

106TH CONGRESS  
1ST SESSION

# S. 895

To provide for the establishment of Individual Development Accounts (IDAs) that will allow individuals and families with limited means an opportunity to accumulate assets, to access education, to own their own homes and businesses, and ultimately to achieve economic self-sufficiency, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 28, 1999

Mr. LIEBERMAN (for himself, Mr. SANTORUM, Mr. DURBIN, Mr. ABRAHAM, Mr. ROBB, and Mr. KERREY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide for the establishment of Individual Development Accounts (IDAs) that will allow individuals and families with limited means an opportunity to accumulate assets, to access education, to own their own homes and businesses, and ultimately to achieve economic self-sufficiency, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Savings for Working Families Act”.

1 (b) TABLE OF CONTENTS.—The table of contents of  
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings.
- Sec. 3. Purposes.
- Sec. 4. Definitions.

#### TITLE I—INDIVIDUAL DEVELOPMENT ACCOUNTS FOR LOW- INCOME WORKERS

- Sec. 101. Structure and administration of individual development account programs.
- Sec. 102. Procedures for opening an Individual Development Account and qualifying for matching funds.
- Sec. 103. Contributions to Individual Development Accounts.
- Sec. 104. Deposits by qualified financial institutions.
- Sec. 105. Withdrawal procedures.
- Sec. 106. Certification and termination of individual development account programs.
- Sec. 107. Reporting and evaluation.
- Sec. 108. Funds in parallel accounts of program participants disregarded for purposes of all means-tested Federal programs.

#### TITLE II—INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT CREDITS

- Sec. 201. Matching funds for Individual Development Accounts provided through a tax credit for qualified financial institutions.
- Sec. 202. CRA credit provided for individual development account programs.
- Sec. 203. Designation of earned income tax credit payments for deposit to Individual Development Account.

### 3 **SEC. 2. FINDINGS.**

4 Congress makes the following findings:

- 5 (1) One-third of all Americans have no assets
- 6 available for investment, and another 20 percent
- 7 have only negligible assets. The household savings
- 8 rate of the United States lags far behind other in-
- 9 dustrial nations, presenting a barrier to national
- 10 economic growth and preventing many Americans
- 11 from entering the economic mainstream by buying a

1 house, obtaining an adequate education, or starting  
2 a business.

3 (2) By building assets, Americans can improve  
4 their economic independence and stability, stimulate  
5 the development of human and other capital, and  
6 work toward a viable and hopeful future for them-  
7 selves and their children. Thus, economic well-being  
8 does not come solely from income, spending, and  
9 consumption, but also requires savings, investment,  
10 and accumulation of assets.

11 (3) Traditional public assistance programs  
12 based on income and consumption have rarely been  
13 successful in promoting and supporting the transi-  
14 tion to increased economic self-sufficiency. Income-  
15 based social policies that meet consumption needs  
16 (including food, child care, rent, clothing, and health  
17 care) should be complemented by asset-based policies  
18 that can provide the means to achieve long-term  
19 independence and economic well-being.

20 (4) Individual Development Accounts (IDAs)  
21 can provide working Americans with strong incen-  
22 tives to build assets, basic financial management  
23 training, and access to secure and relatively inexpen-  
24 sive banking services.

1           (5) There is reason to believe that Individual  
 2       Development Accounts would also foster greater par-  
 3       ticipation in electric fund transfers (EFT), generate  
 4       financial returns, including increased income, tax  
 5       revenue, and decreased welfare cash assistance, that  
 6       will far exceed the cost of public investment in the  
 7       program.

8   **SEC. 3. PURPOSES.**

9       The purposes of this Act are to provide for the estab-  
 10      lishment of individual development accounts projects that  
 11      will—

12           (1) provide individuals and families with limited  
 13      means an opportunity to accumulate assets and to  
 14      enter the financial mainstream;

15           (2) promote education, homeownership, and the  
 16      development of small businesses; and

17           (3) stabilize families and build communities.

