

By Representative Greenstein

1                                   A bill to be entitled  
2           An act relating to individual development  
3           accounts; providing purposes; providing  
4           definitions; requiring the Department of  
5           Children and Family Services to amend the  
6           Temporary Assistance for Needy Families State  
7           Plan to provide for use of funds for individual  
8           development accounts; specifying criteria and  
9           requirements for contributions to such  
10          accounts; specifying purposes for use of such  
11          accounts; directing the WAGES Program State  
12          Board to establish procedures for local WAGES  
13          coalitions to apply to offer individual  
14          development accounts; providing for procedures  
15          for withdrawals from such accounts; specifying  
16          certain organizations to act as fiduciary  
17          organizations for certain purposes; providing  
18          for penalties for withdrawal of moneys for  
19          certain purposes; providing for resolution of  
20          certain disputes; providing for transfer of  
21          ownership of such accounts under certain  
22          circumstances; providing for establishment of  
23          such accounts by certain financial institutions  
24          under certain circumstances; providing  
25          requirements; providing that account funds and  
26          matching funds do not affect certain program  
27          eligibility; providing for local WAGES  
28          coalition comment concerning the procedures  
29          developed by the WAGES State Board and for  
30          inclusion of the procedures in the annual plan;  
31          providing an effective date.

1 Be It Enacted by the Legislature of the State of Florida:

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3           Section 1. (1) The purpose of this act is to provide  
4 for the establishment of individual development accounts  
5 designed to provide families with limited means an opportunity  
6 to accumulate assets, to facilitate and mobilize savings, to  
7 promote education, homeownership, and microenterprise  
8 development, and to stabilize families and build communities.  
9 This section implements the provisions of s. 404(h) of the  
10 Social Security Act, as amended, 42 U.S.C. s. 604(h), related  
11 to individual development accounts. Nothing in this section  
12 is intended to conflict with the provisions of federal law.

13           (2) As used in this section:

14           (a) "Individual development account" means an account  
15 exclusively for the purpose of paying the qualified expenses  
16 of an eligible individual or family. The account is a trust  
17 created or organized in this state and funded through periodic  
18 contributions by the establishing individual and matched by or  
19 through a qualified entity for a qualified purpose.

20           (b) "Qualified entity" means:

21           1. A not-for-profit organization described in s.  
22 501(c)(3) of the Internal Revenue Code of 1986, as amended,  
23 and exempt from taxation under s. 501(a) of such code; or

24           2. A state or local government agency acting in  
25 cooperation with an organization described in subparagraph 1.  
26 For purposes of this section, a local WAGES coalition shall be  
27 considered a government agency.

28           (c) "Financial institution" means a financial  
29 institution as defined in s. 655.005, Florida Statutes.

30           (d) "Eligible educational institution" means:

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1           1. An institution described in s. 481(a)(1) or s.  
2 1201(a) of the Higher Education Act of 1965, 20 U.S.C. s.  
3 1088(a)(1) or s. 1141(a), as such sections are in effect on  
4 the date of the enactment of the Personal Responsibility and  
5 Work Opportunity Reconciliation Act of 1996, Pub. L. No.  
6 104-193.

7           2. An area vocational education school, as defined in  
8 s. 521(4)(C) or (D) of the Carl D. Perkins Vocational and  
9 Applied Technology Education Act, 20 U.S.C. s. 2471(4), in  
10 this state, as such sections are in effect on the date of the  
11 enactment of the Personal Responsibility and Work Opportunity  
12 Reconciliation Act of 1996, Pub. L. No. 104-193.

13           (e) "Postsecondary educational expenses" means:

14           1. Tuition and fees required for the enrollment or  
15 attendance of a student at an eligible educational  
16 institution.

17           2. Fees, books, supplies, and equipment required for  
18 courses of instruction at an eligible educational institution.

19           (f) "Qualified acquisition costs" means the costs of  
20 acquiring, constructing, or reconstructing a residence. The  
21 term includes any usual or reasonable settlement, financing,  
22 or other closing costs.

23           (g) "Qualified business" means any business that does  
24 not contravene any law or public policy.

