

104TH CONGRESS
1ST SESSION

H. R. 950

To amend title IV of the Social Security Act to remove the barriers and disincentives in the program of aid to families with dependent children that prevent recipients of such aid from moving toward self-sufficiency, and to provide for the establishment of demonstration projects designed to determine the social, psychological, and economic effects of providing to individuals with limited means an opportunity to accumulate assets, and the extent to which an asset-based welfare policy may be used to enable individuals with low income to achieve economic self-sufficiency.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 15, 1995

Mr. HALL of Ohio (for himself, Mr. EMERSON, and Mrs. COLLINS of Illinois) introduced the following bill; which was referred to the Committee on Ways and Means and, in addition, to the Committee on Economic and Educational Opportunities, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title IV of the Social Security Act to remove the barriers and disincentives in the program of aid to families with dependent children that prevent recipients of such aid from moving toward self-sufficiency, and to provide for the establishment of demonstration projects designed to determine the social, psychological, and economic effects of providing to individuals with limited means an opportunity to accumulate assets, and the extent to which an asset-based welfare policy may

be used to enable individuals with low income to achieve economic self-sufficiency.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Microenterprise and
5 Asset Development Act”.

6 **TITLE I—MICROENTERPRISE**
7 **AND ASSET DEVELOPMENT**

8 **SEC. 101. DISREGARD OF INCOME AND RESOURCES DES-**
9 **IGNATED FOR EDUCATION, TRAINING, AND**
10 **EMPLOYABILITY.**

11 (a) DISREGARD AS RESOURCE.—Section
12 402(a)(7)(B) of the Social Security Act (42 U.S.C.
13 602(a)(7)(B)) is amended—

14 (1) by striking “or” before “(iv)”; and

15 (2) by inserting “, or (v) in the case of a family
16 receiving aid under the State plan (and a family not
17 receiving such aid but which received such aid in at
18 least 1 of the preceding 4 months or became ineli-
19 gible for such aid during the preceding 12 months
20 because of excessive earnings), any amount not to
21 exceed \$10,000 in a qualified asset account (as de-
22 fined in section 406(i)) of such family” before
23 “; and”.

24 (b) DISREGARD AS INCOME.—

1 (1) IN GENERAL.—Section 402(a)(8)(A) of such
2 Act (42 U.S.C. 602(a)(8)(A)) is amended—

3 (A) by striking “and” at the end of clause
4 (vii); and

5 (B) by inserting after clause (viii) the fol-
6 lowing new clause:

7 “(ix) shall disregard any interest or
8 income earned on a qualified asset account
9 (as defined in section 406(i)); and”.

10 (2) NONRECURRING LUMP SUM EXEMPT FROM
11 LUMP SUM RULE.—Section 402(a)(17) of such Act
12 (42 U.S.C. 602(a)(17)) is amended by adding at the
13 end the following: “; and that this paragraph shall
14 not apply to earned or unearned income received in
15 a month on a nonrecurring basis to the extent that
16 such income is placed in a qualified asset account
17 (as defined in section 406(i)) the total amounts in
18 which, after such placement, does not exceed
19 \$10,000;”.

20 (3) TREATMENT AS INCOME.—Section
21 402(a)(7) of such Act (42 U.S.C. 602(a)(7)) is
22 amended—

23 (A) by striking “and” at the end of sub-
24 paragraph (B);

1 (B) by striking the semicolon at the end of
2 subparagraph (C) and inserting “; and”; and

3 (C) by adding at the end the following new
4 subparagraph:

5 “(D) shall treat as income any distribu-
6 tions from a qualified asset account (as defined
7 in section 406(i)(1)) which do not meet the def-
8 inition of a qualified distribution under section
9 406(i)(2);”.

10 (c) QUALIFIED ASSET ACCOUNTS.—Section 406 of
11 such Act (42 U.S.C. 606) is amended by adding at the
12 end the following:

13 “(i)(1) The term ‘qualified asset account’ means a
14 mechanism approved by the State (such as individual re-
15 tirement accounts, escrow accounts, or savings bonds) that
16 allows savings of a family receiving aid to families with
17 dependent children to be used for qualified distributions.

18 “(2) The term ‘qualified distributions’ means dis-
19 tributions for expenses directly related to 1 or more of
20 the following purposes:

21 “(A) The attendance of a member of the family
22 at any education or training program.

23 “(B) The improvement of the employability (in-
24 cluding self-employment) of a member of the family
25 (such as through the purchase of an automobile).

1 “(C) The purchase of a home for the family.

2 “(D) A change of the family residence.”.

3 (d) STUDY OF USE OF QUALIFIED ASSET ACCOUNTS;
4 REPORT.—The Secretary of Health and Human Services
5 shall conduct a study of the use of qualified asset accounts
6 established pursuant to the amendments made by this sec-
7 tion, and shall report on such study and any recommenda-
8 tions for modifications of such amendments to the Com-
9 mittee on Finance of the Senate and the Committee on
10 Ways and Means of the House of Representatives not later
11 than January 1, 1997.

12 (e) REPORT ON AFDC ASSET LIMIT ON AUTO-
13 MOBILES.—Within 3 months after the date of the enact-
14 ment of this section, the Secretary of Health and Human
15 Services shall submit to the Congress a report on—

16 (1) the need to revise the limitation, established
17 in regulations pursuant to section 402(a)(7)(B)(i) of
18 the Social Security Act, on the value of a family
19 automobile required to be disregarded by a State in
20 determining the eligibility of the family for aid to
21 families with dependent children under the State
22 plan approved under part A of title IV of such Act;
23 and

24 (2) the extent to which such a revision would
25 increase the employability of recipients of such aid.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on October 1, 1995.

3 **SEC. 102. DISREGARD OF INCOME AND RESOURCES RELAT-**
4 **ED TO SELF-EMPLOYMENT.**

5 (a) STATE PLAN REQUIREMENTS.—Section 402(a)
6 of the Social Security Act (42 U.S.C. 602(a)) is amend-
7 ed—

8 (1) by striking “and” at the end of paragraph
9 (44);

10 (2) by striking the period at the end of para-
11 graph (45) and inserting “; and”; and

12 (3) by inserting after paragraph (45) the fol-
13 lowing:

14 “(46) provide that the State agency—

15 “(A)(i) shall not include as a resource of
16 the family of which a child referred to in para-
17 graph (7)(A) is a member, for purposes of
18 paragraph (7)(B), the first \$10,000 of the net
19 worth (assets reduced by liabilities with respect
20 thereto) of all microenterprises (as defined in
21 section 406(j)(1)) owned, in whole or in part,
22 by the child or by a relative or other individual
23 referred to in paragraph (7)(A), for a period
24 not to exceed 2 years; and

1 “(ii) shall take into consideration as
2 earned income of the family of which the child
3 is a member, only the net profits (as defined in
4 section 406(j)(2)) of such microenterprises, for
5 a period not to exceed 2 years; and

6 “(B) shall ensure that caseworkers are
7 able to properly advise recipients of aid under
8 the State plan of the option of microenterprise
9 as a legitimate route towards self-sufficiency,
10 and that caseworkers encourage recipients of
11 such aid who are interested in starting a
12 microenterprise to participate in a program de-
13 signed to assist them in such effort.”.

14 (b) DEFINITIONS.—Section 406 of such Act (42
15 U.S.C. 606), as amended by section 101(c) of this Act,
16 is amended by adding at the end the following:

17 “(j)(1) The term ‘microenterprise’ means a commer-
18 cial enterprise which has 5 or fewer employees, 1 or more
19 of whom owns the enterprise.