18   **SEC. 4. DEFINITIONS.**

19      As used in this Act:

20           (1) **ELIGIBLE INDIVIDUAL.**—

21           (A) **IN GENERAL.**—The term “eligible indi-  
 22      vidual” means an individual who—

23                   (i) has attained the age of 18 years;

24                   (ii) is a citizen or legal resident of the

25           United States; and

1 (iii) is a member of a household—

2 (I) which is eligible for the  
3 earned income tax credit under sec-  
4 tion 32 of the Internal Revenue Code  
5 of 1986,

6 (II) which is eligible for assist-  
7 ance under a State program funded  
8 under part A of title IV of the Social  
9 Security Act, or

10 (III) the gross income of which  
11 does not exceed 60 percent of the area  
12 median income (as determined by the  
13 Department of Housing and Urban  
14 Affairs) and the net worth of which  
15 does not exceed \$10,000.

16 (B) HOUSEHOLD.—The term “household”  
17 means all individuals who share use of a dwell-  
18 ing unit as primary quarters for living and eat-  
19 ing separate from other individuals.

20 (C) DETERMINATION OF NET WORTH.—

21 (i) IN GENERAL.—For purposes of  
22 subparagraph (A)(iii)(II), the net worth of  
23 a household is the amount equal to—

24 (I) the aggregate fair market  
25 value of all assets that are owned in

1 whole or in part by any member of a  
 2 household, minus

3 (II) the obligations or debts of  
 4 any member of the household.

5 (ii) CERTAIN ASSETS DIS-  
 6 REGARDED.—For purposes of determining  
 7 the net worth of a household, a household's  
 8 assets shall not be considered to include  
 9 the primary dwelling unit and 1 motor ve-  
 10 hicle owned by the household.

11 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—  
 12 The term “Individual Development Account” means  
 13 a custodial account established for an eligible indi-  
 14 vidual as part of an individual development account  
 15 program established under section 101, but only if  
 16 the written governing instrument creating the ac-  
 17 count meets the following requirements:

18 (A) No contribution will be accepted unless  
 19 it is in cash, by check, or by electronic fund  
 20 transfer.

21 (B) The custodian of the account is a  
 22 qualified financial institution.

23 (C) The assets of the account will not be  
 24 commingled with other property except in a

1 common trust fund or common investment  
2 fund.

3 (D) Except as provided in section 105(b),  
4 any amount in the account may be paid out  
5 only for the purpose of paying the qualified ex-  
6 penses of the eligible individual.

7 (3) QUALIFIED FINANCIAL INSTITUTION.—

8 (A) IN GENERAL.—The term “qualified fi-  
9 nancial institution” means any federally insured  
10 financial institution, including any bank, trust  
11 company, savings bank, building and loan asso-  
12 ciation, savings and loan company or credit  
13 union.

14 (B) RULE OF CONSTRUCTION.—Nothing in  
15 this paragraph shall be construed as preventing  
16 an organization described in subparagraph (A)  
17 from collaborating with 1 or more community-  
18 based, not-for-profit organizations described in  
19 section 501(c)(3) of the Internal Revenue Code  
20 of 1986 and exempt from taxation under sec-  
21 tion 501(a) of such Code to carry out an indi-  
22 vidual development account program established  
23 under section 101, including serving as a custo-  
24 dian for any Individual Development Account.

(4) QUALIFIED EXPENSES.—The term “qualified expenses” means, with respect to an eligible individual, 1 or more of the following paid from an Individual Development Account and from a separate, parallel individual or pooled account, as provided by a qualified financial institution:

(A) POST-SECONDARY EDUCATIONAL EXPENSES.—Post-secondary educational expenses paid directly to an eligible educational institution. In this subparagraph:

(i) POST-SECONDARY EDUCATIONAL EXPENSES.—The term “post-secondary educational expenses” means the following:

(I) TUITION AND FEES.—Tuition and fees required for the enrollment or attendance of a student at an eligible educational institution.

(II) FEES, BOOKS, SUPPLIES AND EQUIPMENT.—Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

(ii) ELIGIBLE EDUCATIONAL INSTITUTION.—The term “eligible educational institution” means the following:



1 (I) INSTITUTION OF HIGHER  
 2 EDUCATION.—An institution described  
 3 in section 481(a) or 1201(a) of the  
 4 Higher Education Act of 1965 (20  
 5 U.S.C. 1088(a)(1) or 1141(a)), as  
 6 such sections are in effect on the date  
 7 of enactment of this Act.