25           (h) "Qualified business capitalization expenses" means  
26 qualified expenditures for the capitalization of a qualified  
27 business pursuant to a qualified plan.

28           (i) "Qualified expenditures" means expenditures  
29 included in a qualified plan, including capital, plant,  
30 equipment, working capital, and inventory expenses.

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1           (j)1. "Qualified first-time homebuyer" means a  
2 taxpayer and, if married, the taxpayer's spouse, who has no  
3 present ownership interest in a principal residence during the  
4 3-year period ending on the date of acquisition of the  
5 principal residence.

6           2. "Date of acquisition" means the date on which a  
7 binding contract to acquire, construct, or reconstruct the  
8 principal residence is entered into.

9           (k) "Qualified plan" means a business plan or a plan  
10 to use a business asset purchased, which:

11           1. Is approved by a financial institution, a  
12 microenterprise development organization, or a nonprofit loan  
13 fund having demonstrated fiduciary integrity.

14           2. Includes a description of services or goods to be  
15 sold, a marketing plan, and projected financial statements.

16           3. May require the eligible individual to obtain the  
17 assistance of an experienced entrepreneurial advisor.

18           (l) "Qualified principal residence" means a principal  
19 residence, within the meaning of s. 1034 of the Internal  
20 Revenue Code of 1986, as amended, the qualified acquisition  
21 costs of which do not exceed 100 percent of the average area  
22 purchase price applicable to such residence, determined in  
23 accordance with s. 143(e)(2) and (3) of such code.

24           (3) The Department of Children and Family Services  
25 shall amend the Temporary Assistance for Needy Families State  
26 Plan which was submitted in accordance with s. 402 of the  
27 Social Security Act, as amended, 42 U.S.C. s. 602, to provide  
28 for the use of funds for individual development accounts in  
29 accordance with the provisions of this section.

30           (4)(a) Any family subject to time limits and fully  
31 complying with work requirements of the WAGES Program that

1 enters into an agreement with an approved fiduciary  
2 organization is eligible for participation in an individual  
3 development account.

4 (b) Contributions to the individual development  
5 account by an individual may be derived only from earned  
6 income, as defined in s. 911(d)(2) of the Internal Revenue  
7 Code of 1986, as amended.

8 (c) The individual or family shall enter into an  
9 individual development account agreement with a certified  
10 fiduciary organization as described in subsection (7). This  
11 account agreement shall include, but not be limited to, the  
12 matching funds to be contributed to the account, limits on the  
13 deposits for which the match will be provided, required  
14 documentation necessary for payment of moneys in the account  
15 to be made for a qualified purpose, and penalties for  
16 withdrawal of funds not used for one or more of the qualified  
17 purposes.

18 (d) Eligible participants may receive matching funds  
19 for contributions to the individual development account,  
20 pursuant to the WAGES State Plan and the plan of the local  
21 WAGES coalition. When not restricted to the contrary, matching  
22 funds may be paid from state and federal funds under the  
23 control of the local WAGES coalition, from local agencies, or  
24 from private donations.

25 (e) Eligible participants may receive bonus payments  
26 for program compliance, to the extent provided in the WAGES  
27 State Plan and the plan of the local WAGES coalition. Such  
28 bonus payments may provide for a matching proportion higher  
29 than matching funds described in paragraph (d).

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1       (5) Individual development accounts may be available  
2 for any of the following qualified purposes once the family no  
3 longer receives cash assistance:

4           (a) Postsecondary educational expenses paid from an  
5 individual development account directly to an eligible  
6 educational institution;

7           (b) Qualified acquisition costs with respect to a  
8 qualified principal residence for a qualified first-time  
9 homebuyer, if paid from an individual development account  
10 directly to the persons to whom the amounts are due; or

11           (c) Amounts paid from an individual development  
12 account directly to a business capitalization account which is  
13 established in a federally insured financial institution and  
14 is restricted to use solely for qualified business  
15 capitalization.

