

The House Committee on Ways and Means offers the following substitute to HB 1384:

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,
2 relating to the imposition, rate, and computation of income tax, so as to provide for income
3 exclusions and tax credits with respect to individual development accounts; to provide for
4 procedures, conditions, and limitations; to provide for powers, duties, and authority of the
5 state revenue commissioner and the commissioner of community affairs with respect to the
6 foregoing; to amend Chapter 8 of Title 50 of the Official Code of Georgia Annotated,
7 relating to the Department of Community Affairs, so as to provide for the comprehensive
8 regulation of individual development accounts and programs; to provide for definitions; to
9 provide for procedures, conditions, and limitations with respect to the creation and operation
10 of such accounts; to provide for powers, duties, and authority of the department; to provide
11 for powers, duties, and authority of certain fiduciary organizations; to provide for related
12 matters; to provide an effective date; to repeal conflicting laws; and for other purposes.

13 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

14 style="text-align:center">**SECTION 1.**

15 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the
16 imposition, rate, and computation of income tax, is amended by adding a new Code section
17 immediately following Code Section 48-7-29.8 to be designated as Code Section 48-7-29.9,
18 to read as follows:

19 "48-7-29.9.

20 (a) There shall be allowed to each charitable donor making a contribution to a reserve
21 account on behalf of an individual development account program pursuant to Article 7 of
22 Chapter 8 of Title 50 an income tax credit with respect to the income taxes imposed under
23 this chapter in an amount equal to 50 percent of the total monetary contribution paid during
24 such income tax year by a charitable donor to the reserve account on behalf of an
25 individual development account program or owner in this state.

1 (b) In no event shall the total amount of the tax credit under this Code section for a taxable
 2 year exceed the taxpayer's income tax liability. Any unused tax credit shall be carried
 3 forward for up to five taxable years to apply to the charitable donor's succeeding years' tax
 4 liability. No such tax credit shall be allowed the charitable donor against prior years' tax
 5 liability.

6 (c) The commissioner shall allow the commissioner of community affairs and the fiduciary
 7 organization administering the individual development account program to allocate the
 8 available credit among the charitable donors. In no event shall the aggregate amount of
 9 credits allocated and allowed to taxpayers in any taxable year exceed \$4 million. Once the
 10 credit ceiling of \$4 million is reached, no further tax credits will be allocated and allowed
 11 under this Code section for that year.

12 (d) All claims for the credit provided by subsection (a) of this Code section shall be
 13 accompanied by a certificate approved by the Department of Community Affairs and any
 14 fiduciary organization administering the individual development accounts, verifying the
 15 amount of credit allocated.

16 (e) Moneys withdrawn by the taxpayer from an individual development account for an
 17 approved purpose, as described in Code Section 50-8-170, are excluded from the tax
 18 imposed under this chapter. A withdrawal by a taxpayer for a purpose other than such an
 19 approved purpose shall not be allowed the exclusion under this subsection.

20 (f) The commissioner shall promulgate any rules and regulations necessary to implement
 21 and administer this Code section."

22 SECTION 2.

23 Chapter 8 of Title 50 of the Official Code of Georgia Annotated, relating to the Department
 24 of Community Affairs, is amended by striking Article 7, which is reserved, and inserting in
 25 its place a new Article 7 to read as follows:

26 "ARTICLE 7

27 50-8-170.

28 (a) As used in this article, the term:

29 (1) 'Charitable donor' means a person, business, or corporation who contributes to the
 30 reserve account for the purposes of individual development account programs in this
 31 state.

32 (2) 'Eligible individual or family member' means one whose household income is equal
 33 to or less than 80 percent of the median household income for the area or less than 200
 34 percent of the federal poverty guidelines, whichever is greater, who enters into an

1 agreement developed with a fiduciary organization for the establishment of an individual
2 development account. The agreement must provide for the amount of savings deposits,
3 the matching rate, the asset goal, and the financial literacy education classes to be
4 completed, additional training specific to the asset, and financial counseling the
5 individual will attend, as well as other services designed to increase the financial
6 independence of the person through achievement of the account's approved purpose and
7 such other situations specified by rules and regulations of the department.

