

FIRST REGULAR SESSION

SENATE BILL NO. 97

90TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR MAXWELL.

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S0436.011

TERRY L. SPIELER, Secretary.

AN ACT

To amend chapter 620, RSMo, by adding thereto seven new sections for the purpose of establishing the individual development account program.

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

Section A. Chapter 620, RSMo, is amended by adding thereto seven new sections, to be known as sections 620.1487, 620.1490, 620.1493, 620.1496, 620.1499, 620.1502 and 620.1505, to read as follows:

620.1487. 1. Sections 620.1487 to 620.1502 shall be known and may be cited as the individual development account program.

2. For purposes of sections 620.1487 to 620.1502, the following terms mean:

(1) "Account holder", a person who is the owner of a individual development account;

(2) "Community-based organization", any religious or charitable association formed pursuant to chapter 352 or 355, RSMo, which is tax exempt pursuant to section 501(c)(3) of the Internal Revenue Code, that is approved by the director of the department of economic development to implement the individual development account program;

(3) "Department", the department of economic development;

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

(5) "Federal poverty level", the most recent poverty income guidelines published in the 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) "Individual development account", a financial instrument established pursuant to section 620.1493. Individual development accounts shall be considered the same as referenced in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996;

(8) "Individual development account reserve fund", the fund created by an approved community-based organization for the purposes of funding the costs incurred in the administration of the program and for providing matching funds for moneys in individual development accounts;

(9) "Institution of postsecondary education", any institution of postsecondary education, including a university, college, vocational and technical school, and other postsecondary institution, located within the state of Missouri;

(10) "Program", the Missouri individual development account program established in sections 620.1487 to 620.1502;

(11) "Program contributor", a person or entity who makes a contribution to an individual development account reserve fund and is not the account holder.

620.1490. 1. There is hereby established within the department of economic development a program to be known as the "Individual Development Account Program". The program shall provide eligible families and individuals with an opportunity to establish special savings accounts for moneys which may be used by such families and individuals for education, job training, home ownership, home improvement 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 account holder or the family of an account holder match the contributions of a community-based organization member by contributing funds;

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

(3) Specification of the population or populations targeted for priority participation in the program; and

(4) A process for including economic literacy seminars in the individual development account program, and a requirement that the individual account holder or the family of an account holder attend these seminars.

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 establish and administer a reserve fund account which shall receive all contributions from program contributors; and

(5) The significance and quality of proposed auxiliary services, including economic literacy seminars, and their relationship to the goals of the individual development account program.

4. No more than fifteen percent of all funds in the reserve fund account may be used for administrative costs of the program.

620.1493. 1. A family or individual whose household income is less than or equal to two hundred percent of the federal poverty level may open an individual development account for the purpose of accumulating and withdrawing moneys for specified expenditures. The account holder shall be allowed to withdraw moneys from the account on the approval of the community-based organization, without penalty, for any of the following expenditures:

(1) Educational costs at an accredited institution of postsecondary education for any family members who are eighteen years of age or older;

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

(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 members who are eighteen years of age or older.

2. Financial institutions approved by the department shall be permitted to establish individual development accounts pursuant to sections 620.1487 to 620.1502. The financial institution shall certify to the department, on forms prescribed by the department and accompanied by any documentation required by the department, that such accounts have been established pursuant to the provisions of sections 620.1487 to 620.1502 and that deposits have been made on behalf of the account holder.

3. A financial institution establishing an individual development account shall:

(1) Keep the account in the name of the account holder;

(2) Permit deposits to be made in the account by the following, subject to the indicated conditions:

(a) The account holder; or

(b) A community-based organization on behalf of the account holder. Such a deposit may include moneys to match the account holder's deposits, up to a three-to-one

match rate;

(3) Require the account to earn at least the market rate of interest; and

(4) Permit the account holder, after obtaining the cosignature of the administrator of the community-based organization, to withdraw moneys from the account for any of the purposes listed in subsection 1 of this section.

4. The total of all deposits or credits deposited from all sources into an individual development account in a calendar year shall not exceed two thousand five hundred dollars. The total balance in an individual development account shall not exceed fifty thousand dollars. The provisions of this section are severable from other sections in this act.

620.1496. 1. Any moneys withdrawn during a calendar year from an individual development account by an account holder which are not withdrawn pursuant to subsection 1 of section 620.1493 are subject to a penalty of fifteen percent and the account shall be closed. The account holder shall receive the moneys which the account holder deposited in the account less any penalties, but all matching moneys shall be forfeited.

2. All penalty moneys and moneys forfeited by an account holder pursuant to subsection 1 of this section shall be returned to the individual development account reserve fund of the community-based organization.

3. In the event of an account holder's death, the account may be transferred to the ownership of a contingent beneficiary. An account holder shall name contingent beneficiaries at the time the account is established 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 individual development account reserve fund of the community-based organization.

620.1499. 1. Moneys deposited in or withdrawn pursuant to subsection 1 of section 620.1493 from an individual development account by an account holder 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 an individual development account is exempted from taxation pursuant to chapter 143, RSMo.

3. Any funds in an individual development account, including accrued interest, shall be disregarded when determining eligibility to receive, or the amount of, any public assistance or benefits.

4. 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 620.1487 to 620.1502. Contributions up to fifty thousand dollars per program contributor are

eligible for the tax credit which shall not exceed fifty percent of the contribution amount. Credits may be carried forward for up to five years, provided all such credits shall be claimed within ten years of the year in which the contribution was made.

5. 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 an individual development account reserve fund for the 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 620.1487 to 620.1502 to the department of revenue.

6. The total tax credits authorized pursuant to sections 620.1487 to 620.1502 shall not exceed eight million dollars in any fiscal year. At least fifty percent of the total tax credits shall be used for the purposes of subdivisions (1), (3), (4), (5) and (6) of subsection 1 of section 620.1493.

7. The tax credit allowed by this section shall apply to all taxable years beginning after December 31, 1999.

8. Federal funds received by the state for individual development accounts or other federal funds may be deposited in an individual development account subject to requirements of federal law and may be segregated in the account, if required by federal law.

620.1502. 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 of the program. Based on this 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 March first of each year, beginning in 2000.

620.1505. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo, that is promulgated under the authority delegated in sections 620.1487 to 620.1502 shall become effective only if the agency has fully complied with all of the requirements of chapter 536, RSMo, including but not limited to, section 536.028, RSMo, if applicable, after the effective date of this act. If the provisions of section 536.028, RSMo, apply, the provisions of this section are nonseverable and if any of the powers vested with the general assembly pursuant to section 536.028 to review, to delay the effective date, or to disapprove and annul a rule or portion of a rule are held unconstitutional or invalid, the purported grant of rulemaking authority and any rule so proposed and contained in the order of rulemaking shall be invalid and void, except that nothing in this act shall affect the validity of any rule adopted and promulgated

prior to the effective date of this act.

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