8 (II) POST-SECONDARY VOCA-  
 9 TIONAL EDUCATION SCHOOL.—An  
 10 area vocational education school (as  
 11 defined in subparagraph (c) or (d) of  
 12 section 521(4) of the Carl D. Perkins  
 13 Vocational and Applied Technology  
 14 Education Act (20 U.S.C. 2471(a)))  
 15 which is in any State (as defined in  
 16 section 521(33) of such Act ), as such  
 17 sections are in effect on the date of  
 18 enactment of this Act.

19 (B) FIRST-HOME PURCHASE.—Qualified  
 20 acquisition costs with respect to a qualified  
 21 principal residence for a qualified first-time  
 22 home buyer, if paid directly to the persons to  
 23 whom the amounts are due. In this subpara-  
 24 graph:

1 (i) QUALIFIED ACQUISITION COSTS.—

2 The term “qualified acquisition costs”  
 3 means the cost of acquiring, constructing,  
 4 or reconstructing a residence. The term in-  
 5 cludes any usual or reasonable settlement,  
 6 financing, or other closing costs.

7 (ii) QUALIFIED PRINCIPAL RESI-  
 8 DENCE.—The term “qualified principal  
 9 residence” means a principal residence  
 10 (within the meaning of section 121 of the  
 11 Internal Revenue Code of 1986).

12 (iii) QUALIFIED FIRST-TIME HOME  
 13 BUYER.—

14 (I) IN GENERAL.—The term  
 15 “qualified first-time home buyer”  
 16 means an individual participating in  
 17 an individual development account  
 18 program (and, if married, the individ-  
 19 ual’s spouse) who has no present own-  
 20 ership interest in a principal residence  
 21 during the three-year period ending  
 22 on the date of acquisition of the prin-  
 23 cipal residence to which this subpara-  
 24 graph applies.

1 (II) DATE OF ACQUISITION.—

2 The term “date of acquisition” means  
3 the date on which a binding contract  
4 to acquire, construct or reconstruct  
5 the principal residence to which this  
6 subparagraph applies is entered into.

7 (C) BUSINESS CAPITALIZATION.—Amounts  
8 paid directly to a business capitalization ac-  
9 count which is established in a qualified finan-  
10 cial institution and is restricted to use solely for  
11 qualified business capitalization expenses. In  
12 this subparagraph:

13 (i) QUALIFIED BUSINESS CAPITALIZA-  
14 TION EXPENSES.—The term “qualified  
15 business capitalization expense” means  
16 qualified expenditures for the capitalization  
17 of a qualified business pursuant to a quali-  
18 fied plan.

19 (ii) QUALIFIED EXPENDITURES.—The  
20 term “qualified expenditures” means ex-  
21 penditures included in a qualified plan, in-  
22 cluding capital, plant, equipment, working  
23 capital and inventory expenses.

24 (iii) QUALIFIED BUSINESS.—The term  
25 “qualified business” means any business

1 that does not contravene any law or public  
2 policy (to be determined by the Secretary).

3 (iv) QUALIFIED PLAN.—The term  
4 “qualified plan” means a business plan, or  
5 a plan to use a business asset purchased,  
6 which—

7 (I) is approved by a financial in-  
8 stitution, a micro enterprise develop-  
9 ment organization, or a nonprofit loan  
10 fund having demonstrated fiduciary  
11 integrity;

12 (II) includes a description of  
13 services or goods to be sold, a mar-  
14 keting plan, and projected financial  
15 statements; and

16 (III) may require the eligible in-  
17 dividual to obtain the assistance of an  
18 experienced entrepreneurial adviser.

19 (D) QUALIFIED ROLLOVERS.—Amounts  
20 paid as qualified rollovers. In this subpara-  
21 graph, the term “qualified rollover” means any  
22 amount paid directly—

23 (i) to another Individual Development  
24 Account established for the benefit of the

1 eligible individual in another qualified fi-  
 2 nancial institution, or

3 (ii) if such eligible individual dies, to  
 4 an Individual Development Account estab-  
 5 lished for the benefit of another eligible in-  
 6 dividual within 30 days of the date of  
 7 death.

8 (5) SECRETARY.—The term “Secretary” means  
 9 the Secretary of the Treasury.

