

# 44:10-86

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2001                    **CHAPTER:** 93  
**NJSA:** 44:10-86            ("New Jersey Individual Development Account Act")  
**BILL NO:** A2143            (Substituted for S1472)

**SPONSOR(S):** Bateman and Caraballo

**DATE INTRODUCED:** February 28, 2000

**COMMITTEE:**            **ASSEMBLY:** Banking and Insurance; Appropriations

**SENATE:** -----

**AMENDED DURING PASSAGE:** Yes

**DATE OF PASSAGE:**            **ASSEMBLY:** January 29, 2001

**SENATE:** March 29, 2001

**DATE OF APPROVAL:** May 10, 2001

### FOLLOWING ARE ATTACHED IF AVAILABLE:

**FINAL TEXT OF BILL** (Assembly Committee Substitute (2nd reprint) enacted)

(Amendments during passage denoted by superscript numbers)

#### A2143

**SPONSORS STATEMENT:** (Begins on page 8 of original bill) Yes

**COMMITTEE STATEMENT:**                    **ASSEMBLY:** Yes 3-20-00  
(Banking)

9-21-00 (Approp.)

**SENATE:** No

**FLOOR AMENDMENT STATEMENTS:** Yes 10-30-2000  
(Assembly)

3-26-2001 (Senate)

**LEGISLATIVE FISCAL ESTIMATE:**

Yes

**S1472**

**SPONSORS STATEMENT:** (Begins on page 9 of original bill)

Yes

**COMMITTEE STATEMENT:**

**ASSEMBLY:**

No

**SENATE:**

Yes 10-19-2000

(Senior Cit.)

12-14-2000 (Budget)

**FLOOR AMENDMENT STATEMENT:**

Yes

**LEGISLATIVE FISCAL ESTIMATE:**

No

**VETO MESSAGE:**

No

**GOVERNOR'S PRESS RELEASE ON SIGNING:**

No

**FOLLOWING WERE PRINTED:**

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**REPORTS:**

No

**HEARINGS:**

No

**NEWSPAPER ARTICLES:**

No

# ASSEMBLY, No. 2143

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED FEBRUARY 28, 2000

**Sponsored by:**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman WILFREDO CARABALLO**

**District 28 (Essex)**

**Co-Sponsored by:**

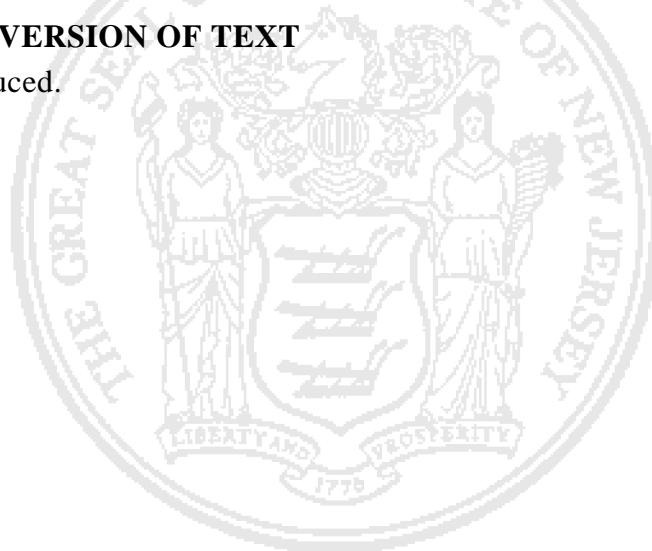
**Assemblymen Asselta, Augustine, Assemblywoman Farragher, Assemblymen Merkt, Arnone, Assemblywoman Crecco, Assemblymen Felice, LeFevre, B.Smith, Assemblywoman Weinberg, Assemblyman Wisniewski, Assemblywoman Pou, Assemblymen Zisa, T.Smith, Assemblywomen Watson Coleman, Cruz-Perez, Quigley, Assemblyman Connors and Assemblywoman Greenstein**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program;" appropriates \$5 million.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/30/2000)**

1 AN ACT concerning individual development accounts, supplementing  
2 parts of the statutory law and making an appropriation.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. This act shall be known and may be cited as the "New Jersey  
8 Individual Development Account Act."

9

10 2. a. The Legislature finds and declares that:

11 (1) Economic well-being does not come solely from income,  
12 spending, and consumption, but also requires savings, investment, and  
13 accumulation of assets, since assets can improve economic stability,  
14 connect people with a viable and hopeful future, stimulate  
15 development of human and other capital, yield personal and social  
16 dividends, and enhance the welfare of offspring.

17 (2) With the enactment of the "Work First New Jersey Act,"  
18 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
19 emphasizing moving people off of public assistance and into  
20 employment, there is an urgent need to provide incentives for savings  
21 accounts that will compliment and stabilize the movement of people  
22 from public assistance and into employment.

23 (3) Income-based social policy should be complemented with  
24 asset-based social policy, because while income-based policies ensure  
25 that consumption needs (including food, child care, rent, clothing and  
26 health care) are met, asset-based policies provide the means to achieve  
27 some degree of economic self-sufficiency.

28 (4) The State of New Jersey should develop policies, such as  
29 individual development accounts, that promote higher rates of personal  
30 savings and net private domestic investment.

31 b. It is the intent of the Legislature, therefore, to provide for the  
32 establishment of Individual Development Accounts (IDA's) which  
33 accounts are designed to:

34 (1) provide individuals and families, especially those with limited  
35 means, an opportunity to accumulate assets;

36 (2) facilitate and mobilize savings;

37 (3) promote education, home ownership and micro enterprise  
38 development; and

39 (4) stabilize families and build communities.

40

41 3. As used in this act:

42 "Account holder" means a person who is the owner of an individual  
43 development account.

44 "Commissioner" means the Commissioner of Community Affairs.

45 "Community development organization" means any religious or  
46 charitable organization, which is a nonprofit corporation incorporated

1 pursuant to the "New Jersey Nonprofit Corporation Act,"  
2 N.J.S.15A:1-1 et seq., that is approved by the commissioner to  
3 implement the individual development account program, or any  
4 community action agency as that term is defined pursuant to  
5 subsection c. of section 3 of P.L.1991, c.51(C.52:27D-397).

6 "Department" means the Department of Community Affairs.

7 "Economic literacy" means: a basic understanding of budgets and  
8 savings accounts, credit and interest and how to use financial services;  
9 and having a savings plan and using it to reach the account holder's  
10 savings goal for an individual development account.

11 "Eligible individual" means an individual or a family who earns less  
12 than 80 percent of the median income of the county in which the  
13 individual or family resides or an individual or family whose net worth  
14 does not exceed \$10,000 excluding the individual's or family's primary  
15 dwelling unit and one motor vehicle.

16 "Financial institution" means a state or federally chartered bank,  
17 savings bank, savings and loan association or credit union with an  
18 office in this State or an entity which is a member of the Securities  
19 Investor Protection Corporation established pursuant to the "Securities  
20 Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq.

21 "Fund" means the Individual Development Account Fund  
22 established pursuant to section 4 of this act.

23 "Individual development account" means a financial instrument  
24 established pursuant to section 5 of this act.

25 "Program" means the Individual Development Account Program  
26 established in this act.

27 "Program contributor" means a person or entity who makes a  
28 contribution to an individual development account reserve fund,  
29 except that "program contributor" does not mean the State or the  
30 account holder.

31 "Reserve fund" means the individual development account reserve  
32 fund created by a community development organization for the  
33 purposes of: funding the costs incurred in the administration of the  
34 program; receiving matching funds from the State and other program  
35 contributors; and providing matching funds for individual development  
36 accounts pursuant to paragraph (6) of subsection b. of section 5 of this  
37 act.

38

39 4. a. The Individual Development Account Program is hereby  
40 established within the Department of Community Affairs. The purpose  
41 of this program shall be to provide each eligible individual in this State  
42 with an opportunity to establish an individual development account,  
43 which may be used by that individual for the any of the purposes  
44 specified under subsection a. of section 5 of this act.

45 b. There is established in the department, the Individual  
46 Development Account Fund. This fund shall be used by the

1 commissioner to provide:

2 (1) grants to community development organizations selected by the  
3 commissioner to participate in the Individual Development Account  
4 Program; and

5 (2) a State match of two dollars for every one dollar deposited into  
6 an individual deposit account, except that the maximum amount  
7 provided as a match per individual development account per calendar  
8 year shall be \$5,000.

9 c. The commissioner shall implement this program throughout the  
10 State by entering into agreements with community development  
11 organizations which the commissioner selects pursuant to the  
12 provisions of this section. In order to ensure the targeting of areas of  
13 high poverty in the State, the commissioner shall use the Community  
14 Service Block Grant allocation formula as a guide for distribution of  
15 moneys in the Individual Development Account Fund established  
16 pursuant to subsection b. of this section.

17 d. The commissioner shall solicit proposals from community  
18 development organizations for the purpose of implementing the  
19 Individual Development Account Program. Proposals from  
20 community development organizations shall include:

21 (1) a plan for the establishment and management of the community  
22 development organization's individual development account reserve  
23 fund;

24 (2) a plan for the establishment and oversight of individual  
25 development accounts;

26 (3) specification of the persons targeted for priority participation;

27 (4) a detailed description of the economic literacy training that will  
28 be required of every account holder;

29 (5) a request for funds to be used:

30 (a) in establishing and administering the individual development  
31 account program for the duration of the program;

32 (b) to provide economic literacy training and one-on-one financial  
33 counseling for eligible individuals; and

34 (c) for the State's match pursuant to paragraph (2) of subsection  
35 b. of this section, the amount of which request shall be reasonably  
36 based on the number of persons targeted for individual development  
37 accounts and the total amount of savings per year expected of those  
38 persons; and

39 (6) any other information the commissioner deems important for  
40 selecting community development organizations to participate in the  
41 Individual Development Account Program.

42 e. In reviewing the proposals of community development  
43 organizations, the commissioner shall consider the following factors:

44 (1) the not-for-profit status of the community development  
45 organization;

46 (2) the fiscal accountability of the community development

1 organization;

2 (3) the ability of the community development organization to  
3 provide its moneys or raise moneys from program contributors for  
4 matching contributions which are in addition to State matching funds;

5 (4) the plan of the community development organization for the  
6 development, implementation and management of an individual  
7 development account program;

8 (5) the capacity of the community development organization to  
9 provide economic literacy training, either directly or through another  
10 provider;

11 (6) the organization's history of working with low- and moderate-  
12 income populations; and

13 (7) the extent to which the organization has included its  
14 constituents as members of its board.

15 f. (1) The commissioner shall select community development  
16 organizations and enter into an agreement with each community  
17 development organization selected that requires the community  
18 development organization to establish and maintain an individual  
19 development account reserve fund and work with each eligible  
20 individual and any local financial institution to establish an individual  
21 development account, among other services to be provided for eligible  
22 individuals and their households, if any.

23 (2) As part of the agreement, the commissioner shall disperse  
24 moneys from the fund. The amount dispersed shall be based on the  
25 request made pursuant to paragraph (5) of subsection d. of this  
26 section, but may be dispersed in quarterly payments.

27 g. (1) No more than 10 percent of all funds contributed to the  
28 reserve fund may be used for administrative purposes, except for  
29 additional administrative costs approved by the commissioner as start-  
30 up costs for a community development organization to implement an  
31 individual development account program.

32 (2) Moneys from the reserve fund may be used to provide  
33 economic literacy training and one-on-one financial counseling for  
34 eligible individuals, except that the amount used for these purposes  
35 shall not exceed 10 percent of the reserve fund, which amount shall be  
36 in addition to that permitted pursuant to paragraph (1) of this  
37 subsection.