20 “(2) The term ‘net profits’ means, with respect to
21 a microenterprise, the gross receipts of the business,
22 minus—

23 “(A) payments of principal or interest on a loan
24 to the microenterprise;

25 “(B) transportation expenses;

1 “(C) inventory costs;

2 “(D) expenditures to purchase capital equip-
3 ment;

4 “(E) cash retained by the microenterprise for
5 future use by the business;

6 “(F) taxes paid by reason of the business;

7 “(G) if the business is covered under a policy
8 of insurance against loss—

9 “(i) the premiums paid for such insurance;
10 and

11 “(ii) the losses incurred by the business
12 that are not reimbursed by the insurer solely by
13 reason of the existence of a deductible with re-
14 spect to the insurance policy;

15 “(H) the reasonable costs of obtaining 1 motor
16 vehicle necessary for the conduct of the business;
17 and

18 “(I) the other expenses of the business.”.

19 (c) INCLUSION OF MICROENTERPRISE TRAINING AND
20 ACTIVITIES IN THE JOBS PROGRAM.—

21 (1) IN GENERAL.—Section 482(d)(1) of such
22 Act (42 U.S.C. 682(d)(1)) is amended by adding at
23 the end the following:

24 “(C) The services and activities referred to in sub-
25 paragraph (A)—

1 “(i) in the case that at least 3 percent of the
2 adult recipients of aid under the State plan approved
3 under part A (as of the close of the immediately pre-
4 ceding fiscal year) elect to participate in
5 microenterprise activities, shall include programs de-
6 scribed in paragraph (4); or

7 “(ii) in the case that not more than 3 percent
8 of the adult recipients of such aid elect to partici-
9 pate in microenterprise activities, may include pro-
10 grams described in paragraph (4).”.

11 (2) MICROENTERPRISE PROGRAMS.—Section
12 482(d) of such Act (42 U.S.C. 682(d)) is amended
13 by adding at the end the following:

14 “(4) The programs described in this paragraph are
15 programs of public and private organizations, agencies,
16 and other entities (including nonprofit and for-profit enti-
17 ties) to enable such entities to facilitate economic develop-
18 ment by—

19 “(A) providing technical assistance, advice, and
20 business support services (including assistance, ad-
21 vice, and support relating to business planning, fi-
22 nancing, marketing, and other microenterprise devel-
23 opment activities) to owners of microenterprises and
24 persons developing microenterprises; and

1 “(B) providing general support (such as peer
2 support and self-esteem programs) to owners of
3 microenterprises and persons developing
4 microenterprises.”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to payments under part A of title
7 IV of the Social Security Act for calendar quarters begin-
8 ning on or after October 1, 1995.

9 **TITLE II—DEMONSTRATION** 10 **PROJECTS**

11 **SEC. 201. FINDINGS.**

12 The Congress finds that—

13 (1) traditional welfare programs in the United
14 States have provided millions of low-income persons
15 with critically needed food, health, and cash benefits,
16 and such programs should be improved and contin-
17 ued;

18 (2) while such programs have sustained millions
19 of low-income persons, too rarely have such pro-
20 grams been successful in promoting and supporting
21 the transition to economic self-sufficiency;

22 (3) millions of Americans continue to live in
23 poverty and continue to receive public assistance;

24 (4) in addition to the social costs of poverty,
25 the economic costs to the Federal Government to

1 provide basic necessities to the poor exceeds
2 \$120,000,000,000 each year;

3 (5) poverty is a loss of human resources and an
4 assault on human dignity;

5 (6) poverty rates remain high and welfare de-
6 pendency continues, in part, because welfare theory
7 has taken for granted that a certain level of income
8 or consumption is necessary for one's economic well-
9 being when, in fact, very few people manage to
10 spend or consume their way out of poverty;

11 (7) economic well-being does not come primarily
12 through income, spending, and consumption, but is
13 instead achieved through savings, investment, and
14 accumulation of assets, since assets can improve eco-
15 nomic stability, connect people with a viable and
16 hopeful future, stimulate development of human and
17 other capital, enable people to focus and specialize,
18 yield personal, social, and political dividends, and en-
19 hance the welfare of offspring;

20 (8) income-based welfare policy should be com-
21 plemented with asset-based welfare policy, because
22 while income-based policies ensure that present con-
23 sumption needs (such as food, child care, rent, cloth-
24 ing, and health care) are met, asset-based policies

1 can provide the means to achieve economic self-suffi-
2 ciency and, accordingly, to leave public assistance;

3 (9) the Federal Government spends more than
4 \$160,000,000,000 each year to provide middle- and
5 upper-income persons with many incentives to accu-
6 mulate savings and assets (especially tax subsidies
7 for home equity accumulation and retirement pen-
8 sion accounts), but such benefits are beyond the
9 reach of most low-income persons;

10 (10) under current welfare policies, poor fami-
11 lies must deplete most of their assets before qualify-
12 ing for public assistance;

13 (11) the Federal Government should develop
14 policies that promote higher rates of personal sav-
15 ings and net private domestic investment, both of
16 which fall behind the levels attained in other highly
17 developed industrial nations; and

18 (12) the Federal Government should undertake
19 an asset-based welfare policy demonstration project
20 to determine the social, psychological, and economic
21 effects of asset accumulation opportunities for low-
22 income persons and to determine if such a policy
23 could provide a new foundation for anti-poverty poli-
24 cies and programs in the United States.

1 **SEC. 202. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

2 (a) IN GENERAL.—Part VII of subchapter B of chap-
3 ter 1 of the Internal Revenue Code of 1986 (relating to
4 additional itemized deductions for individuals) is amended
5 by redesignating section 220 as section 221 and by insert-
6 ing after section 219 the following new section:

7 **“SEC. 220. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

8 “(a) DEDUCTION ALLOWED.—In the case of an eligi-
9 ble individual, there shall be allowed as a deduction the
10 sum of amounts paid in cash (other than assistance pro-
11 vided under section 203(g) of the Individual Development
12 Account Demonstration Act) during the taxable year by
13 or on behalf of such individual to an individual develop-
14 ment account established for the purpose of accumulating
15 funds to pay the qualified expenses of such individual.

16 “(b) LIMITATIONS.—

17 “(1) ACCOUNT MAY NOT BE ESTABLISHED FOR
18 BENEFIT OF MORE THAN 1 INDIVIDUAL.—An indi-
19 vidual development account may not be established
20 for the benefit of more than 1 individual.

21 “(2) ELIGIBLE INDIVIDUAL TREATED AS ELIGI-
22 BLE INDIVIDUAL ONLY WITH RESPECT TO 1 AC-
23 COUNT.—If, at any time during a calendar year, 2
24 or more individual development accounts are main-
25 tained for the benefit of an eligible individual, such
26 individual shall be treated as an eligible individual

1 for the calendar year only with respect to the 1st of
2 such accounts.

3 “(3) MAXIMUM DEDUCTION PER ACCOUNT.—
4 The amount allowable as a deduction under sub-
5 section (a) to an eligible individual for amounts paid
6 to an individual development account for any taxable
7 year shall not exceed \$2,000.

8 “(4) ADJUSTMENT OF DOLLAR AMOUNT LIM-
9 TATIONS FOR INFLATION.—

10 “(A) IN GENERAL.—In the case of any
11 taxable year beginning in a calendar year after
12 1996, the dollar amount contained in paragraph
13 (3) and subsection (c)(3)(A) shall be increased
14 by an amount equal to—

15 “(i) such dollar amount, multiplied by
16 “(ii) the cost-of-living adjustment de-
17 termined under section 1(f)(3) for the cal-
18 endar year in which the taxable year be-
19 gins by substituting ‘calendar year 1995’
20 for ‘calendar year 1992’ in subparagraph
21 (B) thereof.

