
A BILL FOR AN ACT

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

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

PART I

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

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

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



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

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

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

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

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



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

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

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

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

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

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

21 (1) Marketing participation;



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



1 (4) Their capacity to provide financial counseling and
2 other related services to potential participants; and

3 (5) Their links to other activities designed to increase
4 the independence of individuals and families through
5 high return investments, including homeownership,
6 education and training, and small business
7 development.

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

18 ~~[(d) For each individual development account program~~
19 ~~approved under this section, the State shall make a grant to the~~
20 ~~qualified entity or collaboration of entities authorized to~~



1 ~~conduct the project on the first day of the project year in an~~
2 ~~amount not to exceed \$100,000 per year for five years.~~

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

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

10 "~~§257-7 Assets; disregarded.~~ The department of human
11 services shall [~~collaborate with individual development account~~
12 ~~fiduciary organizations to]~~ ensure that the accounts as provided
13 for in this chapter, including any earned interest, shall be
14 disregarded in the determination of benefits or eligibility for
15 services account holders may receive from the department of
16 human services as allowed by federal and state laws and
17 regulations.

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

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



1 " ~~[+] §257-8 [++]~~ **Matches.** (a) The State shall match an
2 amount of up to \$100,000 per calendar year for individual
3 development accounts.

4 (b) ~~[Not more than a 2:1 match of state funds to account~~
5 ~~holder deposits shall be deposited into any individual~~
6 ~~development account in a given year.]~~ A fiduciary organization
7 shall maintain sufficient state match funds to finance the
8 aggregate amount of program matches in a deposit account solely
9 owned by the fiduciary organization at the financial institution
10 holding the individual development accounts.

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

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

18 "(c) The administrator of the fiduciary organization, with
19 the cooperation of the participating organizations, shall
20 maintain records of the names of contributors and the total
21 amount each contributor contributes to an individual development



1 account match fund for the taxable year. All contributions
 2 shall be verified by the department of human services. The
 3 department of human services shall total all contributions that
 4 the department certifies. Upon each determination, the
 5 department of human services shall issue a certificate to the
 6 taxpayer. The taxpayer shall file the certificate with the
 7 taxpayer's tax return with the department of taxation.

8 When the total amount of certified contributions reaches
 9 \$1,000,000, the department shall immediately discontinue
 10 certifying contributions and notify the department of taxation.
 11 In no instance[7] shall the total amount of certified
 12 contributions exceed \$1,000,000 over the five-year period
 13 between January 1, 2000, and December 31, 2004[-], and between
 14 January 1, 2020, and December 31, 2024."

15 SECTION 8. Section 257-11, Hawaii Revised Statutes, is
 16 amended to read as follows:

17 "[+] §257-11 [+] Administration; evaluation; information;
 18 reporting. (a) The fiduciary organization running an
 19 individual development account program shall have sole authority
 20 over the administration of the project. The State may prescribe
 21 only such regulations with respect to demonstration projects



1 under this chapter as are necessary to ensure compliance
2 pursuant to this chapter.

3 ~~[(b) Each individual development account program shall~~
4 ~~annually report the number of accounts, the amount of savings~~
5 ~~and matches for each account, the uses of the account, and the~~
6 ~~number of businesses, homes, and educations purchased, as well~~
7 ~~as other information as may be required for responsible~~
8 ~~operation of the program.~~

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

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

16 PART II

17 SECTION 9. Section 235-5.6, Hawaii Revised Statutes, is
18 amended by amending subsection (e) to read as follows:

19 "(e) The credit under this section shall be available for
20 taxable years beginning after December 31, 1999, but shall not
21 be available for taxable years beginning after December 31,



1 2004[-] and shall be available for taxable years beginning after
2 December 31, 2019, but shall not be available for taxable years
3 beginning after December 31, 2024."

4 PART III

5 SECTION 10. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 11. This Act shall take effect on July 1, 2050.

8



Report Title:

Individual Development Accounts

Description:

Expands eligibility for state-funded individual development accounts to households with income up to 100 percent of the area median income. Expands allowable uses of account funds to rental housing, transportation, costs related to the purchase or repair of a motor vehicle, and qualified business capitalization expenses for a small business. Clarifies certain requirements for fiduciary organizations. Reactivates the tax credit for the five-year period for taxable years 2020 through 2024. Effective 7/1/2050. (SD1)

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