8 (3) 'Fiduciary organization' means any nonprofit fundraising organization that is exempt
9 from taxation under Section 501(c)(3) of the Internal Revenue Code, as amended; any
10 community development financial institution certified by the Community Development
11 Financial Institution Fund; any credit union chartered under federal or state law; or any
12 Indian tribe as defined in Section 4(12) of the Native American Housing Assistance and
13 Self-Determination Act of 1996 (25 U.S.C. Section 4103(12)), and includes any tribal
14 subsidiary, subdivision, or other wholly owned tribal entity.

15 (4) 'Financial institution' means a bank, trust company, savings bank, building and loan
16 association, savings and loan company or association, credit union, or any financial
17 institution approved by the department.

18 (5) 'Individual development account' means an account established for an eligible
19 individual or family member as part of a qualified individual development account
20 program by an agreement, with the following requirements:

21 (A) The owner of the funds in the individual development account is the individual or
22 family member for whom the account was created;

23 (B) The holder of the account is a qualified financial institution;

24 (C) The assets of the account will not be commingled with other property except in a
25 common trust fund or common investment fund; and

26 (D) Any amount in the account will be paid out only for the purpose of paying the
27 qualified purposes of the account owner, except if it meets the qualifications of an
28 emergency use.

29 (6) 'Lead fiduciary organization' means a fiduciary organization that has been selected
30 by the department to administer all or a portion of the department's responsibilities under
31 this article.

32 (7) 'Qualified purposes' means using the account owner's accumulated savings and
33 matching funds for any of the following:

34 (A) Securing postsecondary education, including, but not limited to, community
35 college courses, courses at a four-year college or university, 529 college plans, or
36 postcollege or graduate courses for the account owner or any member of the account
37 owner's family;

1 (B) Securing postsecondary occupational training, including, but not limited to,
2 vocational or trade school training for the account owner or any member of the account
3 owner's family;

4 (C) Purchasing a home for a primary residence; and

5 (D) Business capitalization.

6 (8) 'Reserve account' means a separate account for all matching funds and earnings
7 dedicated to individual development account owners, the sole holder of which is a
8 qualified financial institution, a qualified fiduciary organization, or an Indian tribe.

9 50-8-171.

10 Once the account owner has saved for a minimum of six months, reached his or her savings
11 goal, and fulfilled all financial literacy education components, the account owner's savings
12 will be matched and the total amount will be transferred from the reserve account directly
13 to the vendor or service provider through whom the account owner is paying for a qualified
14 purpose.

15 50-8-172.

16 (a) If an emergency occurs, an account owner may withdraw all or part of the account
17 owner's deposits to an individual development account with the approval of the fiduciary
18 organization.

19 (b) The account owner must reimburse his or her individual development account for the
20 amount withdrawn under this Code section within 12 months after the date of the
21 withdrawal. Until the timely reimbursement has been made in full, an account owner may
22 not withdraw any matching funds or accrued interest on matching funds from the reserve
23 account. Upon a failure of an account owner to make a timely reimbursement to the
24 individual development account, matching funds shall be forfeited.

25 (c) If an account owner withdraws moneys from an individual development account for
26 other than a qualified purpose, the fiduciary organization may remove the account owner
27 from the program.

28 (d) Before becoming eligible to draw down matching funds to pay for qualified purposes,
29 individual development account owners must complete a financial literacy education
30 course offered by a qualified financial institution, a qualified fiduciary organization, an
31 Indian tribe, or a government entity.

32 (e) In no event shall the charitable donor be able to designate an individual development
33 account owner with whom the charitable donor shares a financial or familial relationship.

1 50-8-173.

2 Deposits to individual development accounts made by the account owner shall not exceed
3 the amount specified in the administrative rules established by the department and must
4 come from earned income, including, but not limited to, child support payments,
5 supplemental security income payments, disability benefits, community service under
6 temporary assistance to needy families, and job training program stipends or such other
7 sources as specified by the department.

8 50-8-174.

