

JAN 17 2020

A BILL FOR AN ACT

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

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

1 SECTION 1. The legislature finds that state-sponsored
2 individual development accounts are an evidence-based method for
3 helping low- and moderate-income people build assets, obtain
4 stable housing, and ensure a financially secure future.
5 Individual development accounts are special savings accounts
6 that match the deposits of low- and moderate-income savers;
7 provided that they participate in financial education and use
8 the savings for targeted purposes such as housing,
9 post-secondary education, small business development, and
10 transportation for work and school. Research demonstrates that
11 these accounts make families more financially secure and
12 communities and local economies more stable.

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



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

3 SECTION 2. Section 235-5.6, Hawaii Revised Statutes, is
4 amended by amending subsection (e) to read as follows:

5 "(e) The credit under this section shall be available for
6 taxable years beginning after:

7 (1) December 31, 1999, but shall not be available for
8 taxable years beginning after December 31, 2004 [-];
9 and

10 (2) December 31, 2020, but shall not be available for
11 taxable years beginning after December 31, 2025."

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

14 1. By amending the definition of "qualified expenditures"
15 to read:

16 "'Qualified expenditures" means an expense as determined by
17 a fiduciary organization, which may include but not be limited
18 to:

19 (1) Costs associated with [~~first~~] first-time
20 homeownership;

21 (2) Costs associated with renting a dwelling;



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- 1 (3) Costs associated with using public transportation;
- 2 (4) Costs associated with purchasing or repairing a motor
- 3 vehicle;
- 4 ~~[(2)]~~ (5) Post-secondary [education,] educational expenses;
- 5 ~~[(3)]~~ (6) Vocational training; and
- 6 ~~[(4) Small]~~ (7) Qualified business capitalization
- 7 expenses for a small or micro-business
- 8 [capitalization]."

9 2. By deleting the definition of "qualified principal
10 residence".

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

17 SECTION 4. Section 257-2, Hawaii Revised Statutes, is
18 amended by amending subsection (a) to read as follows:

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



1 SECTION 5. Section 257-3, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "[+]§257-3[+] **Fiduciary organizations.** (a) Fiduciary
4 organizations shall serve as an intermediary between individual
5 development account holders and financial institutions holding
6 accounts. The fiduciary organization's responsibilities may
7 include:

- 8 (1) Marketing participation;
- 9 (2) Soliciting matching contributions;
- 10 (3) Counseling program participants; and
- 11 (4) Conducting verification and compliance activities.

12 (b) Locally-based organizations shall [~~enter into a~~
13 ~~competitive process~~] apply to the department of human services
14 for the right to become fiduciary organizations for a portion of
15 the state matching dollars that would be authorized [~~initially.~~]
16 from time to time. Fiduciary organization proposals shall be
17 evaluated and participation rights awarded on the basis of such
18 items as:

- 19 (1) Their ability to market the program to potential
20 individual development account holders and potential
21 matching fund contributors;



- 1 (2) Their ability to provide safe and secure investments
- 2 for individual development accounts;
- 3 (3) Their overall administrative capacity, including:
- 4 (A) Certifications or verifications required to
- 5 assure compliance with eligibility requirements;
- 6 (B) Authorized uses of the accounts matching
- 7 contributions by individuals or businesses; and
- 8 (C) Penalties for unauthorized distributions;
- 9 (4) Their capacity to provide financial counseling and
- 10 other related services to potential participants; and
- 11 (5) Their links to other activities designed to increase
- 12 the independence of individuals and families through
- 13 high return investments, including homeownership,
- 14 education and training, and small business
- 15 development.
- 16 (c) If the [State] department of human services approves
- 17 an application to fund an individual development account project
- 18 under this section, the [State] department of human services
- 19 shall [~~not later than one month after June 28, 1999,~~] authorize
- 20 the applicant to conduct the project with state funds for five
- 21 project years in accordance with the approved application and



1 this section [~~;~~ ~~provided that an applicant may apply for funding~~
2 ~~during future fiscal years for five project years if the State~~
3 ~~lacks the resources to fund an individual development account~~
4 ~~project pursuant to this subsection)].~~

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

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

15 SECTION 6. Section 257-7, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "**§257-7 Assets; disregarded.** The department of human
18 services shall [~~collaborate with individual development account~~
19 ~~fiduciary organizations to]~~ ensure that the accounts as provided
20 for in this chapter, including any earned interest, shall be
21 disregarded in the determination of benefits or eligibility for



1 services account holders may receive from the department of
2 human services as allowed by federal and state laws and
3 regulations.