38

39 5. a. An eligible individual may, in agreement with a community  
40 development organization selected by the commissioner pursuant to  
41 section 4 of this act, open an individual development account for the  
42 purpose of accumulating and withdrawing moneys for specified  
43 expenditures. Upon satisfaction of the community development  
44 organization's requirements for economic literacy by an account  
45 holder, the community development organization shall certify to the  
46 commissioner that the account holder may withdraw moneys from the

1 account on the approval of the community development organization,  
2 without penalty, for any of the expenditures listed in subsection b. of  
3 this section

4 b. Upon satisfaction of the community development organization's  
5 requirements for economic literacy by an account holder and  
6 notification of the commissioner by the community development  
7 organization as required pursuant to subsection a. of this section, the  
8 account holder may withdraw moneys from the account holder's  
9 individual development account for any of the following purposes:

10 (1) educational costs for any family member at an accredited  
11 institution of higher education;

12 (2) job training costs for any family member at an accredited  
13 institution of higher education or an accredited or licenced training  
14 program;

15 (3) purchase of a primary residence;

16 (4) major repairs or improvements to a primary residence;

17 (5) capitalization of a small business for any family member; or

18 (6) an individualized expenditure, approved by the community  
19 development organization and the commissioner, which would move  
20 the account holder towards economic self-sufficiency.

21 c. Community development organizations approved by the  
22 department shall establish an individual development account for an  
23 eligible individual in a financial institution as required pursuant to this  
24 act. A community development organization shall certify to the  
25 department that the accounts have been established pursuant to the  
26 provisions of this act and that deposits have been made on behalf of  
27 the account holder.

28 d. A community development organization establishing an  
29 individual development account shall:

30 (1) sign an agreement with an eligible individual to the effect that  
31 the account shall be opened and kept in the name of the eligible  
32 individual as the account holder and that the eligible individual shall  
33 have an officer of the economic development organization as a co-  
34 signor on the account;

35 (2) open and keep the account in the name of the eligible  
36 individual, with an officer of the community development organization  
37 as co-signor;

38 (3) permit deposits to be made in the account by the following:

39 (a) the account holder;

40 (b) a community development organization on behalf of the  
41 account holder, including moneys to match the account holder's  
42 deposits;

43 (4) maintain the records of individual development accounts in a  
44 manner that enables the community development organization to  
45 determine the amounts deposited by the account holder and amounts  
46 deposited by the community development organization as matching



1 funds;

2 (5) require the account to earn at least the market rate of interest;

3 (6) permit the account holder, after obtaining the signature of the  
4 administrator of the community development organization, as  
5 cosignatory, to withdraw moneys from the account for any of the  
6 purposes listed in subsection b. of this section; and

7 (7) deposit matching funds into an individual development account  
8 for an account holder just prior to the time the account holder  
9 withdraws funds for a purpose permitted pursuant to subsection b. of  
10 this section.

11

12 6. a. If the account holder withdraws any moneys from the  
13 account and uses those moneys, or any part of those moneys, for a  
14 purpose not permitted pursuant to subsection b. of section 5 of this  
15 act, the account shall be closed and the account holder shall not be  
16 eligible to receive matching fund amounts from the account. The  
17 account holder shall receive only the moneys which the account holder  
18 has deposited into the account.

19 b. If an account holder dies, the account may be transferred to the  
20 ownership of a contingent beneficiary. An account holder shall name  
21 a contingent beneficiary at the time the account is established and may  
22 change the beneficiary at any time. If the beneficiary is deceased or  
23 otherwise cannot accept the transfer, the moneys shall be transferred  
24 to the individual development account reserve fund of the community  
25 development organization.

26 c. If an individual development account is closed pursuant to  
27 subsection a. or b. of this section or an account holder withdraws from  
28 the individual development account program, any moneys held for  
29 matching funds for that account may be retained in the reserve fund for  
30 reallocation to be used as matching funds for new individual  
31 development accounts.

32

33 7. a. Moneys deposited into or withdrawn from an individual  
34 development account by an account holder pursuant to section 5 of  
35 this act or by a community development organization pursuant to  
36 paragraph (7) of subsection d. of section 5 of this act shall not be  
37 considered gross income otherwise includable pursuant to subsections  
38 a., b., k., and p. of N.J.S.54A:5-1.

39 b. Interest earned by an individual development account shall not  
40 be considered gross income otherwise includable pursuant to  
41 subsection e. of N.J.S.54A:5-1.

42

43 8. a. The commissioner shall promulgate regulations pursuant to  
44 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
45 seq), necessary to effectuate the provisions of this act.

46 b. The commissioner may request from and the Commissioner of

1 Human Services may provide moneys received from the federal  
2 government for Temporary Assistance to Needy Families, as permitted  
3 by federal law, to the department for deposit into the fund.

4 c. The commissioner shall report to the Legislature annually on the  
5 effectiveness of the Individual Development Account program in  
6 providing eligible individuals in this State with an opportunity to  
7 establish an individual development account and may include in the  
8 report recommendations for change, if any, to make the program more  
9 effective. This report shall be due within 30 days of the end of  
10 anniversary of the effective date of the act for each of the three years  
11 of the program's operation.

12

13 9. There is appropriated the sum of \$5,000,000 from the General  
14 Fund to the Department of Community Affairs for the purpose of  
15 funding the Individual Development Account Fund established  
16 pursuant to subsection b. of section 4 of this act.

17

18 10. This act shall take effect on the 180th day following enactment,  
19 except that subsection a. of section 8 shall take effect immediately, and  
20 shall expire three years after the effective date.

21

22

23

#### STATEMENT

24

25 This bill establishes the "Individual Development Account Program"  
26 in the Department of Community Affairs. The purpose of the program  
27 is to provide an incentive to low and moderate income families,  
28 including those persons who are eligible for public assistance under the  
29 Work First New Jersey program, to establish savings accounts. The  
30 bill establishes an Individual Development Account Fund in the  
31 department and appropriates to that fund \$5 million from the General  
32 Fund. The fund will be used to provide grants to community  
33 development organizations selected by the commissioner to implement  
34 the Individual Development Account Program and to provide matching  
35 funds, on a \$2 to \$1 basis, for deposits made by account holders into  
36 individual development accounts up to a maximum of \$5,000 per  
37 calendar year.

38

39 The Commissioner of Community Affairs is to implement the  
40 program throughout the State by entering into agreements with  
41 community development organizations which the commissioner selects  
42 following the solicitation of proposals from community development  
43 organizations and the evaluation of the responses of community  
44 development organizations. Under the bill, community development  
45 organizations are required to include certain information in a proposal  
46 submitted to the commissioner, including, but not limited to: a plan for  
the establishment and management of the community development

1 organization's individual development account reserve fund; a plan for  
2 the establishment and oversight of individual development accounts;  
3 specification of the persons targeted for priority participation; a  
4 detailed description of the economic literacy training that will be  
5 required of every account holder; and a request for funds to be used  
6 in establishing and administering the individual development account  
7 program for the duration of the program, to provide economic literacy  
8 training and one-on-one financial counseling for eligible individuals  
9 and to provide for the State's match, the amount of which request is  
10 to be reasonably based on the number of persons targeted for  
11 individual development accounts and the total amount of savings per  
12 year expected of those persons.

13 Under the bill, upon satisfaction of the community development  
14 organization's requirements for economic literacy by an account holder  
15 and certification of that fact to the commissioner, the account holder  
16 may withdraw moneys from the account on the approval of the  
17 community development organization for any of the following  
18 expenditures:

19 (1) educational costs for any family member at an accredited  
20 institution of higher education;

21 (2) job training costs for any family member at an accredited  
22 institution of higher education or an accredited or licenced training  
23 program;

24 (3) purchase of a primary residence;

25 (4) major repairs or improvements to a primary residence;

26 (5) capitalization of a small business for any family member; or

27 (6) any individualized expenditure, approved by the community  
28 development organization and the commissioner, which would move  
29 the account holder towards economic self-sufficiency.

30 Under the bill, the community development organization will  
31 deposit the 2 for 1 match in funds just prior to the time an account  
32 holder withdraws money from the account for a permitted purpose.

33 Amounts deposited by the account holder or the community  
34 development organization and interest earned on the account are  
35 exempted from State income tax.

# ASSEMBLY BANKING AND INSURANCE COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 2143

# STATE OF NEW JERSEY

DATED: MARCH 20, 2000

The Assembly Banking and Insurance Committee reports favorably Assembly Bill No. 2143.

This bill establishes the "Individual Development Account Program" in the Department of Community Affairs. The purpose of the program is to provide an incentive to low and moderate income families, including those persons who are eligible for public assistance under the Work First New Jersey program, to establish savings accounts. The bill establishes an Individual Development Account Fund in the department and appropriates to that fund \$5 million from the General Fund. The fund will be used to provide grants to community development organizations selected by the Commissioner of Community Affairs to implement the Individual Development Account Program and to provide matching funds, on a \$2 to \$1 basis, for deposits made by account holders into individual development accounts up to a maximum of \$5,000 per calendar year.

The commissioner is to implement the program throughout the State by entering into agreements with community development organizations which the commissioner selects following the solicitation of proposals from community development organizations and the evaluation of the responses of community development organizations. Under the bill, community development organizations are required to include certain information in a proposal submitted to the commissioner, including, but not limited to: a plan for the establishment and management of the community development organization's individual development account reserve fund; a plan for the establishment and oversight of individual development accounts; specification of the persons targeted for priority participation; a detailed description of the economic literacy training that will be required of every account holder; and a request for funds to be used in establishing and administering the individual development account program for the duration of the program, to provide economic literacy training and one-on-one financial counseling for eligible individuals and to provide for the State's match, the amount of which request is to be reasonably based on the number of persons targeted for individual development accounts and the total amount of savings per year expected of those persons.

Under the bill, upon satisfaction of the community development organization's requirements for economic literacy by an account holder and certification of that fact to the commissioner, the account holder may withdraw moneys from the account on the approval of the community development organization for any of the following expenditures:

(1) educational costs for any family member at an accredited institution of higher education;

(2) job training costs for any family member at an accredited institution of higher education or an accredited or licenced training program;

(3) purchase of a primary residence;

(4) major repairs or improvements to a primary residence;

(5) capitalization of a small business for any family member; or

(6) any individualized expenditure, approved by the community development organization and the commissioner, which would move the account holder towards economic self-sufficiency.

Under the bill, the community development organization will deposit the \$2 for \$1 match in funds just prior to the time an account holder withdraws money from the account for a permitted purpose.

Amounts deposited by the account holder or the community development organization and interest earned on the account are exempted from State income tax.

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 2143**

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

ADOPTED SEPTEMBER 21, 2000

**Sponsored by:**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman WILFREDO CARABALLO**

**District 28 (Essex)**

**Co-Sponsored by:**

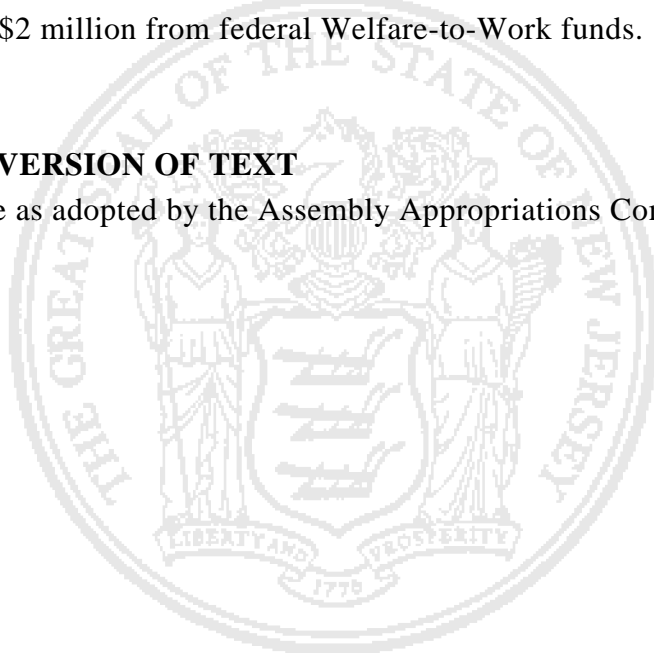
**Assemblymen Asselta, Augustine, Assemblywoman Farragher,  
Assemblymen Merkt, Arnone, Assemblywoman Crecco, Assemblymen  
Felice, LeFevre, B. Smith, Assemblywoman Weinberg, Assemblyman  
Wisniewski, Assemblywoman Pou, Assemblymen Zisa, T. Smith,  
Assemblywomen Watson Coleman, Cruz-Perez, Quigley, Assemblyman  
Connors and Assemblywoman Greenstein**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program," appropriates \$2 million from federal Welfare-to-Work funds.