22 “(B) ROUNDING.—If any amount as ad-
23 justed under subparagraph (A) is not a multiple
24 of \$500, such amount shall be rounded to the
25 next lowest multiple of \$500.

1 “(5) DENIAL OF DEDUCTION FOR AMOUNTS
2 TRANSFERRED FROM ANOTHER IDA.—No deduction
3 shall be allowed under this section with respect to
4 any amount paid into an individual development ac-
5 count pursuant to subsection (c)(1)(E).

6 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
7 poses of this section—

8 “(1) QUALIFIED EXPENSES.—The term ‘quali-
9 fied expenses’ means 1 or more of the following, as
10 provided by the organization providing assistance to
11 the individual under section 203(g) of the Individual
12 Development Account Demonstration Act:

13 “(A) POST-SECONDARY EDUCATION EX-
14 PENSES.—Post-secondary educational expenses
15 paid from an individual development account di-
16 rectly to an eligible educational institution. For
17 purposes of this subparagraph—

18 “(i) IN GENERAL.—The term ‘post-
19 secondary educational expenses’ means—

20 “(I) tuition and fees required for
21 the enrollment or attendance of a stu-
22 dent at an eligible educational institu-
23 tion,

24 “(II) fees, books, supplies, and
25 equipment required for courses of in-

1 struction at an eligible educational in-
2 stitution, and

3 “(III) a reasonable allowance for
4 meals, lodging, transportation, and
5 child care, while attending an eligible
6 educational institution.

7 “(ii) ELIGIBLE EDUCATIONAL INSTI-
8 TUTION.—The term ‘eligible educational
9 institution’ means the following:

10 “(I) INSTITUTION OF HIGHER
11 EDUCATION.—An institution described
12 in section 481(a)(1) or 1201(a) of the
13 Higher Education Act of 1965 (20
14 U.S.C. 1088(a)(1) or 1141(a)), as
15 such sections are in effect on the date
16 of the enactment of this section.

17 “(II) POSTSECONDARY VOCA-
18 TIONAL EDUCATION SCHOOL.—An
19 area vocational education school (as
20 defined in subparagraph (C) or (D) of
21 section 521(4) of the Carl D. Perkins
22 Vocational and Applied Technology
23 Education Act (20 U.S.C. 2471(4)))
24 which is in any State (as defined in
25 section 521(33) of such Act), as such

1 sections are in effect on the date of
2 the enactment of this section.

3 “(B) FIRST-HOME PURCHASE.—Qualified
4 acquisition costs with respect to a qualified
5 principal residence for a qualified first-time
6 homebuyer, if paid from an individual develop-
7 ment account directly to the persons to whom
8 the amounts are due. For purposes of this sub-
9 paragraph—

10 “(i) QUALIFIED ACQUISITION
11 COSTS.—The term ‘qualified acquisition
12 costs’ means the costs of acquiring, con-
13 structing, or reconstructing a residence.
14 The term includes any usual or reasonable
15 settlement, financing, or other closing
16 costs.

17 “(ii) QUALIFIED PRINCIPAL RESI-
18 DENCE.—The term ‘qualified principal res-
19 idence’ means a principal residence (within
20 the meaning of section 1034), the qualified
21 acquisition costs of which do not exceed
22 110 percent of the average area purchase
23 price applicable to such residence (deter-
24 mined in accordance with paragraphs (2)
25 and (3) of section 143(e)).

1 “(iii) QUALIFIED FIRST-TIME HOME-
2 BUYER.—

3 “(I) IN GENERAL.—The term
4 ‘qualified first-time homebuyer’ means
5 a taxpayer (and, if married, the tax-
6 payer’s spouse) who has no present
7 ownership interest in a principal resi-
8 dence during the 3-year period ending
9 on the date of acquisition of the prin-
10 cipal residence to which this subpara-
11 graph applies.

12 “(II) DATE OF ACQUISITION.—
13 The term ‘date of acquisition’ means
14 the date on which a binding contract
15 to acquire, construct, or reconstruct
16 the principal residence to which this
17 subparagraph applies is entered into.

18 “(C) BUSINESS CAPITALIZATION.—
19 Amounts paid from an individual development
20 account directly to a business capitalization ac-
21 count which is established in a federally insured
22 financial institution and is restricted to use
23 solely for business capitalization expenses. For
24 purposes of this subparagraph—

1 “(i) QUALIFIED BUSINESS CAPITAL-
2 IZATION EXPENSES.—The term ‘qualified
3 business capitalization expenses’ means
4 qualified expenses for the capitalization of
5 a qualified business pursuant to a qualified
6 plan.

7 “(ii) QUALIFIED EXPENSES.—The
8 term ‘qualified expenses’ means expenses
9 included in a qualified plan, including cap-
10 ital plant, equipment, working capital, and
11 inventory expenses.

12 “(iii) QUALIFIED BUSINESS.—The
13 term ‘qualified business’ means any busi-
14 ness that does not contravene any law or
15 public policy (as determined by the Sec-
16 retary).

17 “(iv) QUALIFIED PLAN.—The term
18 ‘qualified plan’ means a business plan
19 which—

20 “(I) is approved by a financial in-
21 stitution, or by a nonprofit loan fund
22 having demonstrated fiduciary integ-
23 rity,

24 “(II) includes a description of
25 services or goods to be sold, a market-

1 ing plan, and projected financial
2 statements, and

3 “(III) may require the eligible in-
4 dividual to obtain the assistance of an
5 experienced entrepreneurial advisor.

6 “(D) RETIREMENT EXPENSES.—Expenses
7 for which amounts may be distributed from an
8 individual retirement plan, subject to the same
9 requirements and limitations as apply to such
10 amounts.

11 “(E) TRANSFERS TO IDA’S OF FAMILY
12 MEMBERS.—Amounts paid from an individual
13 development account directly into another such
14 account established for the benefit of an eligible
15 individual who is—

16 “(i) the taxpayers spouse, or

17 “(ii) any dependent of the taxpayer
18 with respect to whom the taxpayer is al-
19 lowed a deduction under section 151.

20 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible
21 individual’ means an individual for whom assistance
22 is (or at any prior time was) provided under section
23 203(g) of the Individual Development Account Dem-
24 onstration Act.

1 “(3) INDIVIDUAL DEVELOPMENT ACCOUNT.—

2 The term ‘individual development account’ means a
3 trust created or organized in the United States ex-
4 clusively for the purpose of paying the qualified ex-
5 penses of an eligible individual, but only if the writ-
6 ten governing instrument creating the trust meets
7 the following requirements:

8 “(A) No contribution will be accepted un-
9 less it is in cash.

10 “(B) The trustee is a federally insured fi-
11 nancial institution.

12 “(C) The assets of the account will be in-
13 vested in accordance with the direction of the
14 eligible individual, within the guidelines estab-
15 lished pursuant to section 203(j)(1)(A)(ii) of
16 the Individual Development Account Dem-
17 onstration Act.

18 “(D) The assets of the trust will not be
19 commingled with other property except in a
20 common trust fund or common investment
21 fund.

22 “(E) Except as provided in subparagraph
23 (F), any amount in the account which is attrib-
24 utable to assistance provided under section
25 203(g) of the Individual Development Account

1 Demonstration Act may be paid or distributed
2 out of the account only for the purpose of pay-
3 ing the qualified expenses of the eligible individ-
4 ual.

5 “(F) Any balance in the account on the
6 day after the date on which the individual for
7 whose benefit the trust is established dies will
8 be distributed within 30 days of such date as
9 directed by such individual to another individual
10 development account established for the benefit
11 of an eligible individual.

