

JAN 24 2019

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# A BILL FOR AN ACT

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

PART I

1  
2 SECTION 1. The legislature finds that state-sponsored  
3 individual development accounts are an evidence-based method for  
4 helping low- and moderate-income people build assets, obtain  
5 stable housing, and ensure a financially secure future.

6 Individual development accounts are special savings accounts  
7 that match the deposits of low- and moderate-income savers,  
8 provided that they participate in financial education and use  
9 the savings for targeted purposes such as housing, post-  
10 secondary education, small business development, and  
11 transportation for work and school. Research demonstrates that  
12 these accounts make families more financially secure and  
13 communities and local economies more stable.

14 The purpose of this Act is to amend existing state statutes  
15 governing individual development accounts for low- and moderate-  
16 income households in Hawaii to assist them with obtaining  
17 permanent housing, attending post-secondary education, starting



1 a business, or accessing transportation necessary to earn a  
2 living or increase their wages.

3 SECTION 2. Section 257-1, Hawaii Revised Statutes, is  
4 amended as follows:

5 1. By amending the definition of "qualified expenditures"  
6 to read:

7 "Qualified expenditures" means an expense as determined by  
8 a fiduciary organization, which may include but not be limited  
9 to:

- 10 (1) Costs associated with [~~first~~] first-time  
11 homeownership;
- 12 (2) Costs associated with renting a dwelling;
- 13 (3) Costs associated with using public transportation;
- 14 (4) Costs associated with purchasing or repairing a motor  
15 vehicle;
- 16 [~~(2)~~] (5) Post-secondary [~~education,~~] educational expenses;
- 17 [~~(3)~~] (6) Vocational training; and
- 18 [~~(4)~~] (7) [~~Small~~] Qualified business capitalization  
19 expenses for a small or micro-business  
20 [~~capitalization~~]."



1           2. By repealing the definition of "qualified principal  
2 residence":

3           ~~["Qualified principal residence" means a principal  
4 residence (within the meaning of section 1034 of the Internal  
5 Revenue Code of 1986), the qualified acquisition costs of which  
6 do not exceed one hundred per cent of the average area purchase  
7 price applicable to such residence (determined in accordance  
8 with paragraphs (2) and (3) of section 143(e) of the Code)."]~~

9           SECTION 3. Section 257-2, Hawaii Revised Statutes, is  
10 amended by amending subsection (a) to read as follows:

11           "(a) The income of the household of the individual  
12 development account holder shall not exceed ~~[eighty]~~ one hundred  
13 per cent of the area household median income."

14           SECTION 4. Section 257-3, Hawaii Revised Statutes, is  
15 amended to read as follows:

16           "~~[§~~257-3~~]~~ **Fiduciary organizations.** (a) Fiduciary  
17 organizations shall serve as an intermediary between individual  
18 development account holders and financial institutions holding  
19 accounts. The fiduciary organization's responsibilities may  
20 include:

21           (1) Marketing participation;



- 1           (2) Soliciting matching contributions;
- 2           (3) Counseling program participants; and
- 3           (4) Conducting verification and compliance activities.
- 4           (b) Locally-based organizations shall [~~enter into a~~
- 5 ~~competitive process~~] apply to the business development and
- 6 support division of the department of business, economic
- 7 development, and tourism for the right to become fiduciary
- 8 organizations for a portion of the state matching dollars that
- 9 would be authorized initially. Fiduciary organization proposals
- 10 shall be evaluated and participation rights awarded on the basis
- 11 of such items as:
  - 12           (1) Their ability to market the program to potential
  - 13                 individual development account holders and potential
  - 14                 matching fund contributors;
  - 15           (2) Their ability to provide safe and secure investments
  - 16                 for individual development accounts;
  - 17           (3) Their overall administrative capacity, including:
    - 18                 (A) Certifications or verifications required to
    - 19                         assure compliance with eligibility requirements;
    - 20                 (B) Authorized uses of the accounts matching
    - 21                         contributions by individuals or businesses; and



- 1 (C) Penalties for unauthorized distributions;
- 2 (4) Their capacity to provide financial counseling and
- 3 other related services to potential participants; and
- 4 (5) Their links to other activities designed to increase
- 5 the independence of individuals and families through
- 6 high return investments, including homeownership,
- 7 education and training, and small business
- 8 development.

9 (c) If the [State] business development and support  
10 division of the department of business, economic development,  
11 and tourism approves an application to fund an individual  
12 development account project under this section, the [State]  
13 business development and support division of the department of  
14 business, economic development, and tourism shall [~~not later~~  
15 ~~than one month after June 28, 1999,~~] authorize the applicant to  
16 conduct the project with state funds for five project years in  
17 accordance with the approved application and this section [~~not~~  
18 ~~provided that an applicant may apply for funding during future~~  
19 ~~fiscal years for five project years if the State lacks the~~  
20 ~~resources to fund an individual development account project~~  
21 ~~pursuant to this subsection]~~.



1       ~~[(d) For each individual development account program~~  
2 ~~approved under this section, the State shall make a grant to the~~  
3 ~~qualified entity or collaboration of entities authorized to~~  
4 ~~conduct the project on the first day of the project year in an~~  
5 ~~amount not to exceed \$100,000 per year for five years.~~

6       ~~(e)]~~ (d) From among the individuals eligible for  
7 assistance under the Hawaii individual development account  
8 program, each selected fiduciary organization shall select the  
9 individuals whom the fiduciary organization deems to be best  
10 suited to receive such assistance."