**CURRENT VERSION OF TEXT**

Substitute as adopted by the Assembly Appropriations Committee.



1 AN ACT concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12 (1) Economic well-being does not come solely from income,  
13 spending, and consumption, but also requires savings, investment, and  
14 accumulation of assets, since assets can improve economic stability,  
15 connect people with a viable and hopeful future, stimulate  
16 development of human and other capital, yield personal and social  
17 dividends, and enhance the welfare of offspring.

18 (2) With the enactment of the "Work First New Jersey Act,"  
19 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
20 emphasizing moving people off of public assistance and into  
21 employment, there is an urgent need to provide incentives for savings  
22 accounts that will complement and stabilize the movement of people  
23 from public assistance and into employment.

24 (3) Income-based social policy should be complemented with  
25 asset-based social policy, because while income-based policies ensure  
26 that consumption needs, including food, child care, rent, clothing and  
27 health care are met, asset-based policies provide the means to achieve  
28 some degree of economic self-sufficiency.

29 (4) The State of New Jersey should develop policies, such as  
30 individual development accounts, that promote higher rates of personal  
31 savings and net private domestic investment.

32 b. It is the intent of the Legislature, therefore, to provide for the  
33 establishment of Individual Development Accounts (IDAs) which  
34 accounts are designed to:

35 (1) provide individuals and families, especially those with limited  
36 means, an opportunity to accumulate assets;

37 (2) facilitate and mobilize savings;

38 (3) promote education, home ownership and micro enterprise  
39 development; and

40 (4) stabilize families and build communities.

41

42 3. As used in this act:

43 "Account holder" means a person who is the owner of an individual  
44 development account.

45 "Commissioner" means the Commissioner of Community Affairs.

46 "Community based organization" means a not-for-profit

1 organization described in section 501(c)(3) of the Internal Revenue  
2 Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt from taxation under  
3 section 501(a) of the Internal Revenue Code of 1986 (26 U.S.C. s.501  
4 (a)), that is approved by the commissioner to implement the New  
5 Jersey Individual Development Account Program established under  
6 this act.

7 "Department" means the Department of Community Affairs.

8 "Economic literacy" means a basic understanding of budgets and  
9 savings accounts, credit and interest and how to use financial services;  
10 and having a savings plan and using it to reach the account holder's  
11 savings goal for an individual development account.

12 "Eligible individual" means an adult with an annual household  
13 gross income up to a maximum of 200 percent of the official poverty  
14 level.

15 "Financial institution" means a state or federally chartered bank,  
16 savings bank, savings and loan association or credit union with an  
17 office in this State or an entity which is a member of the Securities  
18 Investor Protection Corporation established pursuant to the "Securities  
19 Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq.

20 "Fund" means the Individual Development Account Fund  
21 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45  
22 C.F.R. s.263.0 et seq.).

23 "Individual development account" means a financial instrument  
24 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45  
25 C.F.R. s.263.0 et seq.).

26 "Program" means the New Jersey Individual Development Account  
27 Program established pursuant to the provisions of this act.

28 "Program contributor" means a person or entity who makes a  
29 contribution to an individual development account reserve fund,  
30 except that "program contributor" does not mean the account holder.

31 "Reserve fund" means the individual development account reserve  
32 fund created by a community based organization for the purposes of:  
33 funding the costs incurred in the administration of the program;  
34 receiving matching funds from the State; and providing matching funds  
35 for individual development accounts pursuant to section 5 of this act.

36

37 4. a. The New Jersey Individual Development Account Program  
38 is hereby established within the Department of Community Affairs.  
39 The purpose of this program shall be to provide each eligible  
40 individual in this State with an opportunity to establish an individual  
41 development account, to the extent funding will permit. The  
42 individual development account may be used for any of the purposes  
43 specified under subsection c. of section 5 of P.L. , c. (C. )(now  
44 pending before the Legislature as this bill).

45 b. There is established in the department, the Individual  
46 Development Account Fund. This fund shall be used by the



1 commissioner to provide:

2 (1) grants to community based organizations selected by the  
3 commissioner to participate in the Individual Development Account  
4 Program; and

5 (2) a State match of one dollar for every one dollar of earned  
6 income deposited into an individual deposit account by the account  
7 holder, except that the maximum amount provided as a match per  
8 individual development account per calendar year shall be \$1,500.  
9 Community based organizations may raise additional, non-federal or  
10 State funds to increase the State match rate and the State maximum  
11 annual match amount. The earned income deposited into an individual  
12 development account may not be deposited on behalf of the account  
13 holder by a third party.

14 c. The commissioner shall implement this program by entering into  
15 agreements with community based organizations which the  
16 commissioner shall select through a request for proposal process,  
17 pursuant to the provisions of P.L.1987, c.7 (C.52:14-34.4 et seq.).

18 d. In reviewing the proposals of community based organizations,  
19 the commissioner shall consider the following factors:

20 (1) the not-for-profit status of the community based organization;

21 (2) the fiscal accountability of the community based organization;

22 (3) the ability of the community based organization to provide its  
23 moneys or raise moneys from program contributors for matching  
24 contributions which are in addition to State matching funds;

25 (4) the plan of the community based organization for the  
26 development, implementation and management of an individual  
27 development account program;

28 (5) the capacity of the community based organization to provide  
29 economic literacy training, either directly or through another provider;

30 (6) the community based organization's history of working with  
31 low-income populations;

32 (7) the target population and the extent to which the community  
33 based organization plans to exceed the 33.3 percent minimum  
34 participation under this act by current or former Work First New  
35 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.), or  
36 Aid to Families with Dependent Children Recipients or Temporary  
37 Assistance for Needy Families recipients pursuant to  
38 42 U.S.C. s.601 et seq.; and

39 (8) the length of time in months and years, of the operation of the  
40 program taking into account the resources that are available to the  
41 community based organization.

42 e. (1) The commissioner shall select community based  
43 organizations and enter into a contract for services with each  
44 community based organization selected that requires the community  
45 based organization to establish and maintain an individual development  
46 account reserve fund and work with each eligible individual and any

1 local financial institution to establish an individual development  
2 account, among other services to be provided for eligible individuals  
3 and their households, if any.

4 (2) The commissioner shall have the discretion to disburse moneys  
5 from the fund in a manner and an amount the commissioner deems  
6 appropriate and consistent with the community based organization's  
7 contract for services and proposal selected pursuant to subsections c.,  
8 d., e., and f. of this section.

9 f. (1) No more than 10 percent of the federal Welfare-to-Work  
10 funds under this act may be used for administrative purposes by a  
11 community based organization selected to participate in the Individual  
12 Development Account Program.

13 (2) No more than 10 percent of the federal Welfare-to-Work funds  
14 under this act may be used to provide economic literacy training and  
15 one-on-one financial counseling to account holders by a community  
16 based organization selected to participate in the Individual  
17 Development Account Program.

18 g. At all times a minimum of 33.3 percent of the account holders  
19 participating in the Individual Development Account Program shall be  
20 current or former Work First New Jersey recipients pursuant to  
21 P.L.1997, c.38 (C.44:10-55 et seq.) or Aid to Families with Dependent  
22 Children Recipients or Temporary Assistance for Needy Families  
23 recipients pursuant to 42 U.S.C. s.601 et seq., unless otherwise  
24 authorized by the commissioner.

25

26 5. a. An eligible individual may, in agreement with a community  
27 based organization selected by the commissioner pursuant to section  
28 4 of P.L. , c. (C. )(now pending before the Legislature as this  
29 bill), open an individual development account for the purpose of  
30 accumulating and withdrawing moneys for specified expenditures  
31 pursuant to subsections a., b., c., d., and e. of this section. Upon  
32 satisfaction of the community based organization 's requirements for  
33 economic literacy by an account holder, the community based  
34 organization shall certify to the commissioner that the account holder  
35 may withdraw moneys from the account on the approval of the  
36 community based organization, without penalty, for any of the  
37 expenditures listed in subsection c. of this section.

38 b. The commissioner shall establish by regulation:

39 (1) the minimum monthly deposit amount that each account holder  
40 shall be required to maintain and the maximum monthly deposit  
41 amount that each account holder shall be permitted to make, during  
42 their participation in the Individual Development Account Program  
43 established pursuant to this act;

44 (2) the minimum time period the account holder shall maintain an  
45 individual development account, pursuant to section 4 of P.L. , c.  
46 (C. )(now pending before the Legislature as this bill), in order to

1 be eligible to withdraw the moneys deposited and receive the State  
2 matching funds, pursuant to subsections b., c., d., and e. of this  
3 section;

4 (3) the prior notice of the account holder's intent to, and purpose  
5 for, withdrawing individual development account funds and the  
6 minimum time period that an account holder shall give notice to the  
7 individual development account cosignatory community based  
8 organization prior to an approved withdrawal in order to be eligible to  
9 receive State matching funds pursuant to subsections b., c., d., and e.  
10 of this section; and

11 (4) the maximum length of time an account holder may participate  
12 in the Individual Development Account Program.

13 c. Upon satisfaction of the provisions of subsections a. and b. of  
14 this section by the community based organization:

15 (1) The account holder may, upon the approval of the community  
16 based organization, withdraw moneys from the account holder's  
17 individual development account in the form of a joint check or transfer  
18 of funds made payable to the account holder and the respective party  
19 of the approved withdrawal, pursuant to 45 C.F.R. s.263.22, for any  
20 of the following purposes:

21 (a) post-secondary educational expenses as defined in 42 U.S.C.  
22 s.604(h)(5) and 45 C.F.R. s.263.20;

23 (b) qualified acquisition costs of a primary residence as defined in  
24 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

25 (c) qualified business capitalization expenses, as defined in 42  
26 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

27 (2) If the account holder withdraws any moneys from the account  
28 and uses those moneys, or any part of those moneys, for a purpose  
29 other than that permitted pursuant to subsection c. of this section, the  
30 account holder shall forfeit all matching funds associated with the  
31 unapproved withdrawal. The account holder shall receive only the  
32 moneys which the account holder has deposited into the account.

33 (3) The commissioner, in consultation with the Commissioner of  
34 Human Services, shall establish procedures to ensure that funds held  
35 in an individual development account under this act are withdrawn for  
36 qualified purposes only, as defined in subsection c. of this section.  
37 Penalties for unapproved withdrawals may include taxing the  
38 withdrawal as income and, as applicable, including the withdrawal as  
39 income or resources in determining eligibility for federal and State  
40 public assistance pursuant to 45 C.F.R. s.263.23.

41 d. Community based organizations approved by the department  
42 shall establish an individual development account for an eligible  
43 individual in a financial institution as required pursuant to this act.  
44 Community based organizations may, with the approval of the  
45 commissioner, employ methods to maximize the efficiency of multiple  
46 individual development accounts, such as pooling deposits into a single

1 account held by the financial institution, with individual account  
2 information maintained by the community based organization. In  
3 addition, with the approval of the commissioner, community based  
4 organizations may develop an efficient means of providing the match  
5 portion of an individual development account, such as matching  
6 deposits at the time of approved withdrawal only. Community based  
7 organizations under this act shall, at all times, maintain current  
8 account information, without regard to the chosen method of  
9 administration, on all individual development accounts, which shall  
10 include: the individual development account balance, a time indexed  
11 record of deposits and withdrawals made by the account holder and  
12 the current match level. Community based organizations under this act  
13 shall certify to the department that the accounts have been established  
14 pursuant to the provisions of this act on behalf of the account holder  
15 in the manner approved by the commissioner.