16       (6) The WAGES Program State Board of Directors shall  
17 establish procedures for local WAGES coalitions to include in  
18 their annual program and financial plan for the WAGES program  
19 an application to offer an individual development account  
20 program as part of their WAGES program allocation. These  
21 procedures shall include, but not be limited to,  
22 administrative costs permitted for the fiduciary organization  
23 and policies relating to identifying the match ratio and  
24 limits on the deposits for which the match will be provided in  
25 the application process. The WAGES Program State Board of  
26 Directors also shall establish procedures to ensure that funds  
27 held in an individual development account are not withdrawn  
28 except for one or more of the qualified purposes described in  
29 this section.

30       (7) Fiduciary organizations shall be the local WAGES  
31 coalition or other community-based organizations designated by

1 the local WAGES coalition to serve as an intermediary between  
2 individual account holders and financial institutions holding  
3 accounts. Responsibilities of such fiduciary organizations may  
4 include marketing participation, soliciting matching  
5 contributions, counseling program participants, and conducting  
6 verification and compliance activities.

7 (8) The WAGES Program State Board of Directors shall  
8 establish penalties and procedures for enforcing compliance  
9 with such penalties for the withdrawal of moneys from  
10 individual development accounts under false pretenses or for  
11 the use of such moneys for other than approved purposes. The  
12 penalties established shall include, but not be limited to,  
13 the repayment of moneys withdrawn that were not used for one  
14 or more of the qualified purposes. The WAGES Program State  
15 Board of Directors may, at its discretion, specify conditions  
16 under which an account shall be closed.

17 (9) The fiduciary organization shall establish a  
18 grievance committee and a procedure to hear, review, and  
19 decide in writing any grievance made by a holder of an  
20 individual development account who disputes a decision of the  
21 operating organization that a withdrawal is subject to  
22 penalty.

23 (10) In the event of an account holder's death, the  
24 account may be transferred to the ownership of a contingent  
25 beneficiary. An account holder shall name contingent  
26 beneficiaries at the time the account is established and may  
27 change such beneficiaries at any time.

28 (11) Financial institutions approved by the WAGES  
29 Program State Board of Directors shall be permitted to  
30 establish individual development accounts pursuant to this  
31 section. The financial institution shall certify to the local

1 WAGES coalition on forms prescribed by the WAGES Program State  
2 Board of Directors and accompanied by any documentation  
3 required by the WAGES Program State Board of Directors that  
4 such accounts have been established pursuant to all provisions  
5 of this act and that deposits have been made on behalf of the  
6 account holder. A financial institution establishing an  
7 individual development account shall:  
8       (a) Keep the account in the name of the account  
9 holder.  
10       (b) Subject to the indicated conditions, permit  
11 deposits to be made into the account:  
12           1. By the account holder; or  
13           2. By means of contributions made on behalf of the  
14 account holder. Such deposits may include moneys to match the  
15 account holder's deposits.  
16       (c) Require the account to earn the market rate of  
17 interest.  
18       (d) Permit the account holder to withdraw moneys from  
19 the account for any of the permissible uses pursuant to  
20 procedures adopted by the WAGES Program State Board of  
21 Directors.  
22       (12) In accordance with s. 404(h)(4) of the Social  
23 Security Act, as amended, 42 U.S.C. s. 604(h)(4), and  
24 notwithstanding any other provision of law, other than the  
25 Internal Revenue Code of 1986, as amended, funds in an  
26 individual development account, including interest accruing in  
27 such account, shall be disregarded in determining eligibility  
28 for any federal or state program. Matching contributions paid  
29 directly into such account and contributions by an individual  
30 from earnings shall similarly be disregarded in determining  
31 eligibility for any state or federal program.



1       (13) All procedures identified in this section to be  
2 established by the WAGES Program State Board of Directors  
3 shall be developed in a manner that allows for local WAGES  
4 coalition comment and review and shall be included in the  
5 annual statewide program plan, pursuant to s. 414.027, Florida  
6 Statutes.

7           Section 2. This act shall take effect October 1, 2001.

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HOUSE SUMMARY

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12 Provides for establishing individual development accounts  
13 to provide families with limited means an opportunity to  
14 accumulate assets, facilitate and mobilize savings,  
15 promote education, homeownership, and microenterprise  
16 development, and stabilize families and build  
17 communities. See bill for details.

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