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

6 SECTION 7. Section 257-8, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "[~~f~~] §257-8 [~~f~~] **Matches.** (a) The State shall match an
9 amount of up to \$100,000 per calendar year for individual
10 development accounts [~~-~~] per qualified fiduciary organization in
11 a given year.

12 (b) [~~Not more than a 2:1 match of state funds to account~~
13 ~~holder deposits shall be deposited into any individual~~
14 ~~development account in a given year.] A fiduciary organization
15 shall maintain sufficient state matching funds to finance the
16 aggregate amount of program matches in a deposit account solely
17 owned by the fiduciary organization at the financial institution
18 holding the individual development accounts.~~

19 State matching funds shall only be withdrawn from the
20 fiduciary organization's deposit account when the fiduciary



1 organization makes a withdrawal request for a qualified
2 expenditure to the fiduciary organization. State matching funds
3 shall not be deposited directly to any individual development
4 account."

5 SECTION 8. Section 257-10, Hawaii Revised Statutes, is
6 amended by amending subsection (c) to read as follows:

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

18 When the total amount of certified contributions reaches
19 \$1,000,000, the department shall immediately discontinue
20 certifying contributions and notify the department of taxation.
21 In no instance[₇] shall the total amount of certified



1 contributions exceed \$1,000,000 over the five-year period
2 between:

3 (1) January 1, 2000, and December 31, 2004 [-]; and

4 (2) January 1, 2021, and December 31, 2025."

5 SECTION 9. Section 257-11, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "[+]§257-11[+] **Administration; evaluation; information;**
8 **reporting.** (a) The fiduciary organization running an

9 individual development account program shall have sole authority
10 over the administration of the project. The State may prescribe
11 only such regulations with respect to demonstration projects
12 under this chapter as are necessary to ensure compliance
13 pursuant to this chapter.

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



1 ~~(c) The fiduciary organization shall submit to the~~
2 ~~legislature its findings and recommendations no later than~~
3 ~~twenty days prior to the convening of each legislative session.~~

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

8 SECTION 10. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so
10 much thereof as may be necessary for fiscal year 2020-2021 for
11 the purposes of this Act.

12 The sum appropriated shall be expended by the department of
13 human services for the purposes of this Act.

14 SECTION 11. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.


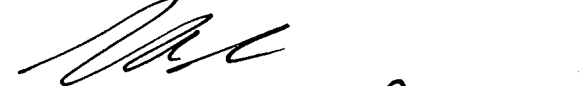
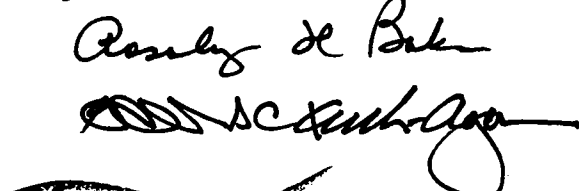

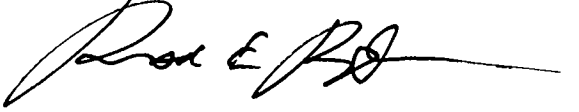
16 SECTION 12. This Act shall take effect on July 1, 2020;
17 provided that section 2 shall apply to taxable years beginning
18 after December 31, 2020.

19



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INTRODUCED BY:



Assembly of Belize






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Report Title:

Individual Development Accounts; Income Tax Credit; DHS;
Appropriation

Description:

Reactivates the individual development account contribution income tax credit for the five-year period from 2021 through 2025. Amends provisions regarding state-funded individual development accounts. Appropriates funds to the department of human services.

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