10 **TITLE I—INDIVIDUAL DEVELOP-**  
 11 **MENT ACCOUNTS FOR LOW-**  
 12 **INCOME WORKERS**

13 **SEC. 101. STRUCTURE AND ADMINISTRATION OF INDIV-**  
 14 **IDUAL DEVELOPMENT ACCOUNT PRO-**  
 15 **GRAMS.**

16 (a) ESTABLISHMENT OF INDIVIDUAL DEVELOPMENT  
 17 ACCOUNT PROGRAMS.—Any qualified financial institution  
 18 may establish 1 or more individual development account  
 19 programs which meet the requirements of this Act either  
 20 on its own initiative or in partnership with community-  
 21 based, not-for-profit organizations.

22 (b) BASIC PROGRAM STRUCTURE.—

23 (1) IN GENERAL.—All individual development  
 24 account programs shall consist of the following 2  
 25 components:

1 (A) An Individual Development Account to  
 2 which an eligible individual may contribute  
 3 money in accordance with section 103.

4 (B) A separate, parallel individual or  
 5 pooled account to which all matching funds  
 6 shall be deposited in accordance with section  
 7 104.

8 (2) TAILORED IDA PROGRAMS.—A qualified fi-  
 9 nancial institution may tailor its individual develop-  
 10 ment account program to allow matching funds to be  
 11 spent on 1 or more of the categories of qualified ex-  
 12 penses.

13 (c) NUMBER OF ACCOUNTS.—

14 (1) IN GENERAL.—The average number of ac-  
 15 tive Individual Development Accounts in an indi-  
 16 vidual development account program at any 1 bank-  
 17 ing office of a qualified financial institution shall be  
 18 limited to the applicable limit.

19 (2) APPLICABLE LIMIT.—For purposes of this  
 20 title, the applicable limit shall be determined in ac-  
 21 cordance with the following table:

<b>“Calendar year:</b>	<b>Applicable Limit:</b>
2000 .....	100
2001 .....	200
2002 .....	300
2003 .....	400
2004 and thereafter .....	500.

1 (d) TAX TREATMENT OF ACCOUNTS.—Any account  
 2 described in subparagraph (B) of subsection (b)(1) is ex-  
 3 empt from taxation under the Internal Revenue Code of  
 4 1986 unless such account has ceased to be such an ac-  
 5 count by reason of section 105(c) or the termination of  
 6 the individual development account program under section  
 7 106(b).

8 **SEC. 102. PROCEDURES FOR OPENING AN INDIVIDUAL DE-**  
 9 **VELOPMENT ACCOUNT AND QUALIFYING FOR**  
 10 **MATCHING FUNDS.**

11 (a) OPENING AN ACCOUNT.—An eligible individual  
 12 must open an Individual Development Account with a  
 13 qualified financial institution and contribute money in ac-  
 14 cordance with section 103 to qualify for matching funds  
 15 in a separate, parallel individual or pooled account.

16 (b) REQUIRED COMPLETION OF ECONOMIC LIT-  
 17 ERACY COURSE.—Before becoming eligible to withdraw  
 18 matching funds to pay for qualified expenses, holders of  
 19 Individual Development Accounts must complete an eco-  
 20 nomic literacy course offered by the qualified financial in-  
 21 stitution, a nonprofit organization, or a government entity.

22 **SEC. 103. CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT**  
 23 **ACCOUNTS.**

24 (a) IN GENERAL.—Except in the case of a qualified  
 25 rollover, individual contributions to an Individual Develop-

1 ment Account will not be accepted for the taxable year  
2 in excess of an amount equal to the compensation (as de-  
3 fined in section 219(f)(1) of the Internal Revenue Code  
4 of 1986) includible in the individual's gross income for  
5 such taxable year.

6 (b) PROOF OF COMPENSATION AND STATUS AS AN  
7 ELIGIBLE INDIVIDUAL.—Federal W-2 forms and other  
8 forms specified by the Secretary proving the eligible indi-  
9 vidual's wages and other compensation and the status of  
10 the individual as an eligible individual shall be presented  
11 to the custodian at the time of the establishment of the  
12 Individual Development Account and at least once annu-  
13 ally thereafter.