12 “(4) TIME WHEN CONTRIBUTIONS DEEMED
13 MADE.—A taxpayer shall be deemed to have made a
14 contribution on the last day of the preceding taxable
15 year if the contribution is made on account of such
16 taxable year and is made not later than the time
17 prescribed by law for filing the return for such tax-
18 able year (including extensions thereof).

19 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

20 “(1) IN GENERAL.—Except as otherwise pro-
21 vided in this subsection, any amount paid or distrib-
22 uted out of an individual development account shall
23 be included in gross income of the payee or distribu-
24 tee for the taxable year in which the payment or dis-
25 tribution is received to the extent such amount is

1 not the return of a contribution for which no deduc-
2 tion was allowed under subsection (a).

3 “(2) DISTRIBUTION USED TO PAY QUALIFIED
4 EXPENSES.—Paragraph (1) shall not apply to any
5 payment or distribution out of an individual develop-
6 ment account to the extent such payment or dis-
7 tribution is used exclusively to pay the qualified ex-
8 penses incurred by the eligible individual for whose
9 benefit the account is established.

10 “(e) TAX TREATMENT OF ACCOUNTS.—

11 “(1) EXEMPTION FROM TAX.—An individual
12 development account is exempt from taxation under
13 this subtitle unless such account has ceased to be an
14 individual development account by reason of para-
15 graph (2). Notwithstanding the preceding sentence,
16 any such account is subject to the taxes imposed by
17 section 511 (relating to imposition of tax on unre-
18 lated business income of charitable, etc. organiza-
19 tions).

20 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE
21 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-
22 ACTION.—

23 “(A) IN GENERAL.—If the individual for
24 whose benefit an individual development ac-
25 count is established or any individual who con-

1 tributes to such account engages in any trans-
2 action prohibited by section 4975 with respect
3 to the account, the account shall cease to be an
4 individual development account as of the 1st
5 day of the taxable year (of the individual so en-
6 gaging in such transaction) during which such
7 transaction occurs.

8 “(B) ACCOUNT TREATED AS DISTRIBUTING
9 ALL ITS ASSETS.—In any case in which any ac-
10 count ceases to be an individual development
11 account by reason of subparagraph (A) as of
12 the 1st day of any taxable year—

13 “(i) all assets in the account on such
14 1st day which are attributable to assist-
15 ance provided under section 203(g) of the
16 Individual Development Account Dem-
17 onstration Act shall be paid into the gen-
18 eral fund of the Treasury of the United
19 States, and

20 “(ii) paragraph (1) of subsection (d)
21 shall apply as if there was a distribution
22 on such 1st day in an amount equal to the
23 fair market value of all other assets in the
24 account on such 1st day.

1 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-
2 RITY.—If, during any taxable year, the individual for
3 whose benefit an individual development account is
4 established, or any individual who contributes to
5 such account, uses the account or any portion there-
6 of as security for a loan—

7 “(A) an amount equal to the part of the
8 portion so used which is attributable to assist-
9 ance provided under section 203(g) of the Indi-
10 vidual Development Account Demonstration Act
11 shall be paid into the general fund of the Treas-
12 ury of the United States, and

13 “(B) the remaining part of the portion so
14 used shall be treated as distributed to the indi-
15 vidual so using such portion.

16 “(f) ADDITIONAL TAX ON CERTAIN AMOUNTS IN-
17 CLUDED IN GROSS INCOME.—

18 “(1) DISTRIBUTION NOT USED FOR QUALIFIED
19 EXPENSES.—In the case of any payment or distribu-
20 tion to which subsection (d)(1) applies, the tax li-
21 ability of each payee or distributee under this chap-
22 ter for the taxable year in which the payment or dis-
23 tribution is received shall be increased by an amount
24 equal to 10 percent of the amount of the distribution

1 which is includible in the gross income of such payee
2 or distributee for such taxable year.

3 “(2) DISQUALIFICATION CASES.—If an amount
4 is includible in the gross income of an individual for
5 a taxable year because such amount is required to
6 be treated as a distribution under paragraph (2) or
7 (3) of subsection (e), such individual’s tax liability
8 under this chapter for such taxable year shall be in-
9 creased by an amount equal to 10 percent of such
10 amount required to be treated as a distribution and
11 included in such individual’s gross income.

12 “(3) DISABILITY OR DEATH CASES.—Para-
13 graphs (1) and (2) shall not apply if the payment
14 or distribution is made after the individual for whose
15 benefit the individual development account becomes
16 disabled within the meaning of section 72(m)(7) or
17 dies.

18 “(g) COMMUNITY PROPERTY LAWS.—This section
19 shall be applied without regard to any community property
20 laws.

21 “(h) CUSTODIAL ACCOUNTS.—For purposes of this
22 section, a custodial account shall be treated as a trust if
23 the assets of such account are held by a bank (as defined
24 in section 408(n)) or another person who demonstrates,
25 to the satisfaction of the Secretary, that the manner in

1 which he will administer the account will be consistent
2 with the requirements of this section, and if the custodial
3 account would, except for the fact that it is not a trust,
4 constitute an individual development account described in
5 subsection (c)(2). For purposes of this title, in the case
6 of a custodial account treated as a trust by reason of the
7 preceding sentence, the custodian of such account shall be
8 treated as the trustee thereof.

9 “(i) REPORTS.—The trustee of an individual develop-
10 ment account shall—

11 “(1) prepare reports regarding the account with
12 respect to contributions, distributions, and any other
13 matter required by the Secretary under regulations,
14 and

15 “(2) submit such reports, at the time and in
16 the manner prescribed by the Secretary in regula-
17 tions, to—

18 “(A) the individual for whose benefit the
19 account is maintained,

20 “(B) the organization providing assistance
21 to the individual under section 203(g) of the In-
22 dividual Development Account Demonstration
23 Act, and

24 “(C) the Secretary.”

1 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
2 JUSTED GROSS INCOME.—Paragraph (7) of section 62(a)
3 of such Code (relating to retirement savings) is amend-
4 ed—

5 (1) by inserting “OR INDIVIDUAL DEVELOP-
6 MENT” after “RETIREMENT” in the heading of such
7 paragraph, and

8 (2) by inserting before the period at the end the
9 following: “and the deduction allowed by section 220
10 (relating to individual development accounts)”.

11 (c) CONTRIBUTION NOT SUBJECT TO GIFT TAX.—
12 Section 2503 of such Code (relating to taxable gifts) is
13 amended by adding at the end the following new sub-
14 section:

15 “(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any
16 contribution made by an individual to an individual devel-
17 opment account described in section 220(c)(3) which is al-
18 lowable as a deduction under section 220 shall not be
19 treated as a transfer of property by gift for purposes of
20 this chapter.”

21 (d) TAX ON PROHIBITED TRANSACTIONS.—Section
22 4975 of such Code (relating to prohibited transactions)
23 is amended—

24 (1) by adding at the end of subsection (c) the
25 following new paragraph:

1 “(4) SPECIAL RULE FOR INDIVIDUAL DEVELOP-
2 MENT ACCOUNTS.—An individual for whose benefit
3 an individual development account is established and
4 any contributor to such account shall be exempt
5 from the tax imposed by this section with respect to
6 any transaction concerning such account (which
7 would otherwise be taxable under this section) if,
8 with respect to such transaction, the account ceases
9 to be an individual development account by reason
10 of the application of section 220(e)(2)(A) to such ac-
11 count.”, and

12 (2) by inserting “, an individual development
13 account described in section 220(c)(3),” in sub-
14 section (e)(1) after “described in section 408(a)”.

