand dollars. The total balance in a family development subaccount shall not exceed fifty thousand dollars.

620.1417. 1. Any moneys withdrawn during a calendar year from a family development account by a subaccount holder which are not withdrawn pursuant to subsection 1 of section 620.1415 are subject to a penalty of fifteen percent and the subaccount shall be closed. The subaccount holder shall receive the moneys which the subaccount holder deposited in the account with interest, less any penalties, but all matching moneys shall be forfeited.

2. Moneys forfeited by a subaccount holder pursuant to subsection 1 of this section shall be returned to the family development account of the community-based organization.

3. In the event of a subaccount holder's death, the subaccount may be transferred to the ownership of a contingent beneficiary. A subaccount holder shall name contingent beneficiaries at the time the subaccount is established with the community-based organization and may change such beneficiaries at any time. If the named beneficiary is deceased or otherwise cannot accept the transfer, the moneys shall be transferred to the family development account of the community-based organization.

620.1420. 1. Moneys deposited in or withdrawn pursuant to subsection 1 of section 620.1415 from a family development account are exempted from taxation pursuant to chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, and chapter 147, 148 or 153, RSMo.

2. Interest earned by a family development account is exempted from taxation imposed pursuant to chapter 143, RSMo.

3. A program contributor shall be allowed a credit against the tax imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, and chapter 147, 148 or 153, RSMo, pursuant to sections 620.1410 to 620.1423. Contributions up to fifty thousand dollars per program contributor are eligible for a tax credit equaling fifty percent of the contribution amount.

4. The department of economic development shall verify all tax credit claims by contributors. The administrator of the community-based organization, with the cooperation of the participating financial institutions, shall submit the names of contributors and the total amount each contributor contributes to a family development account for a calendar year. The director shall determine the date by which such information shall be submitted to the department by the local

**administrator. The department shall submit verification of qualified tax credits pursuant to sections 620.1410 to 620.1423 to the department of revenue. The additional tax credits authorized by this section may be taken for tax years beginning on and after January 1, 1999.**

**5. The total tax credits authorized pursuant to sections 620.1410 to 620.1423 shall not exceed four million dollars in any fiscal year.**

**620.1423. Subject to appropriations and to the provisions of chapter 34, RSMo, the department shall annually award up to one hundred thousand dollars for an independent evaluation and audit of the program. Based on this audit and program evaluation, the department shall provide a comprehensive report on the program to the speaker of the house and the president pro tem of the senate by December first of each year, beginning in 1999.**

Unofficial ✓

Bill

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