11       SECTION 5. Section 257-7, Hawaii Revised Statutes, is  
12 amended to read as follows:

13       "**§257-7 Assets; disregarded.** The department of human  
14 services shall ~~[collaborate with individual development account~~  
15 ~~fiduciary organizations to]~~ ensure that the accounts as provided  
16 for in this chapter, including any earned interest, shall be  
17 disregarded in the determination of benefits or eligibility for  
18 services account holders may receive from the department of  
19 human services as allowed by federal and state laws and  
20 regulations.



1           The department of human services shall establish rules to  
2 be aligned with individual development accounts."

3           SECTION 6. Section 257-8, Hawaii Revised Statutes, is  
4 amended to read as follows:

5           "[+] §257-8[+] **Matches.** (a) The State shall match an  
6 amount of up to \$100,000 per calendar year for individual  
7 development accounts.

8           (b) ~~[Not more than a 2:1 match of state funds to account~~  
9 ~~holder deposits shall be deposited into any individual~~  
10 ~~development account in a given year.] A fiduciary organization~~

11 shall maintain sufficient state match funds to finance the  
12 aggregate amount of program matches in a deposit account solely  
13 owned by the fiduciary organization at the financial institution  
14 holding the individual development accounts.

15           State match funds shall only be withdrawn from the  
16 fiduciary organization's deposit account when an account holder  
17 makes a withdrawal request for a qualified expenditure to the  
18 fiduciary organization. State match funds shall not be  
19 deposited directly to any individual development account."

20           SECTION 7. Section 257-10, Hawaii Revised Statutes, is  
21 amended by amending subsection (c) to read as follows:



1           "(c) The administrator of the fiduciary organization, with  
2 the cooperation of the participating organizations, shall  
3 maintain records of the names of contributors and the total  
4 amount each contributor contributes to an individual development  
5 account match fund for the taxable year. All contributions  
6 shall be verified by the [~~department of human services.~~]  
7 business development and support division of the department of  
8 business, economic development, and tourism. The [~~department of~~  
9 ~~human services~~] department of business, economic development,  
10 and tourism shall total all contributions that the [~~department~~  
11 division] certifies. Upon each determination, the [~~department of~~  
12 ~~human services~~] business development and support division of the  
13 department of business, economic development, and tourism shall  
14 issue a certificate to the taxpayer. The taxpayer shall file  
15 the certificate with the taxpayer's tax return with the  
16 department of taxation.

17           When the total amount of certified contributions reaches  
18 \$1,000,000, the [~~department~~] division shall immediately  
19 discontinue certifying contributions and notify the department  
20 of taxation. In no instance, shall the total amount of  
21 certified contributions exceed \$1,000,000 over the five-year





1 period between January 1, [2000,] 2020, and December 31, [2004.]  
2 2024."

3 SECTION 7. Section 257-11, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "[~~f~~] §257-11[~~t~~] **Administration; evaluation; information;**  
6 **reporting.** (a) The fiduciary organization running an  
7 individual development account program shall have sole authority  
8 over the administration of the project. The State may prescribe  
9 only such regulations with respect to demonstration projects  
10 under this chapter as are necessary to ensure compliance  
11 pursuant to this chapter.

12 [~~b~~] ~~Each individual development account program shall~~  
13 ~~annually report the number of accounts, the amount of savings~~  
14 ~~and matches for each account, the uses of the account, and the~~  
15 ~~number of businesses, homes, and educations purchased, as well~~  
16 ~~as other information as may be required for responsible~~  
17 ~~operation of the program.~~

18 [~~c~~] ~~The fiduciary organization shall submit to the~~  
19 ~~legislature its findings and recommendations no later than~~  
20 ~~twenty days prior to the convening of each legislative session.~~



1       ~~(d)~~ (b) Selected fiduciary organizations may use no more  
 2 than ~~ten~~ twenty per cent of state funds as appropriated under  
 3 this ~~[+]chapter[+]~~ to cover administrative costs in any given  
 4 year."

PART II

6       SECTION 8. Section 235-5.6, Hawaii Revised Statutes, is  
 7 amended by amending subsection (e) to read as follows:

8       "(e) The credit under this section shall be available for  
 9 taxable years beginning after December 31, ~~[1999-]~~ 2019, but  
 10 shall not be available for taxable years beginning after  
 11 December 31, ~~[2004-]~~ 2024."

PART III

13       SECTION 8. Statutory material to be repealed is bracketed  
 14 and stricken. New statutory material is underscored.

15       SECTION 9. This Act shall take effect on January 1, 2020.

16

INTRODUCED BY: \_\_\_\_\_ *M. M. M.*  
 By Request



# S.B. NO. 1081

**Report Title:**

Individual Development Accounts

**Description:**

Expands eligibility for state-funded individual development accounts to households with income up to 100 percent of the area median income. Expands allowable uses of account funds to rental housing and transportation. Clarifies reporting requirements for fiduciary organizations. Requires the Department of Business, Economic Development, and Tourism to certify the tax credits for contributions. Reactivates the tax credit for the five-year period from 2020 through 2024.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