9 The department may select fiduciary organizations, including a lead fiduciary organization,
10 through competitive processes. In making the selections, the department may consider
11 factors including, but not limited to:

12 (1) The ability of the fiduciary organization to implement and administer the individual
13 development account program, including the ability to verify account owner eligibility,
14 certify that matching funds are used only for qualified purposes, and exercise general
15 fiscal accountability;

16 (2) The capacity of the fiduciary organization to provide or raise matching funds for the
17 deposits of account owners;

18 (3) The capacity of the fiduciary organization to provide financial counseling, financial
19 literacy education and training specific to the assets the account owners will be
20 purchasing, and other related services to account owners;

21 (4) The links the fiduciary organization has to other activities and programs designed to
22 increase the independence of this state's low-income households and individuals through
23 education and training, home ownership, small business capitalization, and other asset
24 building programs; and

25 (5) The feasibility of the fiduciary organization's program design, including matching
26 rates and savings goals, to lead to asset purchase.

27 50-8-175.

28 Subject to department rules, a fiduciary organization has sole authority over, and
29 responsibility for, the administration of individual development accounts. The
30 responsibility of the fiduciary organization extends to all aspects of the account program,
31 including marketing to eligible individuals and families, soliciting matching funds,
32 counseling account owners, providing financial literacy education, and conducting required
33 verification and compliance activities. The fiduciary organization may establish program
34 provisions as the organization believes necessary to ensure account owner compliance with
35 this article:

1 (1) A fiduciary organization may act in partnership with other entities, including
 2 businesses, government agencies, nonprofit organizations, community development
 3 corporations, community action programs, housing authorities, and congregations to
 4 assist in the fulfillment of fiduciary organization responsibilities under this article;

5 (2) A fiduciary organization may use a reasonable portion of moneys as defined by the
 6 department allocated to the reserve account for administration, operation, and research
 7 and evaluation purposes, including, but not limited to, the purchase of data collection
 8 software such as management information system for individual development accounts;
 9 and

10 (3) A fiduciary organization selected to administer moneys directed by the state to
 11 individual development account purposes or receiving tax deductible contributions may
 12 provide the department with an annual report based on regularly collected data of the
 13 fiduciary organization's individual development account program activity. The report
 14 may be filed no later than 90 days after the end of the fiscal year of the fiduciary
 15 organization. The report may include, but is not limited to:

16 (A) The number of individual development accounts administered by the fiduciary
 17 organization;

18 (B) The amount of deposits and matching funds for each account;

19 (C) The number of withdrawals made and purposes for withdrawals; and

20 (D) Any other information the department may require for the purpose of making a
 21 return on investment analysis.

22 50-8-176.

23 (a) Financial institutions holding individual development accounts may at a minimum:

24 (1) Keep the account in the name of the account owner;

25 (2) Permit deposits to be made in the account; and

26 (3) Require the account to earn a specified minimum market rate of return.

27 (b) Financial institutions holding individual development accounts may maintain the
 28 individual development accounts without charging fees for such accounts.

29 50-8-177.

30 An account owner's savings and matching funds shall not affect his or her eligibility for
 31 any means tested public benefits, including, but not limited to, Medicaid, state children's
 32 health insurance programs, temporary assistance to needy families, food stamps,
 33 supplemental security income, or government subsidized foster care and adoption
 34 payments, child care, or housing payments.

1 50-8-178.

2 (a) A fiduciary organization selected under this article may qualify as the recipient of
3 donations made by charitable donors that qualify the donor for a tax credit under Code
4 Section 48-7-29.9 so long as the fiduciary organization holds the matching funds it receives
5 in a reserve account.

6 (b) If federal funds under 42 U.S.C. Section 604, or other similar funds requiring a match
7 by the grant recipient, are available to be matched using the reserve account moneys, then
8 the amount necessary for that match may be placed in a separate reserve account that meets
9 the requirements to draw down the federal funds under 42 U.S.C. Section 604 or other
10 funds.

11 (c) If an account owner is in violation of Code Section 50-8-172, then all matching funds
12 accrued and the interest on matching funds shall revert to the fiduciary organization.

13 (d) The department may seek cooperation from other state departments to fund the reserve
14 account.

15 50-8-179.

16 The department may make all reasonable and necessary rules to ensure the fiduciary
17 organization's compliance with this article."

18 **SECTION 3.**

19 This Act shall become effective on January 1, 2005, and shall be applicable to all taxable
20 years beginning on or after that date.

21 **SECTION 4**

22 All laws and parts of laws in conflict with this Act are repealed.