14 (c) TIME WHEN CONTRIBUTIONS DEEMED MADE.—  
15 For purposes of this section, a taxpayer shall be deemed  
16 to have made a contribution to an Individual Development  
17 Account on the last day of the preceding taxable year if  
18 the contribution is made on account of such taxable year  
19 and is made not later than the time prescribed by law for  
20 filing the Federal income tax return for such taxable year  
21 (not including extensions thereof).



1 (d) CROSS REFERENCE.—

**For designation of earned income tax credit payments for deposit to an Individual Development Account, see section 32(o) of the Internal Revenue Code of 1986.**

2 **SEC. 104. DEPOSITS BY QUALIFIED FINANCIAL INSTITU-**  
 3 **TIONS.**

4 (a) SEPARATE, PARALLEL INDIVIDUAL OR POOLED  
 5 ACCOUNTS.—The qualified financial institution shall de-  
 6 posit all matching funds for each Individual Development  
 7 Account into a separate, parallel individual or pooled ac-  
 8 count. The parallel account or accounts shall earn not less  
 9 than the market rate of interest.

10 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

11 (1) IN GENERAL.—Subject to paragraph (2),  
 12 the qualified financial institution shall deposit not  
 13 less than quarterly into the separate, parallel ac-  
 14 count with respect to each eligible individual the fol-  
 15 lowing:

16 (A) A dollar-for-dollar match for the first  
 17 \$300 contributed by the eligible individual into  
 18 an Individual Development Account with re-  
 19 spect to any taxable year.

20 (B) Any matching funds provided by State,  
 21 local, or private sources in accordance to the  
 22 matching ratio set by those sources.

1 (2) CROSS REFERENCE.—

**For allowance of tax credit to qualified financial institutions for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.**

2 (c) FORFEITURE OF MATCHING FUNDS.—Matching  
3 funds that are forfeited under section 105(b) shall be used  
4 by the qualified financial institution to pay matches for  
5 other Individual Development Account contributions by el-  
6 igible individuals.

7 (d) EXCLUSION FROM INCOME.—Gross income of an  
8 eligible individual shall not include any matching fund de-  
9 posited into a parallel account under subsection (b) on be-  
10 half of such individual.

11 (e) UNIFORM ACCOUNTING REGULATIONS.—The  
12 Secretary shall prescribe regulations with respect to ac-  
13 counting for matching funds from all possible sources in  
14 the parallel accounts.

15 (f) REGULAR REPORTING OF MATCHING DEPOS-  
16 ITS.—Any qualified financial institution shall report  
17 matching fund deposits to eligible individuals with Indi-  
18 vidual Development Accounts on not less than a quarterly  
19 basis.

20 **SEC. 105. WITHDRAWAL PROCEDURES.**

21 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—

22 (1) REQUEST FOR WITHDRAWAL.—To withdraw  
23 money from an eligible individual's Individual Devel-

1        opment Account to pay qualified expenses of such  
2        individual or such individual's spouse or dependents,  
3        an eligible individual shall obtain permission from  
4        the custodian of the individual development account  
5        program. Such permission may include a request to  
6        withdraw matching funds from the applicable par-  
7        allel account.

8            (2) DISBURSEMENT OF FUNDS.—Once permis-  
9        sion to withdraw funds is granted under paragraph  
10       (1), the qualified financial institution shall directly  
11       transfer such funds from the Individual Develop-  
12       ment Account, and, if applicable, from the parallel  
13       account electronically to the vendor or other Indi-  
14       vidual Development Account. If the vendor is not  
15       equipped to receive funds electronically, the qualified  
16       financial institution may issue such funds by paper  
17       check to the vendor.

18           (3) RESOLUTION OF DISPUTES.—The qualified  
19       financial institution shall establish a grievance pro-  
20       cedure to hear, review, and decide in writing any  
21       grievance made by an Individual Development Ac-  
22       count holder who disputes a decision of the oper-  
23       ating organization that a withdrawal is not for quali-  
24       fied expenses.

1       (b) WITHDRAWALS FOR NONQUALIFIED EX-  
2 PENSES.—An Individual Development Account holder may  
3 unilaterally withdraw funds from the Individual Develop-  
4 ment Account for purposes other than to pay qualified ex-  
5 penses, but shall forfeit the corresponding matching funds  
6 and interest earned on the matching funds by doing so,  
7 unless such withdrawn funds are recontributed to such Ac-  
8 count within 1 year of withdrawal.