15 (e) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL
16 DEVELOPMENT ACCOUNTS.—Section 6693 of such Code
17 (relating to failure to provide reports on individual retire-
18 ment accounts or annuities) is amended—

19 (1) by inserting “**OR ON INDIVIDUAL DEVEL-**
20 **OPMENT ACCOUNTS**” after “**ANNUITIES**” in the
21 heading of such section, and

22 (2) by adding at the end of subsection (a) the
23 following new sentence: “The person required by sec-
24 tion 220(i) to file a report regarding an individual
25 development account at the time and in the manner

1 required by such section shall pay a penalty of \$50
2 for each failure, unless it is shown that such failure
3 is due to reasonable cause.”

4 (f) SPECIAL RULE FOR DETERMINING AMOUNTS OF
5 SUPPORT FOR DEPENDENT.—Subsection (b) of section
6 152 of such Code (relating to definition of dependent) is
7 amended by adding at the end the following new para-
8 graph:

9 “(6) A distribution from an individual develop-
10 ment account described in section 220(c)(3) to the
11 individual for whose benefit such account has been
12 established shall not be taken into account in deter-
13 mining support for purposes of this section to the
14 extent such distribution is excluded from gross in-
15 come of such individual under section 220(d)(2).”

16 (g) CLERICAL AMENDMENTS.—

17 (1) The table of sections for part VII of sub-
18 chapter B of chapter 1 of such Code is amended by
19 striking the item relating to section 220 and insert-
20 ing the following new items:

“Sec. 220. Individual development accounts.
“Sec. 221. Cross references.”

21 (2) The table of sections for subchapter B of
22 chapter 68 of such Code is amended by striking the
23 item relating to section 6693 and inserting the fol-
24 lowing new item:

“Sec. 6693. Failure to provide reports on individual retirement accounts or annuities or on individual development accounts.”

1 (h) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to contributions made after Janu-
3 ary 1, 1995.

4 **SEC. 203. INDIVIDUAL DEVELOPMENT ACCOUNT DEM-**
5 **ONSTRATION PROJECTS.**

6 (a) PURPOSE.—The purpose of this section is to pro-
7 vide for the establishment of demonstration projects de-
8 signed to determine—

9 (1) the social, psychological, and economic ef-
10 fects of providing to individuals with limited means
11 an opportunity to accumulate assets; and

12 (2) the extent to which an asset-based welfare
13 policy may be used to enable individuals with low in-
14 come to achieve economic self-sufficiency.

15 (b) APPLICATIONS.—

16 (1) SUBMISSION.—Not later than April 1,
17 1995, any organization may submit to the Secretary
18 of the Treasury (in this section referred to as the
19 “Secretary”) an application to conduct a demonstra-
20 tion project under this section.

21 (2) CONTENTS.—The application shall con-
22 tain—

23 (A) a description of the demonstration
24 project;

1 (B) information about the ability of the or-
2 ganization to—

3 (i) assist project participants in
4 achieving economic self-sufficiency through
5 the project; and

6 (ii) administer the project;

7 (C) a commitment made to the organiza-
8 tion by the State in which the project is to be
9 conducted that the State will provide a specified
10 amount of funds to the organization for the
11 project, and any similar commitment made to
12 the organization by any other non-Federal pub-
13 lic entity or by any private entity; and

14 (D) a plan to provide the organization
15 evaluating the project with such information
16 with respect to the project as may be required
17 for the evaluation.

18 (3) CRITERIA.—In considering whether or not
19 to approve any application to conduct a demonstra-
20 tion project under this section, the Secretary shall
21 assess the following:

22 (A) SUFFICIENCY OF PROJECT.—The de-
23 gree to which the project described in the appli-
24 cation appears likely to aid project participants
25 in achieving economic self-sufficiency through

1 activities requiring qualified expenses (as de-
2 fined in section 220(c)(1) of the Internal Reve-
3 nue Code of 1986). In making such assessment,
4 the Secretary shall consider the overall quality
5 of project activities and shall not consider aid
6 in making any particular kind or combination
7 of qualified expenses (as so defined) to be an
8 essential feature of any project.

9 (B) ADMINISTRATIVE ABILITY.—The abil-
10 ity of the applicant to responsibly administer
11 the project.

12 (C) COMMITMENT OF NON-FEDERAL
13 FUNDS.—The aggregate amount of funds from
14 non-Federal sources that are committed to the
15 project.

16 (D) ADEQUACY OF PLAN FOR PROVIDING
17 INFORMATION FOR EVALUATION.—The ade-
18 quacy of the plan for providing information rel-
19 evant to an evaluation of the project.

20 (4) APPROVAL.—Not later than June 1, 1995,
21 the Secretary shall, on a competitive basis, approve
22 such applications to conduct demonstration projects
23 under this section as the Secretary deems appro-
24 priate, taking into account the assessment required
25 by paragraph (3).

1 (c) DEMONSTRATION AUTHORITY; ANNUAL
2 GRANTS.—

3 (1) DEMONSTRATION AUTHORITY.—If the Sec-
4 retary approves an application to conduct a dem-
5 onstration project under this section, the Secretary
6 shall, not later than July 1, 1996, authorize the ap-
7 plicant to conduct the project for 5 project years in
8 accordance with the approved application therefor
9 and this section.

10 (2) GRANT AUTHORITY.—For each project year
11 of a demonstration project conducted under this sec-
12 tion, the Secretary shall make a grant to the organi-
13 zation authorized to conduct the project, on the first
14 day of the project year.

15 (3) LIMITATIONS ON GRANT AMOUNTS.—

16 (A) MAXIMUM.—The amount of each grant
17 under paragraph (2) shall be not more than
18 \$20,000,000.

19 (B) FIRST YEAR GRANT LEVEL AS-
20 SURED.—The amount of each grant to an orga-
21 nization under paragraph (2) after the first
22 such grant shall be not less than the amount of
23 such first grant.

24 (C) GRANTS REDUCED, IF NECESSARY, IN
25 PROPORTION TO ANY REDUCTIONS IN APPRO-

1 PRIATIONS AFTER FIRST YEAR.—If the amount
2 appropriated to carry out this section for any
3 particular fiscal year after fiscal year 1996 is
4 less than the amount so appropriated for fiscal
5 year 1996, then the limitations of subpara-
6 graphs (A) and (B) shall each be reduced for
7 the particular fiscal year in equal proportion to
8 the reduction of such appropriations, but only
9 to the extent that the reduction of such limita-
10 tions is made necessary by the reduction in
11 such appropriations.

12 (d) RESERVE FUND.—

13 (1) ESTABLISHMENT.—Each organization au-
14 thorized to conduct a demonstration project under
15 this section shall establish a Reserve Fund which
16 shall be used in accordance with this subsection.

17 (2) AMOUNTS IN RESERVE FUND.—

18 (A) IN GENERAL.—As soon after receipt as
19 is practicable, the organization shall place in
20 the Reserve Fund established under paragraph

21 (1)—

22 (i) all funds provided to the organiza-
23 tion by any public or private entity to con-
24 duct the demonstration project;

1 (ii) the proceeds of any investment
2 made under paragraph (3)(B).

3 (B) INDIVIDUAL DEVELOPMENT ACCOUNT
4 PENALTIES.—

5 (i) PENALTY AMOUNTS AUTHORIZED
6 TO BE APPROPRIATED FOR PAYMENT TO
7 THE RESERVE FUND.—For payment to the
8 Reserve Fund established by an organiza-
9 tion that provides financial assistance
10 under subsection (g) of this section to any
11 individual who pays, or from whose individ-
12 ual development account is paid, a penalty
13 amount, there is authorized to be appro-
14 priated to the Secretary, without fiscal
15 year limitation, an amount equal to the
16 penalty amount.