16 e. A community based organization establishing an individual  
17 development account shall:

18 (1) sign an agreement with an eligible individual to the effect that  
19 the account shall be kept in the name of the eligible individual as the  
20 account holder and that the eligible individual shall have an officer of  
21 the community based organization as a co-signor on the account;

22 (2) open and keep the account in the name of the eligible  
23 individual, with an officer of the community based organization as co-  
24 signor;

25 (3) permit the account holder to deposit earned income, as defined  
26 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
27 which will be matched by the community based organization when  
28 withdrawn for an approved expenditure, pursuant to subsection c. of  
29 this section;

30 (4) maintain the records of individual development accounts in a  
31 manner that enables the community based organization to determine  
32 the amounts deposited by the account holder and amounts paid by the  
33 community based organization as matching funds;

34 (5) require the individual development account to earn at least the  
35 market rate of interest, which shall be paid to the account holder;

36 (6) permit the account holder, after obtaining the signature of the  
37 administrator of the community based organization, as cosignatory, to  
38 withdraw moneys from the account for any of the purposes listed in  
39 subsection c. of this section;

40 (7) remit matching funds in the form of a joint check or transfer  
41 of funds made payable to the account holder and the respective party  
42 of the approved withdrawal, pursuant to 45 C.F.R. s.263.22 at the  
43 time the account holder withdraw funds for a purpose permitted  
44 pursuant to subsection c. of this section;

45 (8) work with other community based organizations and State  
46 agencies to coordinate the Individual Development Account Program

1 with other private and public programs designed for asset  
2 accumulation and self-sufficiency, such as transportation, child care  
3 and health care services, New Jersey Housing Mortgage and Finance  
4 Agency programs, Federal National Mortgage Association (Fannie  
5 Mae) mortgage programs and other programs under the direction of  
6 the New Jersey Department of Human Services, such as the Family  
7 Loan Pilot Program and Entrepreneur Development Pilot Program;  
8 and

9 (9) provide financial counseling to all account holders and assist  
10 all account holders in establishing a secure, low-risk, effective savings  
11 opportunity for income that is in excess of the individual development  
12 account maximum match of \$1,500 per-year or income that does not  
13 meet the definition of earned income, as defined in paragraph (3) of  
14 this subsection e., for the purposes of an individual development  
15 account such as federal and State earned income tax credits,  
16 homestead and property tax rebates, inheritance, monetary damages  
17 recovered in a legal proceeding and income from the sale of an asset.  
18 The savings opportunity shall be tailored to each account holder's  
19 resources and financial goals. Savings opportunities investigated may  
20 include money market accounts, individual retirement accounts,  
21 certificates of deposit and individual development accounts that do not  
22 include matching federal or State funds.

23

24 6. a. In the event of the death of the account holder, the  
25 ownership of the individual development account may be transferred  
26 to the ownership of a contingent beneficiary. An account holder shall  
27 name a contingent beneficiary at the time the account is established  
28 and may change the beneficiary at any time. If the beneficiary is  
29 deceased or otherwise cannot accept the transfer, the moneys in the  
30 individual development account shall be transferred to the individual  
31 development account reserve fund of the community based  
32 organization.

33 b. If an individual development account is closed pursuant to  
34 subsection a. of this section or an account holder withdraws from the  
35 individual development account program or forfeits his State matching  
36 funds due to an unauthorized withdrawal, any moneys held for  
37 matching funds for that account may be retained in the reserve fund for  
38 reallocation to be used as matching funds for new individual  
39 development accounts.

40

41 7. a. Moneys deposited into or withdrawn from an individual  
42 development account by an account holder pursuant to subsection c.  
43 of section 5 of P.L. , c. (C. )(now pending before the  
44 Legislature as this bill) or by a community based organization pursuant  
45 to paragraph (7) of subsection e. of section 5 of P.L. , c. (C. )  
46 shall not be considered gross income otherwise includable as income

1 pursuant to subsections a., b., k., and p. of N.J.S.54A:5-1.

2 b. Interest earned by an individual development account shall not  
3 be considered gross income otherwise includable as income pursuant  
4 to subsection e. of N.J.S.54A:5-1.

5 c. Monies deposited in an individual development account and the  
6 interest from an individual development account under this act shall  
7 not be taken into account in determining eligibility or the amount of  
8 assistance under State and federal means-tested programs pursuant to  
9 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

10

11 8. a. The commissioner shall promulgate regulations pursuant to  
12 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
13 seq), necessary to effectuate the provisions of this act.

14 b. The commissioner shall consult with the Commissioner of  
15 Human Services regarding the development, operation and  
16 administration of the individual development account program and  
17 ensuring compliance with 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
18 (45 C.F.R. s.263.0 et seq.).

19

20 9. a. The commissioner shall report to the Legislature annually on  
21 the effectiveness of the Individual Development Account Program in  
22 providing eligible individuals in this State with an opportunity to  
23 establish an individual development account and may include in the  
24 report recommendations for change, if any, to make the program more  
25 effective. This report shall be due within 30 days of the end of the  
26 anniversary of the effective date of this section for each year the  
27 program is in operation.

28 b. The Department of Community Affairs shall make available to  
29 the Departments of Labor and Human Services necessary individual  
30 development account statistical and program information in a usable  
31 format and in a timely manner, so that those departments may prepare  
32 federal and other reports.

33

34 10. There is appropriated the sum of \$2,000,000 in federal  
35 Welfare-to-Work funds to the Department of Community Affairs for  
36 the purpose of funding the Individual Development Account Fund  
37 established pursuant to section 4 of P.L. , c. (C. )(now pending  
38 before the Legislature as this bill) for adults with one or more  
39 dependent children, who are, or except for income and resources  
40 would be, eligible for Work First New Jersey P.L.1997, c.38 (C.44:10-  
41 55 et seq.). The department is authorized to use other federal and  
42 State funds which may become available for adults without dependent  
43 children.

44

45 11. This act shall take effect on the 180th day following  
46 enactment, except that this section and section 8 shall take effect  
47 immediately.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 2143**

**STATE OF NEW JERSEY**

DATED: SEPTEMBER 21, 2000

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 2143.

This Assembly Committee Substitute for Assembly Bill No. 2143 establishes the "New Jersey Individual Development Account Program" in the Department of Community Affairs.

The New Jersey Individual Development Program will provide an incentive to low-income families to establish savings accounts. The substitute establishes an Individual Development Account Fund in the department and appropriates to that fund \$2 million in federal Welfare-to-Work funds. As provided in the substitute, the fund will be used to provide grants to community based organizations selected by the Commissioner of Community Affairs to implement the Individual Development Account Program and to provide matching funds, on a \$1 to \$1 basis, for earned income deposits made by account holders into individual development accounts up to a maximum of \$1,500 per calendar year.

The substitute directs the commissioner to implement the program Statewide by entering into agreements with community based organizations which shall be selected by the commissioner following the request for proposals from community based organizations and the evaluation of the responses of community based organizations.

In reviewing the proposals of community based organizations, the substitute provides that the commissioner shall consider the following factors: the not-for-profit status of the community based organization; the ability of the community based organization to provide its moneys or raise moneys from program contributors for matching contributions which are in addition to State matching funds; the plan of the community based organization for the development, implementation and management of an individual development account program; the capacity of the community based organization to provide economic literacy training, either directly or through another provider; the organization's history of working with low-income populations; the target population; the extent to which the organization plans to exceed the minimum 33.3 percent participation requirement under the substitute by current or former Work First New Jersey or Aid to

Families with Dependent Children recipients; and the length of time of the operation of the program as specified by the organization.

The substitute further provides that upon satisfaction of the community based organization's requirements for economic literacy by an account holder and certification of that fact to the commissioner, the account holder may withdraw moneys from an individual development account on the approval of the community based organization for any of the following expenditures:

- (1) educational costs at an accredited institution of higher education;
- (2) purchase of a primary residence; and
- (3) capitalization of a small business.

Under the substitute, the community based organization will remit the \$1 State match for \$1 deposited by the account holder, in the form of a joint check or transfer made payable to the account holder and the respective party of the approved withdrawal at the time an account holder withdraws money from the account for an approved purpose.

The substitute also provides that amounts deposited by the account holder or the community based organization and interest earned on the account are exempted from State income tax. In addition, the interest income from the individual development account, the matching State funds and the moneys withdrawn shall be disregarded in determining eligibility or the amount of assistance for federal or State means-tested programs pursuant to federal law.

**FISCAL IMPACT:**

This substitute appropriates \$2 million in federal Welfare-to-Work funds to the Individual Development Account Fund established by the substitute to fund the program established under the substitute.



STATEMENT TO  
ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 2143**

with Assembly Floor Amendments  
(Proposed By Assemblyman BATEMAN)

ADOPTED: OCTOBER 30, 2000

These amendments make this bill identical to the Senate Committee Substitute for Senate Bill No. 1472.

In addition to technical amendments, the amendments provide that community-based organizations approved by the Department of Community Affairs to implement the "New Jersey Individual Development Account Program" shall establish those individual development accounts in trust for eligible individuals in financial institutions, which are defined as state or federally chartered banks, savings banks, savings and loan associations or credit unions with an office in this State.

The amendments also require that, in establishing individual development accounts, the community-based organization shall:

- C open and keep the account in the name of the eligible individual, with an officer of the organization as trustee;
- C permit the account holder, after obtaining the signature of the trustee, to withdraw moneys from the account for any of the approved purposes;
- C provide financial counseling and assist account holders in establishing a secure, low-risk, effective savings opportunity, for the purposes of an individual development account, for income that is in excess of the individual development account maximum State match of \$1,500 per-year or income that does not meet the definition of earned income, which shall be held in a separate account from the individual development account; and
- C have a fiduciary duty with respect to moneys in an individual development account or reserve fund. The commissioner may require that an organization post and maintain a fidelity bond or other security with regard to the position of the organization as fiduciary for the moneys in an individual development account or reserve fund.

Other amendments require that an individual development account earn a rate of interest that reasonably reflects the prevailing market rate paid on like deposits by financial institutions in this State, which shall be credited to the account holder, and that the community-based organization remit State matching funds and amounts deposited by the account holder, in the form of a joint check or transfer made payable to the account holder and the payee of the approved withdrawal at the

time an account holder withdraws money from the account for a permitted purpose.

Finally, the amendments clarify that in the event of the death of the account holder, the individual development account shall be transferred to a contingent beneficiary, which the account holder shall name at the time the account is established and may change at any time. If the beneficiary is deceased or otherwise cannot accept the transfer, the moneys in the individual development account derived from the account holder's earned income and any accrued interest shall be transferred to the estate of the account holder. If the account is closed due to death or if an account holder withdraws from the program or forfeits his State matching funds due to an unauthorized withdrawal, any moneys held for matching funds for that account may be retained in the reserve fund for reallocation to be used as matching funds for new individual development accounts.

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 2143**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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ADOPTED SEPTEMBER 21, 2000

**Sponsored by:**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman WILFREDO CARABALLO**

**District 28 (Essex)**

**Co-Sponsored by:**

**Assemblymen Asselta, Augustine, Assemblywoman Farragher,  
Assemblymen Merkt, Arnone, Assemblywoman Crecco, Assemblymen  
Felice, LeFevre, B.Smith, Assemblywoman Weinberg, Assemblyman  
Wisniewski, Assemblywoman Pou, Assemblymen Zisa, T.Smith,  
Assemblywomen Watson Coleman, Cruz-Perez, Quigley, Assemblyman  
Connors, Assemblywomen Greenstein and Heck**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program," appropriates \$2 million from federal Welfare-to-Work funds.

**CURRENT VERSION OF TEXT**

As amended by the General Assembly on October 30, 2000.