9       (c) DEEMED WITHDRAWALS FROM ACCOUNTS OF  
10 NONELIGIBLE INDIVIDUALS.—If, during any taxable year  
11 of the individual for whose benefit an Individual Develop-  
12 ment Account is established, such individual ceases to be  
13 an eligible individual, such account shall cease to be an  
14 Individual Development Account as of the first day of such  
15 taxable year and any balance in such account shall be  
16 deemed to have been withdrawn on such first day by such  
17 individual for purposes other than to pay qualified ex-  
18 penses.

19       (d) TAX TREATMENT OF WITHDRAWN AMOUNTS.—  
20 Any amount withdrawn from an Individual Development  
21 Account or any matching funds withdrawn from a parallel  
22 account shall be includible in gross income to the extent  
23 such amount has not previously been so includible.

1 **SEC. 106. CERTIFICATION AND TERMINATION OF INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.**  
2  
3

4 (a) CERTIFICATION PROCEDURES.—Upon establishing an individual development account program under  
5 section 101, a qualified financial institution shall certify  
6 to the Secretary on forms prescribed by the Secretary and  
7 accompanied by any documentation required by the Secretary,  
8 that—  
9

10 (1) the accounts described in subparagraphs  
11 (A) and (B) of section 101(b)(1) are operating pursuant to all the provisions of this Act; and  
12

13 (2) the qualified financial institution agrees to  
14 implement an information system necessary to permit the Secretary to evaluate the cost and effectiveness of the individual development account program.  
15  
16

17 (b) AUTHORITY TO TERMINATE IDA PROGRAM.—If  
18 the Secretary determines that a qualified financial institution under this Act is not operating an individual development account program in accordance with the requirements of this Act (and has not implemented any corrective  
19 recommendations directed by the Secretary), the Secretary  
20 shall terminate such institution's authority to conduct the  
21 program. If the Secretary is unable to identify a qualified  
22 financial institution to assume the authority to conduct  
23 such program, then any account established for the benefit  
24  
25  
26

1 of any eligible individual under such program shall cease  
 2 to be an Individual Development Account as of the first  
 3 day of such termination and any balance in such account  
 4 shall be deemed to have been withdrawn on such first day  
 5 by such individual for purposes other than to pay qualified  
 6 expenses.

7 **SEC. 107. REPORTING AND EVALUATION.**

8 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-  
 9 STITUTIONS.—Each qualified financial institution that es-  
 10 tablishes an individual development account program  
 11 under section 101 shall report annually to the Secretary  
 12 within 90 days after the end of each calendar year on—

13 (1) the number of eligible individuals making  
 14 contributions into Individual Development Accounts;

15 (2) the amounts contributed into Individual De-  
 16 velopment Accounts and deposited into the separate,  
 17 parallel accounts for matching funds;

18 (3) the amounts withdrawn from Individual De-  
 19 velopment Accounts and the separate, parallel ac-  
 20 counts, and the purposes for which such amounts  
 21 were withdrawn;

22 (4) the balances remaining in Individual Devel-  
 23 opment Accounts and separate, parallel accounts;  
 24 and

1           (5) such other information needed to help the  
2       Secretary evaluate the cost and effectiveness of the  
3       individual development account program.

4       (b) RESPONSIBILITIES OF THE SECRETARY.—

5           (1) TWO-YEAR EVALUATION.—Not later than  
6       24 months after the date of enactment of this Act,  
7       the Secretary shall evaluate the cost and effective-  
8       ness of the individual development account programs  
9       established under section 101. In addition, the Sec-  
10      retary shall evaluate the effect of the account limita-  
11      tion under section 101(c) on each banking office of  
12      a qualified financial institution and make rec-  
13      ommendations for its adjustment or removal.

14          (2) FOUR-YEAR EVALUATION.—Not later than  
15      48 months after the date of enactment of this Act,  
16      the Secretary shall evaluate the effect of the indi-  
17      vidual development account programs established  
18      under section 101 on the eligible individuals.

19          (3) SUBSEQUENT ANNUAL EVALUATIONS.—In  
20      each subsequent year after the first evaluation under  
21      paragraph (1) or (2), the Secretary shall issue an  
22      update on the status of such individual development  
23      account programs.