17 (ii) PAYMENT TO RESERVE FUND OF
18 PENALTY AMOUNTS APPROPRIATED
19 THEREFOR.—The Secretary shall imme-
20 diately pay to the Reserve Fund any
21 amount appropriated pursuant to clause (i)
22 for payment to the Reserve Fund.

23 (C) UNIFORM ACCOUNTING REGULA-
24 TIONS.—The Secretary shall prescribe regula-

1 tions with respect to accounting for amounts in
2 Reserve Funds.

3 (3) USE OF RESERVE FUND.—

4 (A) IN GENERAL.—The organization shall
5 use the amounts in the Reserve Fund estab-
6 lished under paragraph (1) to—

7 (i) assist participants in the dem-
8 onstration project in obtaining the skills
9 and information necessary to achieve eco-
10 nomic self-sufficiency through activities re-
11 quiring qualified expenses (as defined in
12 section 220(c)(1) of the Internal Revenue
13 Code of 1986);

14 (ii) provide financial assistance in ac-
15 cordance with subsection (g) to individuals
16 selected by the organization to participate
17 in the project;

18 (iii) administer the project; and

19 (iv) provide the organization evaluat-
20 ing the project under a contract entered
21 into under subsection (m) with such infor-
22 mation with respect to the project as may
23 be required for the evaluation.

24 (B) AUTHORITY TO INVEST FUNDS.—The
25 organization shall invest such amounts in the

1 Reserve Fund as are not immediately needed to
2 carry out subparagraph (A) of this paragraph,
3 in accordance with guidelines which shall—

4 (i) be developed by the panel estab-
5 lished pursuant to subsection (k); and

6 (ii) require such investments to be
7 highly liquid and of low risk.

8 (C) LIMITATION ON ADMINISTRATIVE EX-
9 PENSES.—Not more than 10 percent of the
10 amounts provided to the organization under
11 subsection (c)(2) may be used to administer, or
12 notify the public about, the demonstration
13 project, without the approval of the panel estab-
14 lished pursuant to subsection (k).

15 (4) UNUSED FEDERAL GRANT FUNDS TRANS-
16 FERRED TO THE SECRETARY WHEN PROJECT TERMI-
17 NATES.—Notwithstanding paragraph (3), upon the
18 termination of any demonstration project authorized
19 under this section, the organization conducting the
20 project shall transfer to the Secretary an amount
21 equal to—

22 (A) the amounts in the Reserve Fund at
23 time of the termination; multiplied by

24 (B) a percentage equal to—

1 (i) the aggregate amount of grants
2 made to the organization under subsection
3 (c)(2); divided by

4 (ii) the aggregate of the amounts pro-
5 vided to the organization by all entities to
6 conduct the project.

7 (e) ELIGIBILITY FOR ASSISTANCE.—Any individual
8 who is a member of a household that meets the following
9 requirements shall be eligible for assistance under a dem-
10 onstration project conducted under this section:

11 (1) INCOME TEST.—The income of the house-
12 hold for the immediately preceding calendar year is
13 not more than 200 percent of the poverty threshold
14 for such period.

15 (2) NET WORTH TEST.—The net worth of the
16 household, as of the close of such immediately pre-
17 ceding calendar year, is not more than \$20,000.

18 (f) SELECTION OF INDIVIDUALS TO RECEIVE ASSIST-
19 ANCE.—From among the individuals eligible for assistance
20 under a demonstration project conducted under this sec-
21 tion, the organization authorized to conduct the project
22 shall select the individuals—

23 (1) whom the organization deems to be best
24 suited to receive such assistance; and

1 (2) to whom the organization will provide finan-
2 cial assistance in accordance with subsection (g).

3 (g) PROVISION OF FINANCIAL ASSISTANCE.—Each
4 organization to which a grant is made under subsection
5 (c)(2) of this section for a project year shall, during the
6 project year, deposit directly into the individual develop-
7 ment account of any individual selected by the organiza-
8 tion under subsection (f) of this section an amount deter-
9 mined in accordance with the following table:

If the income of the individual for the applicable period is the following percentage of the poverty threshold:	The amount is not to exceed the lesser of:		
	The following percentage of the qualified savings of the individual for the period:	OR	The following dollar amount:
Not more than 50 percent.	900	or	\$1,800
More than 50 percent but not more than 85 percent.	500	or	\$1,650
More than 85 percent but not more than 125 percent.	200	or	\$1,400
More than 125 percent but not more than 160 percent.	50	or	\$700
More than 160 percent but not more than 200 percent.	20	or	\$350.

10 (h) LOCAL CONTROL OVER DEMONSTRATION
11 PROJECTS.—Each organization authorized to conduct a
12 demonstration project under this section shall, subject to
13 subsections (j) and (l), have sole authority over the admin-
14 istration of the project. The Secretary may prescribe only
15 such regulations with respect to demonstration projects

1 under this section as are necessary to ensure compliance
2 with the approved applications therefor and this section.

3 (i) SEMIANNUAL PROGRESS REPORTS.—

4 (1) IN GENERAL.—Each organization author-
5 ized to conduct a demonstration project under this
6 section shall prepare 10 semiannual reports on the
7 progress of the project, including—

8 (A) information on participation of individ-
9 uals in the project;

10 (B) information on amounts in the Reserve
11 Fund established with respect to the project;

12 (C) information on amounts in the individ-
13 ual development accounts of the individuals to
14 whom assistance is provided under the project;
15 and

16 (D) such other information as the panel
17 established pursuant to subsection (k) may re-
18 quire to assess the project.

19 (2) SUBMISSION OF REPORTS.—The organiza-
20 tion shall submit each report required to be prepared
21 under paragraph (1) with respect to a demonstration
22 project to—

23 (A) the panel established pursuant to sub-
24 section (k);

25 (B) the Secretary; and

1 (C) the Treasurer (or equivalent official) of
2 the State in which the project is conducted.

3 (3) TIMING.—The first report required by para-
4 graph (1) shall be submitted at the end of the 6-
5 month period beginning on the date the Secretary
6 authorized the organization to conduct the dem-
7 onstration project, and subsequent reports shall be
8 submitted 6 months apart.

9 (j) OVERSIGHT.—

10 (1) ESTABLISHMENT OF PANEL.—The Sec-
11 retary shall establish a panel pursuant to subsection
12 (k) of this section to—

13 (A) develop guidelines governing the in-
14 vestment of—

15 (i) funds in the Reserve Funds estab-
16 lished under subsection (d) of this section;
17 and

18 (ii) funds in individual development
19 accounts established under section 220 of
20 the Internal Revenue Code of 1986;

21 (B) monitor the progress of the projects;

22 (C) make recommendations with respect to
23 projects that do not progress adequately or are
24 not conducted in substantial compliance with

1 the approved application therefor and this sec-
2 tion; and

3 (D) determine the percentage of the
4 amounts appropriated to carry out this section
5 that are to be used for evaluations under sub-
6 section (m) of this section, subject to the re-
7 quirement that such percentage shall be not less
8 than 3 percent nor more than 8 percent.

9 (2) RECOMMENDATIONS BY PANEL.—The panel
10 shall make recommendations to any organization
11 conducting a demonstration project under this sec-
12 tion on measures to be taken to ensure that the
13 project progresses adequately and is conducted in
14 substantial compliance with the approved application
15 therefor and this section. The panel shall transmit
16 copies of such recommendations to the Secretary
17 and the Treasurer (or equivalent official) of the
18 State in which the project is conducted.

19 (3) PANEL TO REVIEW IMPLEMENTATION OF
20 RECOMMENDATIONS.—After a reasonable time has
21 elapsed since the organization conducting a dem-
22 onstration project under this section has been pro-
23 vided recommendations made by the panel, the panel
24 shall—

1 (A) determine whether or not the organiza-
2 tion has implemented the recommendations;
3 and

4 (B) if the panel finds that the organization
5 has failed to implement the recommendations,
6 immediately notify the Secretary of such fail-
7 ure.