(Sponsorship Updated As Of: 1/30/2001)

1 AN ACT concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12

13 (1) Economic well-being does not come solely from income,  
14 spending <sup>1</sup>[,]<sup>1</sup> and consumption, but also requires savings, investment  
15 <sup>1</sup>[,]<sup>1</sup> and accumulation of assets, since assets can improve economic  
16 stability, connect people with a viable and hopeful future, stimulate  
17 development of human and other capital, yield personal and social  
18 dividends <sup>1</sup>[,]<sup>1</sup> and enhance the welfare of offspring.

19

20 (2) With the enactment of the "Work First New Jersey Act,"  
21 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
22 emphasizing moving people off of public assistance and into  
23 employment, there is an urgent need to provide incentives for savings  
24 accounts that will complement and stabilize the movement of people  
25 from public assistance and into employment.

26

27 (3) Income-based social policy should be complemented with  
28 asset-based social policy, because while income-based policies ensure  
29 that consumption needs, including food, child care, rent, clothing and  
30 health care are met, asset-based policies provide the means to achieve  
31 some degree of economic self-sufficiency.

32

33 (4) The State of New Jersey should develop policies, such as  
34 individual development accounts, that promote higher rates of personal  
35 savings and net private domestic investment.

36

37 b. It is the intent of the Legislature, therefore, to provide for the  
38 establishment of <sup>1</sup>[Individual Development Accounts (IDAs)]  
39 individual development accounts<sup>1</sup> which accounts are designed to:

40

(1) provide individuals and families, especially those with limited  
means, an opportunity to accumulate assets;

(2) facilitate and mobilize savings;

(3) promote education, home ownership and micro enterprise  
development; and

(4) stabilize families and build communities.

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Assembly floor amendments adopted October 30, 2000.

1 3. As used in this act:

2 "Account holder" means a person who is the owner of an individual  
3 development account.

4 "Commissioner" means the Commissioner of Community Affairs.

5 "<sup>1</sup>[Community based] Community-based<sup>1</sup> organization" means a  
6 not-for-profit organization described in section 501(c)(3) of the  
7 Internal Revenue Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt  
8 from taxation under section 501(a) of the Internal Revenue Code of  
9 1986 (26 U.S.C. s.501 (a)), that is approved by the commissioner to  
10 implement the New Jersey Individual Development Account Program  
11 established under this act.

12 "Department" means the Department of Community Affairs.

13 "Economic literacy" means a basic understanding of budgets and  
14 savings accounts, credit and interest and how to use financial services;  
15 and having a savings plan and using it to reach the account holder's  
16 savings goal for an individual development account.

17 "Eligible individual" means an adult with an annual household  
18 gross income up to a maximum of 200 percent of the official poverty  
19 level.

20 "Financial institution" means a state or federally chartered bank,  
21 savings bank, savings and loan association or credit union with an  
22 office in this State <sup>1</sup>[or an entity which is a member of the Securities  
23 Investor Protection Corporation established pursuant to the "Securities  
24 Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq]<sup>1</sup>.

25 "Fund" means the Individual Development Account Fund  
26 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45  
27 C.F.R. s.263.0 et seq.).

28 "Individual development account" means <sup>1</sup>[a financial instrument]  
29 an account<sup>1</sup> established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R.  
30 Part 263 (45 C.F.R. s.263.0 et seq.) <sup>1</sup>in trust for an eligible individual  
31 that is a trust account pursuant to the "Multiple-party Deposit  
32 Account Act," P.L.1979, c.491 (C.17:16I-1 et seq.)<sup>1</sup>.

33 "Program" means the New Jersey Individual Development Account  
34 Program established pursuant to the provisions of this act.

35 "Program contributor" means a person or entity who makes a  
36 contribution to an individual development account reserve fund,  
37 except that "program contributor" does not mean the account holder.

38 "Reserve fund" means the individual development account reserve  
39 fund created by a <sup>1</sup>[community based] community-based<sup>1</sup> organization  
40 for the purposes of: funding the costs incurred in the administration of  
41 the program; receiving matching funds from the State; and providing  
42 matching funds for individual development accounts pursuant to  
43 section 5 of this act.

44

45 4. a. The New Jersey Individual Development Account Program  
46 is hereby established within the Department of Community Affairs.

1 The purpose of this program shall be to provide each eligible  
2 individual in this State with an opportunity to establish an individual  
3 development account <sup>1</sup>in a financial institution<sup>1</sup>, to the extent funding  
4 will permit. The individual development account may be used for any  
5 of the purposes specified under subsection c. of section 5 of  
6 <sup>1</sup>[P.L. , c. (C. )](now pending before the Legislature as this  
7 bill)] this act<sup>1</sup>.

8 b. There is established in the department, the Individual  
9 Development Account Fund. This fund shall be used by the  
10 commissioner to provide:

11 (1) grants to <sup>1</sup>[community based] community-based<sup>1</sup> organizations  
12 selected by the commissioner to participate in the <sup>1</sup>[Individual  
13 Development Account Program] program<sup>1</sup>; and

14 (2) a State match of one dollar for every one dollar of earned  
15 income deposited into an individual <sup>1</sup>[deposit] development<sup>1</sup> account  
16 by the account holder, except that the maximum amount provided as  
17 a match per individual development account per calendar year shall be  
18 \$1,500. <sup>1</sup>[Community based organizations may raise additional, non-  
19 federal or State funds to increase the State match rate and the State  
20 maximum annual match amount.]<sup>1</sup> The earned income deposited into  
21 an individual development account <sup>1</sup>[may] shall<sup>1</sup> not be deposited on  
22 behalf of the account holder by a third party.

23 <sup>1</sup>Community-based organizations may raise additional, non-federal  
24 or State funds to increase the State match rate and the State maximum  
25 annual match amount.<sup>1</sup>

26 c. The commissioner shall implement this program by entering into  
27 agreements with <sup>1</sup>[community based] community-based  
28 organizations which the commissioner shall select through a request  
29 for proposal process, pursuant to the provisions of P.L.1987, c.7  
30 (C.52:14-34.4 et seq.).

31 d. In reviewing the proposals of <sup>1</sup>[community based] community-  
32 based<sup>1</sup> organizations, the commissioner shall consider the following  
33 factors:

34 (1) the not-for-profit status of the <sup>1</sup>[community based]<sup>1</sup>  
35 organization;

36 (2) the fiscal accountability of the <sup>1</sup>[community based]<sup>1</sup>  
37 organization;

38 (3) the ability of the <sup>1</sup>[community based]<sup>1</sup> organization to provide  
39 its moneys or raise moneys from program contributors for matching  
40 contributions which are in addition to State matching funds;

41 (4) the plan of the <sup>1</sup>[community based]<sup>1</sup> organization for the  
42 development, implementation and management of an individual  
43 development account program;

44 (5) the capacity of the <sup>1</sup>[community based]<sup>1</sup> organization to  
45 provide economic literacy training, either directly or through another

1 provider;

2 (6) the <sup>1</sup>[community based]<sup>1</sup> organization's history of working  
3 with low-income populations;

4 (7) the target population and the extent to which the <sup>1</sup>[community  
5 based]<sup>1</sup> organization plans to exceed the 33.3 percent minimum  
6 participation under this act by current or former Work First New  
7 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.), or  
8 Aid to Families with Dependent Children <sup>1</sup>[Recipients] recipients<sup>1</sup> or  
9 Temporary Assistance for Needy Families recipients pursuant to  
10 42 U.S.C. s.601 et seq.; and

11 (8) the length of time in months and years, of the operation of the  
12 program taking into account the resources that are available to the  
13 <sup>1</sup>[community based]<sup>1</sup> organization.

14 e. (1) The commissioner shall select <sup>1</sup>[community based]  
15 community-based<sup>1</sup> organizations and enter into a contract for services  
16 with each <sup>1</sup>[community based]<sup>1</sup> organization selected that requires the  
17 <sup>1</sup>[community based]<sup>1</sup> organization to establish and maintain an  
18 individual development account reserve fund and work with each  
19 eligible individual and any local financial institution to establish an  
20 individual development account, among other services to be provided  
21 for eligible individuals and their households, if any.

22 (2) The commissioner shall have the discretion to disburse moneys  
23 from the fund in a manner and an amount the commissioner deems  
24 appropriate and consistent with the <sup>1</sup>[community based] community-  
25 based<sup>1</sup> organization's contract for services and proposal selected  
26 pursuant to <sup>1</sup>this subsection and<sup>1</sup> subsections c., d. <sup>1</sup>[, e.,]<sup>1</sup> and f. of  
27 this section.

28 f. (1) No more than 10 percent of the federal Welfare-to-Work  
29 funds under this act may be used for administrative purposes by a  
30 <sup>1</sup>[community based] community-based<sup>1</sup> organization selected to  
31 participate in the <sup>1</sup>[Individual Development Account Program]  
32 program<sup>1</sup>.

33 (2) No more than 10 percent of the federal Welfare-to-Work funds  
34 under this act may be used to provide economic literacy training and  
35 one-on-one financial counseling to account holders by <sup>1</sup>[a community  
36 based] an<sup>1</sup> organization selected to participate in the <sup>1</sup>[Individual  
37 Development Account Program] program<sup>1</sup>.

38 g. At all times <sup>1</sup>,<sup>1</sup> a minimum of 33.3 percent of the account  
39 holders participating in the <sup>1</sup>[Individual Development Account  
40 Program]<sup>1</sup> program<sup>1</sup> shall be current or former Work First New Jersey  
41 recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.) or Aid to  
42 Families with Dependent Children <sup>1</sup>[Recipients] recipients<sup>1</sup> or  
43 Temporary Assistance for Needy Families recipients pursuant to  
44 42 U.S.C. s.601 et seq., unless otherwise authorized by the  
45 commissioner.

1           5. a. An eligible individual may, in agreement with a <sup>1</sup>[community  
2 based] community-based<sup>1</sup> organization selected by the commissioner  
3 pursuant to section 4 of <sup>1</sup>[P.L. , c. (C. )(now pending before  
4 the Legislature as this bill)] this act<sup>1</sup>, open an individual development  
5 account for the purpose of accumulating and withdrawing moneys for  
6 specified expenditures pursuant to <sup>1</sup>[subsections a., b., c., d., and e.  
7 of]<sup>1</sup> this section. Upon satisfaction of the <sup>1</sup>[community based]<sup>1</sup>  
8 organization's requirements for economic literacy by an account  
9 holder, the <sup>1</sup>[community based]<sup>1</sup> organization shall certify to the  
10 commissioner that the account holder may withdraw moneys from the  
11 account on the approval of the <sup>1</sup>[community based]<sup>1</sup> organization,  
12 without penalty, for any of the expenditures listed in subsection c. of  
13 this section.

14           b. The commissioner shall establish by regulation:

15           (1) the minimum monthly deposit amount that each account holder  
16 shall be required to maintain and the maximum monthly deposit  
17 amount that each account holder shall be permitted to make, during  
18 their participation in the <sup>1</sup>[Individual Development Account Program  
19 established pursuant to this act] program<sup>1</sup>;

20           (2) the minimum time period the account holder shall maintain an  
21 individual development account, pursuant to section 4 of <sup>1</sup>[P.L. , c.  
22 (C. )(now pending before the Legislature as this bill)] this act<sup>1</sup>,  
23 in order to be eligible to withdraw the moneys deposited and receive  
24 the State matching funds, pursuant to <sup>1</sup>this subsection and<sup>1</sup>  
25 subsections <sup>1</sup>[b.,]<sup>1</sup> c., d. <sup>1</sup>[,]<sup>1</sup> and e. of this section;

26           (3) the prior notice of the account holder's intent to, and purpose  
27 for, withdrawing individual development account funds and the  
28 minimum time period that an account holder shall give notice to the  
29 individual development account <sup>1</sup>[cosignatory community based]  
30 trustee community-based<sup>1</sup> organization prior to an approved  
31 withdrawal in order to be eligible to receive State matching funds  
32 pursuant to <sup>1</sup>this subsection and<sup>1</sup> subsections <sup>1</sup>[b.,]<sup>1</sup> c., d. <sup>1</sup>[,]<sup>1</sup> and  
33 e. of this section; and

34           (4) the maximum length of time an account holder may participate  
35 in the <sup>1</sup>[Individual Development Account Program] program<sup>1</sup>.