24          (4) APPROPRIATIONS FOR EVALUATIONS.—

25      There is authorized to be appropriated \$5,000,000

1       for the purposes of evaluating individual develop-  
2       ment account programs established under section  
3       101, to remain available until expended.

4   **SEC. 108. FUNDS IN PARALLEL ACCOUNTS OF PROGRAM**  
5                   **PARTICIPANTS DISREGARDED FOR PUR-**  
6                   **POSES OF ALL MEANS-TESTED FEDERAL PRO-**  
7                   **GRAMS.**

8       Notwithstanding any other provision of law that re-  
9       quires consideration of 1 or more financial circumstances  
10      of an individual, for the purposes of determining eligibility  
11      to receive, or the amount of, any assistance or benefit au-  
12      thorized by such law to be provided to or for the benefit  
13      of such individual, funds (including interest accruing) in  
14      any parallel account shall be disregarded for such purpose  
15      with respect to any period during which the individual par-  
16      ticipates in an individual development account program es-  
17      tablished under section 101.



1 **TITLE II—INDIVIDUAL DEVELOP-**  
 2 **MENT ACCOUNT INVESTMENT**  
 3 **CREDITS**

4 **SEC. 201. MATCHING FUNDS FOR INDIVIDUAL DEVELOP-**  
 5 **MENT ACCOUNTS PROVIDED THROUGH A TAX**  
 6 **CREDIT FOR QUALIFIED FINANCIAL INSTITU-**  
 7 **TIONS.**

8 (a) IN GENERAL.—Subpart B of part IV of sub-  
 9 chapter A of chapter 1 of the Internal Revenue Code of  
 10 1986 (relating to other credits) is amended by inserting  
 11 after section 30A the following:

12 **“SEC. 30B. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**  
 13 **MENT CREDIT FOR QUALIFIED FINANCIAL IN-**  
 14 **STITUTIONS.**

15 “(a) DETERMINATION OF AMOUNT.—There shall be  
 16 allowed as a credit against the applicable tax for the tax-  
 17 able year an amount equal to the individual development  
 18 account investment provided by a qualified financial insti-  
 19 tution during the taxable year under an individual develop-  
 20 ment account program established under section 101 of  
 21 the Savings for Working Families Act.

22 “(b) APPLICABLE TAX.—For the purposes of this  
 23 section, the term ‘applicable tax’ means the excess (if any)  
 24 of—

25 “(1) the sum of—

1           “(A) the tax imposed under this chapter  
 2           (other than the taxes imposed under the provi-  
 3           sions described in subparagraphs (C) through  
 4           (Q) of section 26(b)(1)), plus

5           “(B) the tax imposed under section 3111,  
 6           over

7           “(2) the credits allowable under subparts B and  
 8           D of this part.

9           “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-  
 10          MENT.—For purposes of this section, the term ‘individual  
 11          development account investment’ means, with respect to  
 12          an individual development account program of a qualified  
 13          financial institution in any taxable year, an amount equal  
 14          to the sum of—

15               “(1) the aggregate amount of dollar-for-dollar  
 16               matches under such program by such institution  
 17               under section 104 of the Savings for Working Fami-  
 18               lies Act for such taxable year, plus

19               “(2) an amount equal to the lesser of—

20                       “(A) 50 percent of the aggregate costs  
 21                       paid or incurred under such program by such  
 22                       institution during such taxable year—

23                               “(i) to provide economic literacy train-  
 24                               ing to Individual Development Account  
 25                               holders under section 102(b) of such Act,

1           either directly or indirectly through non-  
2           profit organizations or government entities,  
3           and

4           “(ii) to underwrite the activities of  
5           collaborating community-based, not-for-  
6           profit organizations (within the meaning of  
7           section 4(3)(B) of such Act), or

8           “(B) \$100, times the total number of Indi-  
9           vidual Development Accounts maintained by  
10          such institution under such program during  
11          such taxable year.

12       “(d) OTHER DEFINITIONS.—For purposes of this  
13       section, the terms ‘Individual Development Account’ and  
14       ‘qualified financial institution’ have the meanings given  
15       such terms by section 4 of the Savings for Workings Fam-  
16       ilies Act.