8 (k) OVERSIGHT PANEL.—

9 (1) MEMBERSHIP.—

10 (A) IN GENERAL.—

11 (i) 8 FEDERAL MEMBERS.—The Sec-
12 retary shall appoint to the panel 8 mem-
13 bers who shall be officers or employees of
14 the Federal Government. Such members
15 may vote on any matter before the panel.

16 (ii) 2 ROTATING STATE MEMBERS.—
17 The Secretary, in consultation with the
18 Treasurer (or equivalent official) of each
19 State in which a demonstration project is
20 conducted under this section, shall appoint
21 to the panel 2 members from each such
22 State who are representatives of the gov-
23 ernment of the State. The members ap-
24 pointed under this clause from a State may
25 vote only on the matters before the panel

1 relating to demonstration projects con-
2 ducted under this section in the State.

3 (iii) 5 PRIVATE MEMBERS.—The Sec-
4 retary shall appoint to the panel 5 mem-
5 bers who shall be business leaders and wel-
6 fare and social policy innovators. Such
7 members may vote on any matter before
8 the panel.

9 (B) QUALIFICATIONS.—Each member of
10 the panel shall be qualified to review the con-
11 duct of demonstration projects conducted under
12 this section by virtue of the education, training,
13 or experience of the member.

14 (C) POLITICAL AFFILIATION.—Not more
15 than 50 percent of the members of the panel
16 may be of the same political party.

17 (2) TERMS.—

18 (A) GENERAL RULE.—Except as provided
19 in subparagraph (B), each member of the panel
20 shall be appointed for the life of the panel.

21 (B) SPECIAL RULE.—Any individual who is
22 appointed to the panel because of the status of
23 the individual as an officer or employee of a
24 government or because of the status of the indi-
25 vidual as not an officer or employee of any gov-

1 ernment, and whose status changes, may not
2 continue as a member of the panel.

3 (C) VACANCIES.—A vacancy in the panel
4 shall be filled in the manner in which the origi-
5 nal appointment was made.

6 (3) COMPENSATION.—

7 (A) BASIC PAY.—

8 (i) GENERAL RULE.—Except as pro-
9 vided in clause (ii), each member of the
10 panel shall be entitled to receive not more
11 than the daily equivalent of the maximum
12 annual rate of basic pay payable for grade
13 GS-18 of the General Schedule for each
14 day (including travel time) during which
15 the member is engaged in the actual per-
16 formance of duties of the panel.

17 (ii) PROHIBITION AGAINST COMPENSA-
18 TION OF FEDERAL OFFICERS OR EMPLOY-
19 EES.—Members of the panel who are full-
20 time officers or employees of the United
21 States may not receive additional pay, al-
22 lowances, or benefits by reason of their
23 service on the panel.

24 (B) TRAVEL EXPENSES.—Each member of
25 the panel shall receive travel expenses, including

1 per diem in lieu of subsistence, in accordance
2 with sections 5702 and 5703 of title 5, United
3 States Code.

4 (4) PROCEDURE.—

5 (A) QUORUM.—51 percent of the members
6 of the panel who may vote on a matter shall
7 constitute a quorum with respect to the matter
8 but a lesser number may hold hearings.

9 (B) CHAIRPERSON.—The Chairperson of
10 the panel shall be elected by the members of the
11 panel appointed under paragraph (1)(A)(i).

12 (C) MEETINGS.—

13 (i) HOW CALLED.—The panel shall
14 meet on a matter relating to a demonstra-
15 tion project conducted under this section in
16 a State, at the call of the Chairperson or
17 of a majority of the members of the panel
18 who may vote on the matter.

19 (ii) FREQUENCY.—

20 (I) GENERAL OVERSIGHT.—The
21 panel shall meet not less frequently
22 than twice yearly with respect to the
23 monitoring of the progress of dem-
24 onstration projects conducted under
25 this section.

1 (II) REVIEW OF PROBLEM
2 PROJECTS.—The panel shall meet as
3 necessary with respect to projects that
4 do not progress adequately or are not
5 conducted in substantial compliance
6 with the approved application therefor
7 and this section.

8 (5) POWERS.—

9 (A) HEARINGS AND SESSIONS.—The panel
10 may, for the purpose of carrying out this sub-
11 section, hold hearings, sit and act at times and
12 places, take testimony, and receive evidence as
13 the panel considers appropriate. The panel may
14 administer oaths or affirmations to witnesses
15 appearing before it.

16 (B) POWERS OF MEMBERS AND AGENTS.—
17 Any member or agent of the panel who is not
18 an officer or employee of a State government
19 may, if authorized by the panel, take any action
20 which the panel is authorized to take by this
21 section.

22 (C) OBTAINING OFFICIAL DATA.—Subject
23 to other law, the panel may secure directly from
24 any department or agency of the United States
25 information necessary to enable it to carry out

1 any duty of the panel under this section. Upon
2 request of the Chairperson of the panel, the
3 head of that department or agency shall furnish
4 that information to the panel.

5 (D) MAIL.—The panel may use the United
6 States mail in the same manner and under the
7 same conditions as other departments and
8 agencies of the United States.

9 (6) ADMINISTRATIVE SUPPORT.—Upon request
10 of the panel, the Secretary may detail any of the
11 personnel of the Department of the Treasury to the
12 panel to assist it in carrying out its duties under
13 this section.

14 (7) TERMINATION.—The panel shall terminate
15 on a date designated by the Secretary.

16 (I) SANCTIONS.—

17 (1) AUTHORITY TO REVOKE DEMONSTRATION
18 AUTHORITY.—If the Secretary receives a notice
19 under subsection (j)(3)(B) with respect to a dem-
20 onstration project, the Secretary may revoke the
21 original authorization to conduct the project.

22 (2) ACTIONS REQUIRED UPON REVOCATION.—If
23 the Secretary revokes the original authorization to
24 conduct a demonstration project, the Secretary—

25 (A) shall suspend the project;

1 (B) shall take control of the Reserve Fund
2 established pursuant to subsection (d) as part
3 of the project;

4 (C) shall make every effort to find another
5 organization willing and able to conduct the
6 project in accordance with the approved appli-
7 cation therefor (as modified, if necessary, to in-
8 corporate the recommendations) and this sec-
9 tion;

10 (D) may obtain the assistance of the panel
11 to find such an organization;

12 (E) if the Secretary finds such an organi-
13 zation, shall—

14 (i) authorize the organization to con-
15 duct the project in accordance with the ap-
16 proved application therefor (as modified, if
17 necessary, to incorporate the recommenda-
18 tions) and this section;

19 (ii) transfer to the organization con-
20 trol over the Reserve Fund established
21 pursuant to subsection (d) as part of the
22 project; and

23 (iii) for purposes of this section, con-
24 sider—

1 (I) such other organization to be
2 the organization originally authorized
3 to conduct the project; and

4 (II) the date of such authoriza-
5 tion to be the date of the original au-
6 thorization; and

7 (F) if, by the end of the 1-year period be-
8 ginning on the date of such revocation, the Sec-
9 retary has not found such an organization,
10 shall—

11 (i) terminate the project; and

12 (ii) from the Reserve Fund estab-
13 lished as part of the project, remit to each
14 entity that has provided amounts to the or-
15 ganization originally authorized to conduct
16 the project, an amount equal to that per-
17 centage of the aggregate of the amounts so
18 provided by all entities that is represented
19 by the amount so provided by such entity.