36           c. Upon satisfaction of the provisions of subsections a. and b. of  
37 this section by the <sup>1</sup>[community based] community-based<sup>1</sup>  
38 organization:

39           (1) <sup>1</sup>[The] the<sup>1</sup> account holder may, upon the approval of the  
40 <sup>1</sup>[community based] community-based<sup>1</sup> organization, withdraw  
41 moneys from the account holder's individual development account in  
42 the form of a joint check or transfer of funds made payable to the  
43 account holder and the <sup>1</sup>[respective party] payee<sup>1</sup> of the approved  
44 withdrawal, pursuant to 45 C.F.R. s.263.22, for any of the following  
45 purposes:



1 (a) post-secondary educational expenses as defined in 42 U.S.C.  
2 s.604(h)(5) and 45 C.F.R. s.263.20;

3 (b) qualified acquisition costs of a primary residence as defined in  
4 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

5 (c) qualified business capitalization expenses, as defined in  
6 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

7 (2) <sup>1</sup>[If] if<sup>1</sup> the account holder withdraws any moneys from the  
8 account and uses those moneys, or any part of those moneys, for a  
9 purpose other than that permitted pursuant to <sup>1</sup>[subsection c. of] <sup>1</sup>  
10 this <sup>1</sup>[section] subsection<sup>1</sup>, the account holder shall forfeit all  
11 matching funds associated with the unapproved withdrawal. The  
12 account holder shall receive only the moneys which the account holder  
13 has deposited into the account.

14 (3) <sup>1</sup>[The] the<sup>1</sup> commissioner, in consultation with the  
15 Commissioner of Human Services, shall establish procedures to ensure  
16 that funds held in an individual development account under this act are  
17 withdrawn for qualified purposes only, as defined in <sup>1</sup>[subsection c.  
18 of]<sup>1</sup> this <sup>1</sup>[section] subsection<sup>1</sup>. Penalties for unapproved  
19 withdrawals may include taxing the withdrawal as income and, as  
20 applicable, including the withdrawal as income or resources in  
21 determining eligibility for federal and State public assistance pursuant  
22 to 45 C.F.R. s.263.23.

23 d. <sup>1</sup>[Community based] Community-based<sup>1</sup> organizations  
24 approved by the department shall establish an individual development  
25 account in trust<sup>1</sup> for an eligible individual in a financial institution as  
26 required pursuant to this act. <sup>1</sup>[Community based organizations]  
27 Organizations<sup>1</sup> may, with the approval of the commissioner, employ  
28 methods to maximize the efficiency of multiple individual development  
29 accounts, such as pooling deposits into a single account held by the  
30 financial institution, with individual account information maintained by  
31 the <sup>1</sup>[community based]<sup>1</sup> organization. In addition, with the approval  
32 of the commissioner, <sup>1</sup>[community based]<sup>1</sup> organizations <sup>1</sup>[may]  
33 shall<sup>1</sup> develop an efficient means of providing the match portion of an  
34 individual development account, such as matching deposits at the time  
35 of approved withdrawal only. <sup>1</sup>[Community based organizations]  
36 Organizations acting as trustees<sup>1</sup> under this act shall, at all times,  
37 maintain current account information, without regard to the chosen  
38 method of administration, on all individual development accounts,  
39 which shall include: the individual development account balance, a  
40 time indexed record of deposits and withdrawals made by the account  
41 holder and the current match level. <sup>1</sup>[Community based] Community-  
42 based<sup>1</sup> organizations under this act shall certify to the department that  
43 the accounts have been established pursuant to the provisions of this  
44 act <sup>1</sup>[on behalf of] in trust for<sup>1</sup> the account holder in the manner  
45 approved by the commissioner.

- 1 e. A <sup>1</sup>[community based] community-based organization  
2 establishing an individual development account shall:
- 3 (1) sign an agreement with an eligible individual to the effect that  
4 the account shall be kept in the name of the eligible individual as the  
5 account holder and that the eligible individual shall have an officer of  
6 the <sup>1</sup>[community based]<sup>1</sup> organization as a <sup>1</sup>[co-signor on] trustee  
7 of<sup>1</sup> the account;
- 8 (2) open and keep the account in the name of the eligible  
9 individual, with an officer of the <sup>1</sup>[community based]<sup>1</sup> organization as  
10 <sup>1</sup>[co-signor] trustee<sup>1</sup>;
- 11 (3) permit the account holder to deposit earned income, as defined  
12 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
13 which <sup>1</sup>[will] shall<sup>1</sup> be matched by the <sup>1</sup>[community based]<sup>1</sup>  
14 organization when withdrawn for an approved expenditure, pursuant  
15 to subsection c. of this section;
- 16 (4) maintain the records of individual development accounts in a  
17 manner that enables the <sup>1</sup>[community based]<sup>1</sup> organization to  
18 determine the amounts deposited by the account holder and amounts  
19 paid by the <sup>1</sup>[community based]<sup>1</sup> organization as matching funds;
- 20 (5) require the individual development account to earn <sup>1</sup>[at least  
21 the market] a<sup>1</sup> rate of interest <sup>1</sup>that reasonably reflects the prevailing  
22 market rate paid on like deposits by financial institutions in this State<sup>1</sup>,  
23 which shall be <sup>1</sup>[paid] credited<sup>1</sup> to the account holder;
- 24 (6) permit the account holder, after obtaining the signature of the  
25 <sup>1</sup>[administrator of the community based organization, as cosignatory]  
26 trustee<sup>1</sup>, to withdraw moneys from the account for any of the purposes  
27 listed in subsection c. of this section;
- 28 (7) remit matching funds in the form of a joint check or transfer  
29 of funds made payable to the account holder and the <sup>1</sup>[respective  
30 party] payee<sup>1</sup> of the approved withdrawal, pursuant to 45 C.F.R.  
31 s.263.22 at the time the account holder <sup>1</sup>[withdraw] withdraws<sup>1</sup> funds  
32 for a purpose permitted pursuant to subsection c. of this section;
- 33 (8) work with other <sup>1</sup>[community based] community-based<sup>1</sup>  
34 organizations and State agencies to coordinate the <sup>1</sup>[Individual  
35 Development Account Program] program<sup>1</sup> with other private and  
36 public programs designed for asset accumulation and self-sufficiency,  
37 such as transportation, child care and health care services, New Jersey  
38 Housing <sup>1</sup>[Mortgage]<sup>1</sup> and <sup>1</sup>Mortgage<sup>1</sup> Finance Agency programs,  
39 Federal National Mortgage Association (Fannie Mae) mortgage  
40 programs and other programs under the direction of the <sup>1</sup>[New  
41 Jersey]<sup>1</sup> Department of Human Services, such as the Family Loan  
42 Pilot Program and Entrepreneur Development <sup>1</sup>Services<sup>1</sup> Pilot  
43 Program; <sup>1</sup>[and]<sup>1</sup>
- 44 (9) provide financial counseling to <sup>1</sup>[all]<sup>1</sup> account holders and  
45 assist <sup>1</sup>[all account holders] them<sup>1</sup> in establishing a secure, low-risk,

1 effective savings opportunity<sup>1</sup>, for the purposes of an individual  
2 development account.<sup>1</sup> for income that is in excess of the individual  
3 development account maximum match of \$1,500 <sup>1</sup>[per-year] per year<sup>1</sup>  
4 or income that does not meet the definition of earned income, as  
5 defined in paragraph (3) of this subsection <sup>1</sup>[e., for the purposes of an  
6 individual development account].<sup>1</sup> such as federal and State earned  
7 income tax credits, homestead and property tax rebates, inheritance,  
8 monetary damages recovered in a legal proceeding and income from  
9 the sale of an asset. The <sup>1</sup>[savings opportunity] account<sup>1</sup> shall be  
10 tailored to each account holder's resources and financial goals <sup>1</sup>and  
11 shall be held in a separate account from the individual development  
12 account<sup>1</sup>. <sup>1</sup>[Savings opportunities] Accounts<sup>1</sup> investigated may  
13 include money market accounts, individual retirement accounts,  
14 certificates of deposit and individual development accounts that do not  
15 include matching federal or State funds <sup>1</sup>; and

16 (10) be deemed to have a fiduciary duty with respect to moneys in  
17 an individual development account or reserve fund. The commissioner  
18 may require that an organization post and maintain a fidelity bond or  
19 other security with regard to the position of the organization as  
20 fiduciary for the moneys in an individual development account or  
21 reserve fund<sup>1</sup>.

22  
23 6. a. <sup>1</sup>[In] Notwithstanding the provisions of any other law to the  
24 contrary, in<sup>1</sup> the event of the death of the account holder, the  
25 ownership of the individual development account <sup>1</sup>[may] shall<sup>1</sup> be  
26 transferred to the ownership of a contingent beneficiary <sup>1</sup>[. An] ,  
27 which the<sup>1</sup> account holder shall name <sup>1</sup>[a contingent beneficiary]<sup>1</sup> at  
28 the time the account is established and may change <sup>1</sup>[the beneficiary]<sup>1</sup>  
29 at any time. If the beneficiary is deceased or otherwise cannot accept  
30 the transfer, the moneys in the individual development account  
31 <sup>1</sup>derived from the account holder's earned income and any interest  
32 accrued thereon<sup>1</sup> shall be transferred to the <sup>1</sup>[individual development  
33 account reserve fund of the community based organization] estate of  
34 the account holder<sup>1</sup>.

35 b. If an individual development account is closed pursuant to  
36 subsection a. of this section or an account holder withdraws from the  
37 individual development account program or forfeits his State matching  
38 funds due to an unauthorized withdrawal, any moneys held for  
39 matching funds for that account may be retained in the reserve fund for  
40 reallocation to be used as matching funds for new individual  
41 development accounts.

42  
43 7. a. Moneys deposited into or withdrawn from an individual  
44 development account by an account holder pursuant to subsection c.  
45 of section 5 of <sup>1</sup>[P.L. , c. (C. )](now pending before the  
46 Legislature as this bill)] this act<sup>1</sup> or matched<sup>1</sup> by a <sup>1</sup>[community

1 based] community-based<sup>1</sup> organization pursuant to paragraph (7) of  
2 subsection e. of section 5 of <sup>1</sup>[P.L. , c. (C. )] this act<sup>1</sup> shall not  
3 be considered gross income otherwise includable as income pursuant  
4 to subsections a., b., k., and p. of N.J.S.54A:5-1.

5 b. Interest earned by an individual development account shall not  
6 be considered gross income otherwise includable as income pursuant  
7 to subsection e. of N.J.S.54A:5-1.

8 c. Monies deposited in an individual development account and the  
9 interest from an individual development account under this act shall  
10 not be taken into account in determining eligibility or the amount of  
11 assistance under State and federal means-tested programs pursuant to  
12 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

13

14 8. a. The commissioner shall promulgate regulations pursuant to  
15 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
16 seq), necessary to effectuate the provisions of this act.

17 b. The commissioner shall consult with the Commissioner of  
18 Human Services regarding the development, operation and  
19 administration of the <sup>1</sup>[individual development account]<sup>1</sup> program and  
20 ensuring compliance with 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
21 (45 C.F.R. s.263.0 et seq.).

22

23 9. a. The commissioner shall report to the Legislature annually on  
24 the effectiveness of the <sup>1</sup>[Individual Development Account Program]  
25 program<sup>1</sup> in providing eligible individuals in this State with an  
26 opportunity to establish an individual development account and may  
27 include in the report recommendations for change, if any, to make the  
28 program more effective. This report shall be due within 30 days of the  
29 end of the anniversary of the effective date of this section for each year  
30 the program is in operation.