17       “(e) REGULATIONS.—The Secretary may prescribe  
18       such regulations as may be necessary or appropriate to  
19       carry out this section, including regulations providing for  
20       a recapture of the credit allowed under this section in  
21       cases where there is a forfeiture under section 105(b) of  
22       the Savings for Workings Families Act in a subsequent  
23       taxable year of any amount which was taken into account  
24       in determining the amount of such credit.”

1       (b) TRANSFER TO TRUST FUNDS.—The Secretary of  
 2 the Treasury shall transfer from the general fund of the  
 3 United States Treasury to the Federal Old-Age and Sur-  
 4 vivors Insurance Trust Fund, the Federal Disability In-  
 5 surance Trust Fund, and the Federal Hospital Insurance  
 6 Trust Fund amounts equivalent to the amount of the re-  
 7 duction in taxes imposed by section 3111 of the Internal  
 8 Revenue Code of 1986 by reason of the credit determined  
 9 under section 30B (relating to the individual development  
 10 account investment credit for qualified financial institu-  
 11 tions). Any such transfer shall be made at the same time  
 12 that the reduced taxes would have been deposited in such  
 13 Trust Funds.

14       (c) CONFORMING AMENDMENT.—The table of sec-  
 15 tions for subpart B of part IV of subchapter A of chapter  
 16 1 of the Internal Revenue Code of 1986 is amended by  
 17 inserting after the item relating to section 30A the fol-  
 18 lowing:

“Sec. 30B. Individual development account investment credit for qualified finan-  
 cial institutions.”

19       (d) EFFECTIVE DATE.—The amendments made by  
 20 this section shall apply to taxable years beginning after  
 21 December 31, 1999.

1 **SEC. 202. CRA CREDIT PROVIDED FOR INDIVIDUAL DEVEL-**  
 2 **OPMENT ACCOUNT PROGRAMS.**

3 Qualified financial institutions which establish indi-  
 4 vidual development account programs under section 101  
 5 shall receive credit for funding, administration, and edu-  
 6 cation expenses under the services test contained in regu-  
 7 lations for the Community Reinvestment Act of 1977 for  
 8 those activities related to Individual Development Ac-  
 9 counts.

10 **SEC. 203. DESIGNATION OF EARNED INCOME TAX CREDIT**  
 11 **PAYMENTS FOR DEPOSIT TO INDIVIDUAL DE-**  
 12 **VELOPMENT ACCOUNT.**

13 (a) IN GENERAL.—Section 32 of the Internal Rev-  
 14 enue Code of 1986 (relating to earned income credit) is  
 15 amended by adding at the end the following:

16 “(o) DESIGNATION OF CREDIT FOR DEPOSIT TO IN-  
 17 DIVIDUAL DEVELOPMENT ACCOUNT.—

18 “(1) IN GENERAL.—With respect to the return  
 19 of any eligible individual (as defined in section 4(1)  
 20 of the Savings for Working Families Act) for the  
 21 taxable year of the tax imposed by this chapter, such  
 22 individual may designate that a specified portion  
 23 (not less than \$1) of any overpayment of tax for  
 24 such taxable year which is attributable to the credit  
 25 allowed under this section shall be deposited by the  
 26 Secretary into an Individual Development Account

(as defined in section 4(2) of such Act) of such individual. The Secretary shall so deposit such portion designated under this paragraph.

“(2) MANNER AND TIME OF DESIGNATION.—A designation under paragraph (1) may be made with respect to any taxable year—

“(A) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

“(B) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

“(3) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of paragraph (1), an overpayment for any taxable year shall be treated as attributable to the credit allowed under this section for such taxable year to the extent that such overpayment does not exceed the credit so allowed.

“(4) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under paragraph (1) shall be treated as being refunded to the tax-

1       payer as of the last date prescribed for filing the re-  
2       turn of tax imposed by this chapter (determined  
3       without regard to extensions) or, if later, the date  
4       the return is filed.

5               “(5) TERMINATION.—This subsection shall not  
6       apply to any taxable year beginning after December  
7       31, 2006.”

8       (b) EFFECTIVE DATE.—The amendment made by  
9       this section shall apply to taxable years beginning after  
10      December 31, 1999.

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