20 (m) EVALUATIONS.—

21 (1) IN GENERAL.—Not later than July 1, 1996,
22 the panel established pursuant to subsection (k)
23 shall enter into a contract with an independent re-
24 search organization that requires the organization,
25 in accordance with this subsection, to evaluate the

1 demonstration projects conducted under this section,
2 individually and as a group.

3 (2) RESEARCH QUESTIONS.—In evaluating any
4 demonstration project conducted under this section,
5 the research organization shall address the following
6 questions:

7 (A) What types of information and public
8 education efforts are successful in attracting
9 project participants?

10 (B) How can participation in the dem-
11 onstration project be made as easy and acces-
12 sible as possible for participants?

13 (C) What level of financial incentives is re-
14 quired to stimulate participation in the dem-
15 onstration project, and does this vary among
16 different populations?

17 (D) What program features in conjunction
18 with individual development accounts (such as
19 peer support, structured planning exercises,
20 mentoring, and case management) increase the
21 rate and consistency of participation in the
22 demonstration project?

23 (E) What are the economic, psychological,
24 and social effects of asset accumulation, and for
25 whom? To what extent, under what cir-

1 cumstances, and for whom does asset accumula-
2 tion under the demonstration project lead to
3 any or all of the following:

4 (i) A greater sense of security and
5 control?

6 (ii) Greater stability in the household?

7 (iii) A more positive future outlook?

8 (iv) More long-term planning?

9 (v) Increased efforts to maintain and
10 develop assets?

11 (vi) Greater knowledge about savings,
12 investments, and other financial matters?

13 (vii) Increased effort and success in
14 educational achievement (including those
15 of parents working to provide for the edu-
16 cation of their children)?

17 (viii) Increased specialization in career
18 development?

19 (ix) Greater self-esteem and personal
20 efficacy?

21 (x) Improved social status?

22 (xi) Increased political participation?

23 (xii) Increased community involve-
24 ment?

1 (xiii) Increased labor earnings in the
2 long term?

3 (xiv) Decreased reliance on traditional
4 forms of public assistance in the long
5 term?

6 (3) METHODOLOGICAL REQUIREMENTS.—In
7 evaluating any demonstration project conducted
8 under this section, the research organization shall—

9 (A) use control groups to compare partici-
10 pants with nonparticipants as much as possible;

11 (B) before, during, and after the project,
12 obtain such quantitative data as are necessary
13 to thoroughly evaluate the project; and

14 (C) develop a qualitative assessment, de-
15 rived from sources such as in depth interviews,
16 of how asset accumulation affects individuals
17 and families.

18 (4) STAFFING REQUIREMENTS.—In evaluating
19 any demonstration project conducted under this sec-
20 tion, the research organization shall use skilled, pro-
21 fessional, and independent staff.

22 (n) DEFINITIONS.—As used in this section:

23 (1) APPLICABLE PERIOD.—The term “applica-
24 ble period” means, with respect to amounts to be
25 paid from a grant made for a project year, the cal-

1 endar year immediately preceding the calendar year
2 in which the grant is made.

3 (2) HOUSEHOLD.—The term “household”
4 means all individuals who share use of a dwelling
5 unit as primary quarters for living and eating sepa-
6 rate from other individuals.

7 (3) HOUSEHOLD NET WORTH.—

8 (A) IN GENERAL.—The term “net worth”
9 means, with respect to a household, the aggre-
10 gate market value of all assets not excluded
11 under subparagraph (B) that are owned in
12 whole or in part by any member of the house-
13 hold, minus the obligations or debts of any
14 member of the household.

15 (B) ASSETS EXCLUDED.—The following
16 assets (and obligations or debts with respect
17 thereto) shall be excluded in determining the
18 net worth of any household:

19 (i) \$35,000 OF HOME EQUITY.—The
20 lesser of—

21 (I) the equity of the members of
22 the household in the dwelling unit in
23 which the members reside; or

24 (II) \$35,000.

1 (ii) MOTOR VEHICLE.—The most val-
2 uable motor vehicle owned by any member
3 of the household.

4 (iii) FURNITURE; APPLIANCES;
5 CLOTHING.—All furniture, appliances, and
6 clothing used by any member of the house-
7 hold in the course of daily living.

8 (iv) ART OBJECTS.—All art objects
9 displayed in the dwelling unit in which the
10 members of the household reside.

11 (v) JEWELRY.—All jewelry owned by
12 any member of the household.

13 (4) INDIVIDUAL DEVELOPMENT ACCOUNT.—
14 The term “individual development account” has the
15 same meaning given such term in section 220 of the
16 Internal Revenue Code of 1986.

17 (5) PENALTY AMOUNT.—The term “penalty
18 amount” means any of the following:

19 (A) FINANCIAL ASSISTANCE FORFEITED.—
20 Any amount paid into the general fund of the
21 Treasury of the United States under section
22 220(e) of the Internal Revenue Code of 1986.

23 (B) 10 PERCENT ADDITION TO TAX.—Any
24 additional tax imposed by section 220(f) of the
25 Internal Revenue Code of 1986.

1 (C) OTHER PENALTY TAXES.—Any tax im-
2 posed with respect to an individual development
3 account by section 4973, 4975, or 6693 of the
4 Internal Revenue Code of 1986.

5 (6) POVERTY THRESHOLD.—The term “poverty
6 threshold” means, with respect to a calendar year,
7 the Federal poverty line for the calendar year for the
8 relevant family size, as defined annually by the Bu-
9 reau of the Census.

10 (7) PROJECT YEAR.—The term “project year”
11 means, with respect to a demonstration project, any
12 of the 5 consecutive 12-month periods beginning on
13 the date the project is originally authorized to be
14 conducted.

15 (8) QUALIFIED SAVINGS OF THE INDIVIDUAL
16 FOR THE PERIOD.—The term “qualified savings of
17 the individual for the period” means the aggregate
18 of the amounts contributed by the individual to the
19 individual development account of the individual
20 during the period.

21 (o) LIMITATIONS ON AUTHORIZATION OF APPRO-
22 PRIATIONS.—

23 (1) IN GENERAL.—To carry out this section,
24 there are authorized to be appropriated to the Sec-
25 retary of the Treasury not to exceed \$100,000,000

1 for each of fiscal years 1996, 1997, 1998, 1999, and
2 2000.

3 (2) CERTAIN AMOUNTS TO BE USED FOR EVAL-
4 UATIONS.—To obtain evaluations of the projects in
5 accordance with subsection (m), the Secretary shall
6 expend an amount equal to the amounts appro-
7 priated pursuant to paragraph (1) of this subsection
8 for any fiscal year, multiplied by the percentage de-
9 termined by the panel established pursuant to sub-
10 section (k).

11 **SEC. 204. FUNDS IN INDIVIDUAL DEVELOPMENT ACCOUNTS**
12 **OF DEMONSTRATION PROJECT PARTICI-**
13 **PANTS DISREGARDED FOR PURPOSES OF ALL**
14 **MEANS-TESTED FEDERAL PROGRAMS.**

15 Notwithstanding any Federal law (other than the In-
16 ternal Revenue Code of 1986) that requires consideration
17 of 1 or more financial circumstances of an individual, for
18 the purpose of determining eligibility to receive, or the
19 amount of, any assistance or benefit authorized by such
20 law to be provided to or for the benefit of such individual,
21 funds (including interest accruing) in an individual devel-
22 opment account (as defined in section 220 of the Internal
23 Revenue Code of 1986) shall be disregarded for such pur-
24 pose with respect to any period during which such individ-
25 ual participates in a demonstration project conducted

1 under section 203 of this Act (or would be participating
2 in such a project but for the suspension of the project).

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