31 b. The Department of Community Affairs shall make available to  
32 the Departments of Labor and Human Services necessary individual  
33 development account statistical and program information in a usable  
34 format and in a timely manner, so that those departments may prepare  
35 federal and other reports.

36

37 10. There is appropriated <sup>1</sup>[the sum of]<sup>1</sup> \$2,000,000 in federal  
38 Welfare-to-Work funds to the Department of Community Affairs for  
39 the purpose of funding the Individual Development Account Fund  
40 established pursuant to section 4 of <sup>1</sup>[P.L. , c. (C. )](now  
41 pending before the Legislature as this bill)] this act<sup>1</sup> for adults with  
42 one or more dependent children, who are, or except for income and  
43 resources would be, eligible for Work First New Jersey <sup>1</sup>pursuant to<sup>1</sup>  
44 P.L.1997, c.38 (C.44:10-55 et seq.). The department is authorized to  
45 use other federal and State funds which may become available for  
46 adults without dependent children.

1        11. This act shall take effect on the 180th day following  
2 enactment, except that <sup>1</sup>[this section and]<sup>1</sup> section 8 shall take effect  
3 immediately.

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY COMMITTEE SUBSTITUTE FOR**  
**ASSEMBLY, No. 2143**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: NOVEMBER 15, 2000

**SUMMARY**

**Synopsis:** Establishes the "New Jersey Individual Development Account Program;" appropriates \$2 million.

**Type of Impact:** \$2 million appropriation from Federal Funds

**Agencies Affected:** Department of Community Affairs

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	\$0	Indeterminate	Indeterminate
<b>Federal Funds</b>	\$2 million	Indeterminate	Indeterminate

- ! The \$2 million appropriation to fund the program will be made from federal Welfare to Work funds, although the bill authorizes DCA to use other State and federal funds which may become available for adults without dependent children.
- ! Persons eligible to participate in the program must have annual household gross income that does not exceed 200 percent of the official poverty level.
- ! The program will provide a State match of \$1 for each \$1 of earned income deposited into an individual development account by a participant, with an annual cap on State matching funds of \$1,500 per participant.
- ! The Commissioner of Community Affairs will implement the program by entering into agreements with community based organizations selected pursuant to the open public bidding process. Participating organizations will work with program participants and local financial institutions to establish individual development accounts.
- ! Funds accumulated in such a savings account may be withdrawn by the account holder, with the approval of the community based organization, for three purposes only: college education costs for any family member; purchase of a primary residence; or capitalization of a small business for any family member.

## **BILL DESCRIPTION**

Assembly Committee Substitute for Assembly Bill No. 2143 of 2000 establishes the "Individual Development Account Program" in the Department of Community Affairs. The purpose of the program is to provide an incentive to persons whose annual income does not exceed 200% of the official federal poverty level to establish savings accounts. The bill establishes an Individual Development Account Fund in the department and appropriates to that fund \$2 million from federal Welfare to Work funds. The fund will be used to provide grants to community development organizations selected by the Commissioner of Community Affairs to implement the Individual Development Account Program and to provide matching funds, on a \$1 to \$1 basis, for deposits made by account holders into individual development accounts up to a maximum of \$1,500 per calendar year. Funds accumulated in such a savings account may be withdrawn by the account holder, with the approval of the community based organization, for three purposes only: college education costs for any family member; purchase of a primary residence; or capitalization of a small business for any family member.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) has determined that the use of federal Welfare to Work funds to pay the cost of the \$1 for \$1 savings match will result in no State cost for this program. There may be some administrative costs incurred by the Department of Community Affairs in the selection of participating community based organizations, but the OLS anticipates that any such administrative costs can be absorbed by the DCA's current budget. The OLS is unable to determine a precise number of prospective participants in the "New Jersey Individual Development Account Program," because program participation is voluntary. The OLS also notes that the maximum amount that can be provided as a State match is \$1,500 per year, and the total appropriation under the bill is \$2 million. Therefore, the maximum number of participants who can receive the maximum match of funds in any one year is approximately 1,333. Because some participants may not save enough to qualify for the entire State match in any year, however, a larger number of participants may be served using the initial \$2 million appropriation. It should be noted that the program has no termination date, so at some future date it is likely that an additional appropriation of funds will be necessary to continue to provide the savings match required by the bill.

The United States Department of Health and Human Services web site indicates that for 2000, the poverty guidelines for the 48 contiguous states and the District of Columbia are \$8,350 for an individual and \$17,050 for a family of four. Using the \$17,050 figure, 200 percent of the poverty guideline for a family of four would be \$34,100. Data received from the New Jersey Data Center in the Department of Labor indicates that during 1997-1998, 253,200 New Jersey families (12.2 percent) had annual incomes of 199 percent or less of the federal poverty level. While the available data is several years old, it indicates that a significant portion of New

Jersey's families are likely to be eligible to participate in this program.

Section: *Local Government*

Analyst: *Cindy Lombardi Hesper*  
*Senior Research Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.



STATEMENT TO

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 2143**

with Senate Floor Amendments  
(Proposed By Senator DiFRANCESCO)

ADOPTED: MARCH 26, 2001

These amendments, which make this bill identical to Senate Bill No. 1472 (SCS) (1R), provide that the source of the \$2,000,000 in funding for the New Jersey Individual Development Account Program established under the bill is from federal Temporary Assistance for Needy Families funds, rather than from federal Welfare-to-Work funds.

[Second Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 2143**

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

ADOPTED SEPTEMBER 21, 2000

**Sponsored by:**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman WILFREDO CARABALLO**

**District 28 (Essex)**

**Co-Sponsored by:**

**Assemblymen Asselta, Augustine, Assemblywoman Farragher, Assemblymen Merkt, Arnone, Assemblywoman Crecco, Assemblymen Felice, LeFevre, B.Smith, Assemblywoman Weinberg, Assemblyman Wisniewski, Assemblywoman Pou, Assemblymen Zisa, T.Smith, Assemblywomen Watson Coleman, Cruz-Perez, Quigley, Assemblyman Connors, Assemblywomen Greenstein, Heck, Senators DiFrancesco, Robertson, Inverso, Kenny, Turner, Bryant, Rice, McNamara, Vitale, Bucco, Kosco, Cafiero, Allen, Matheussen, Zane, Palaia and Sinagra**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program," appropriates \$2 million from federal Temporary Assistance to Needy Families funds.

**CURRENT VERSION OF TEXT**

As amended by the Senate on March 26, 2001.

(Sponsorship Updated As Of: 3/30/2001)

1 AN ACT concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12 (1) Economic well-being does not come solely from income,  
13 spending <sup>1</sup>[,]<sup>1</sup> and consumption, but also requires savings, investment  
14 <sup>1</sup>[,]<sup>1</sup> and accumulation of assets, since assets can improve economic  
15 stability, connect people with a viable and hopeful future, stimulate  
16 development of human and other capital, yield personal and social  
17 dividends <sup>1</sup>[,]<sup>1</sup> and enhance the welfare of offspring.

18 (2) With the enactment of the "Work First New Jersey Act,"  
19 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
20 emphasizing moving people off of public assistance and into  
21 employment, there is an urgent need to provide incentives for savings  
22 accounts that will complement and stabilize the movement of people  
23 from public assistance and into employment.

24 (3) Income-based social policy should be complemented with  
25 asset-based social policy, because while income-based policies ensure  
26 that consumption needs, including food, child care, rent, clothing and  
27 health care are met, asset-based policies provide the means to achieve  
28 some degree of economic self-sufficiency.

29 (4) The State of New Jersey should develop policies, such as  
30 individual development accounts, that promote higher rates of personal  
31 savings and net private domestic investment.

32 b. It is the intent of the Legislature, therefore, to provide for the  
33 establishment of <sup>1</sup>[Individual Development Accounts (IDAs)]  
34 individual development accounts<sup>1</sup> which accounts are designed to:

35 (1) provide individuals and families, especially those with limited  
36 means, an opportunity to accumulate assets;

37 (2) facilitate and mobilize savings;

38 (3) promote education, home ownership and micro enterprise  
39 development; and

40 (4) stabilize families and build communities.

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Assembly floor amendments adopted October 30, 2000.

<sup>2</sup> Senate floor amendments adopted March 26, 2001.

1 3. As used in this act:

2 "Account holder" means a person who is the owner of an individual  
3 development account.

4 "Commissioner" means the Commissioner of Community Affairs.

5 "<sup>1</sup>[Community based] Community-based<sup>1</sup> organization" means a  
6 not-for-profit organization described in section 501(c)(3) of the  
7 Internal Revenue Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt  
8 from taxation under section 501(a) of the Internal Revenue Code of  
9 1986 (26 U.S.C. s.501 (a)), that is approved by the commissioner to  
10 implement the New Jersey Individual Development Account Program  
11 established under this act.

12 "Department" means the Department of Community Affairs.

13 "Economic literacy" means a basic understanding of budgets and  
14 savings accounts, credit and interest and how to use financial services;  
15 and having a savings plan and using it to reach the account holder's  
16 savings goal for an individual development account.

17 "Eligible individual" means an adult with an annual household  
18 gross income up to a maximum of 200 percent of the official poverty  
19 level.

20 "Financial institution" means a state or federally chartered bank,  
21 savings bank, savings and loan association or credit union with an  
22 office in this State <sup>1</sup>[or an entity which is a member of the Securities  
23 Investor Protection Corporation established pursuant to the "Securities  
24 Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq]<sup>1</sup>.

25 "Fund" means the Individual Development Account Fund  
26 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
27 (45 C.F.R. s.263.0 et seq.).

28 "Individual development account" means <sup>1</sup>[a financial instrument]  
29 an account<sup>1</sup> established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R.  
30 Part 263 (45 C.F.R. s.263.0 et seq.) <sup>1</sup>in trust for an eligible individual  
31 that is a trust account pursuant to the "Multiple-party Deposit  
32 Account Act," P.L.1979, c.491 (C.17:16I-1 et seq.)<sup>1</sup>.

33 "Program" means the New Jersey Individual Development Account  
34 Program established pursuant to the provisions of this act.

35 "Program contributor" means a person or entity who makes a  
36 contribution to an individual development account reserve fund,  
37 except that "program contributor" does not mean the account holder.

38 "Reserve fund" means the individual development account reserve  
39 fund created by a <sup>1</sup>[community based] community-based<sup>1</sup> organization  
40 for the purposes of: funding the costs incurred in the administration of  
41 the program; receiving matching funds from the State; and providing  
42 matching funds for individual development accounts pursuant to  
43 section 5 of this act.

44

45 4. a. The New Jersey Individual Development Account Program  
46 is hereby established within the Department of Community Affairs.

1 The purpose of this program shall be to provide each eligible  
2 individual in this State with an opportunity to establish an individual  
3 development account <sup>1</sup>in a financial institution<sup>1</sup>, to the extent funding  
4 will permit. The individual development account may be used for any  
5 of the purposes specified under subsection c. of section 5 of  
6 <sup>1</sup>[P.L. , c. (C. )](now pending before the Legislature as this  
7 bill)] this act<sup>1</sup>.

8 b. There is established in the department, the Individual  
9 Development Account Fund. This fund shall be used by the  
10 commissioner to provide:

11 (1) grants to <sup>1</sup>[community based] community-based<sup>1</sup> organizations  
12 selected by the commissioner to participate in the <sup>1</sup>[Individual  
13 Development Account Program] program<sup>1</sup>; and

14 (2) a State match of one dollar for every one dollar of earned  
15 income deposited into an individual <sup>1</sup>[deposit] development<sup>1</sup> account  
16 by the account holder, except that the maximum amount provided as  
17 a match per individual development account per calendar year shall be  
18 \$1,500. <sup>1</sup>[Community based organizations may raise additional, non-  
19 federal or State funds to increase the State match rate and the State  
20 maximum annual match amount.]<sup>1</sup> The earned income deposited into  
21 an individual development account <sup>1</sup>[may] shall<sup>1</sup> not be deposited on  
22 behalf of the account holder by a third party.

23 <sup>1</sup>Community-based organizations may raise additional, non-federal  
24 or State funds to increase the State match rate and the State maximum  
25 annual match amount.<sup>1</sup>

26 c. The commissioner shall implement this program by entering into  
27 agreements with <sup>1</sup>[community based] community-based<sup>1</sup>  
28 organizations which the commissioner shall select through a request  
29 for proposal process, pursuant to the provisions of P.L.1987, c.7  
30 (C.52:14-34.4 et seq.).

31 d. In reviewing the proposals of <sup>1</sup>[community based] community-  
32 based<sup>1</sup> organizations, the commissioner shall consider the following  
33 factors:

34 (1) the not-for-profit status of the <sup>1</sup>[community based]<sup>1</sup>  
35 organization;

36 (2) the fiscal accountability of the <sup>1</sup>[community based]<sup>1</sup>  
37 organization;

38 (3) the ability of the <sup>1</sup>[community based]<sup>1</sup> organization to provide  
39 its moneys or raise moneys from program contributors for matching  
40 contributions which are in addition to State matching funds;

41 (4) the plan of the <sup>1</sup>[community based]<sup>1</sup> organization for the  
42 development, implementation and management of an individual  
43 development account program;

44 (5) the capacity of the <sup>1</sup>[community based]<sup>1</sup> organization to  
45 provide economic literacy training, either directly or through another  
46 provider;

1 (6) the <sup>1</sup>[community based]<sup>1</sup> organization's history of working  
2 with low-income populations;

3 (7) the target population and the extent to which the <sup>1</sup>[community  
4 based]<sup>1</sup> organization plans to exceed the 33.3 percent minimum  
5 participation under this act by current or former Work First New  
6 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.), or  
7 Aid to Families with Dependent Children <sup>1</sup>[Recipients] recipients<sup>1</sup> or  
8 Temporary Assistance for Needy Families recipients pursuant to  
9 42 U.S.C. s.601 et seq.; and

10 (8) the length of time <sup>2,2</sup> in months and years, of the operation of  
11 the program <sup>2,2</sup> taking into account the resources that are available to  
12 the <sup>1</sup>[community based]<sup>1</sup> organization.

13 e. (1) The commissioner shall select <sup>1</sup>[community based]  
14 community-based<sup>1</sup> organizations and enter into a contract for services  
15 with each <sup>1</sup>[community based]<sup>1</sup> organization selected that requires the  
16 <sup>1</sup>[community based]<sup>1</sup> organization to establish and maintain an  
17 individual development account reserve fund and work with each  
18 eligible individual and any local financial institution to establish an  
19 individual development account, among other services to be provided  
20 for eligible individuals and their households, if any.

21 (2) The commissioner shall have the discretion to disburse moneys  
22 from the fund in a manner and an amount the commissioner deems  
23 appropriate and consistent with the <sup>1</sup>[community based] community-  
24 based<sup>1</sup> organization's contract for services and proposal selected  
25 pursuant to <sup>1</sup>this subsection and<sup>1</sup> subsections c., d. <sup>1</sup>[, e.,]<sup>1</sup> and f. of  
26 this section.

27 f. (1) No more than 10 percent of the federal <sup>2</sup>[Welfare-to-  
28 Work] Temporary Assistance for Needy Families<sup>2</sup> funds under this act  
29 may be used for administrative purposes by a <sup>1</sup>[community based]  
30 community-based<sup>1</sup> organization selected to participate in the  
31 <sup>1</sup>[Individual Development Account Program] program<sup>1</sup>.

32 (2) No more than 10 percent of the federal <sup>2</sup>[Welfare-to-Work]  
33 Temporary Assistance for Needy Families<sup>2</sup> funds under this act may  
34 be used to provide economic literacy training and one-on-one financial  
35 counseling to account holders by <sup>1</sup>[a community based] an<sup>1</sup>  
36 organization selected to participate in the <sup>1</sup>[Individual Development  
37 Account Program] program<sup>1</sup>.

38 g. At all times <sup>1,1</sup> a minimum of 33.3 percent of the account  
39 holders participating in the <sup>1</sup>[Individual Development Account  
40 Program]<sup>1</sup> program<sup>1</sup> shall be current or former Work First New Jersey  
41 recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.) or Aid to  
42 Families with Dependent Children <sup>1</sup>[Recipients] recipients<sup>1</sup> or  
43 Temporary Assistance for Needy Families recipients pursuant to  
44 42 U.S.C. s.601 et seq., unless otherwise authorized by the  
45 commissioner.

1           5. a. An eligible individual may, in agreement with a <sup>1</sup>[community  
2 based] community-based<sup>1</sup> organization selected by the commissioner  
3 pursuant to section 4 of <sup>1</sup>[P.L. , c. (C. )(now pending before  
4 the Legislature as this bill)] this act<sup>1</sup>, open an individual development  
5 account for the purpose of accumulating and withdrawing moneys for  
6 specified expenditures pursuant to <sup>1</sup>[subsections a., b., c., d., and e.  
7 of]<sup>1</sup> this section. Upon satisfaction of the <sup>1</sup>[community based]<sup>1</sup>  
8 organization's requirements for economic literacy by an account  
9 holder, the <sup>1</sup>[community based]<sup>1</sup> organization shall certify to the  
10 commissioner that the account holder may withdraw moneys from the  
11 account on the approval of the <sup>1</sup>[community based]<sup>1</sup> organization,  
12 without penalty, for any of the expenditures listed in subsection c. of  
13 this section.

14           b. The commissioner shall establish by regulation:

15           (1) the minimum monthly deposit amount that each account holder  
16 shall be required to maintain and the maximum monthly deposit  
17 amount that each account holder shall be permitted to make, during  
18 their participation in the <sup>1</sup>[Individual Development Account Program  
19 established pursuant to this act] program<sup>1</sup>;

20           (2) the minimum time period the account holder shall maintain an  
21 individual development account, pursuant to section 4 of <sup>1</sup>[P.L. , c.  
22 (C. )(now pending before the Legislature as this bill)] this act<sup>1</sup>,  
23 in order to be eligible to withdraw the moneys deposited and receive  
24 the State matching funds, pursuant to <sup>1</sup>this subsection and<sup>1</sup>  
25 subsections <sup>1</sup>[b.,]<sup>1</sup> c., d. <sup>1</sup>[,]<sup>1</sup> and e. of this section;

26           (3) the prior notice of the account holder's intent to, and purpose  
27 for, withdrawing individual development account funds and the  
28 minimum time period that an account holder shall give notice to the  
29 individual development account <sup>1</sup>[cosignatory community based]  
30 trustee community-based<sup>1</sup> organization prior to an approved  
31 withdrawal in order to be eligible to receive State matching funds  
32 pursuant to <sup>1</sup>this subsection and<sup>1</sup> subsections <sup>1</sup>[b.,]<sup>1</sup> c., d. <sup>1</sup>[,]<sup>1</sup> and  
33 e. of this section; and

34           (4) the maximum length of time an account holder may participate  
35 in the <sup>1</sup>[Individual Development Account Program] program<sup>1</sup>.

36           c. Upon satisfaction of the provisions of subsections a. and b. of  
37 this section by the <sup>1</sup>[community based] community-based<sup>1</sup>  
38 organization:

39           (1) <sup>1</sup>[The] the<sup>1</sup> account holder may, upon the approval of the  
40 <sup>1</sup>[community based] community-based<sup>1</sup> organization, withdraw  
41 moneys from the account holder's individual development account in  
42 the form of a joint check or transfer of funds made payable to the  
43 account holder and the <sup>1</sup>[respective party] payee<sup>1</sup> of the approved  
44 withdrawal, pursuant to 45 C.F.R. s.263.22, for any of the following  
45 purposes:

1 (a) post-secondary educational expenses as defined in 42 U.S.C.  
2 s.604(h)(5) and 45 C.F.R. s.263.20;

3 (b) qualified acquisition costs of a primary residence as defined in  
4 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

5 (c) qualified business capitalization expenses, as defined in  
6 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

7 (2) <sup>1</sup>[If] if<sup>1</sup> the account holder withdraws any moneys from the  
8 account and uses those moneys, or any part of those moneys, for a  
9 purpose other than that permitted pursuant to <sup>1</sup>[subsection c. of]<sup>1</sup>  
10 this <sup>1</sup>[section] subsection<sup>1</sup>, the account holder shall forfeit all  
11 matching funds associated with the unapproved withdrawal. The  
12 account holder shall receive only the moneys which the account holder  
13 has deposited into the account.

14 (3) <sup>1</sup>[The] the<sup>1</sup> commissioner, in consultation with the  
15 Commissioner of Human Services, shall establish procedures to ensure  
16 that funds held in an individual development account under this act are  
17 withdrawn for qualified purposes only, as defined in <sup>1</sup>[subsection c.  
18 of]<sup>1</sup> this <sup>1</sup>[section] subsection<sup>1</sup>. Penalties for unapproved  
19 withdrawals may include taxing the withdrawal as income and, as  
20 applicable, including the withdrawal as income or resources in  
21 determining eligibility for federal and State public assistance pursuant  
22 to 45 C.F.R. s.263.23.

23 d. <sup>1</sup>[Community based] Community-based<sup>1</sup> organizations  
24 approved by the department shall establish an individual development  
25 account <sup>1</sup>in trust<sup>1</sup> for an eligible individual in a financial institution as  
26 required pursuant to this act. <sup>1</sup>[Community based organizations]  
27 Organizations<sup>1</sup> may, with the approval of the commissioner, employ  
28 methods to maximize the efficiency of multiple individual development  
29 accounts, such as pooling deposits into a single account held by the  
30 financial institution, with individual account information maintained by  
31 the <sup>1</sup>[community based]<sup>1</sup> organization. In addition, with the approval  
32 of the commissioner, <sup>1</sup>[community based]<sup>1</sup> organizations <sup>1</sup>[may]  
33 shall<sup>1</sup> develop an efficient means of providing the match portion of an  
34 individual development account, such as matching deposits at the time  
35 of approved withdrawal only. <sup>1</sup>[Community based organizations]  
36 Organizations acting as trustees<sup>1</sup> under this act shall, at all times,  
37 maintain current account information, without regard to the chosen  
38 method of administration, on all individual development accounts,  
39 which shall include: the individual development account balance, a  
40 time indexed record of deposits and withdrawals made by the account  
41 holder and the current match level. <sup>1</sup>[Community based] Community-  
42 based<sup>1</sup> organizations under this act shall certify to the department that  
43 the accounts have been established pursuant to the provisions of this  
44 act <sup>1</sup>[on behalf of] in trust for<sup>1</sup> the account holder in the manner  
45 approved by the commissioner.



- 1 e. A <sup>1</sup>[community based] community-based organization  
2 establishing an individual development account shall:
- 3 (1) sign an agreement with an eligible individual to the effect that  
4 the account shall be kept in the name of the eligible individual as the  
5 account holder and that the eligible individual shall have an officer of  
6 the <sup>1</sup>[community based]<sup>1</sup> organization as a <sup>1</sup>[co-signor on] trustee  
7 of<sup>1</sup> the account;
- 8 (2) open and keep the account in the name of the eligible  
9 individual, with an officer of the <sup>1</sup>[community based]<sup>1</sup> organization as  
10 <sup>1</sup>[co-signor] trustee<sup>1</sup>;
- 11 (3) permit the account holder to deposit earned income, as defined  
12 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
13 which <sup>1</sup>[will] shall <sup>1</sup> be matched by the <sup>1</sup>[community based] <sup>1</sup>  
14 organization when withdrawn for an approved expenditure, pursuant  
15 to subsection c. of this section;
- 16 (4) maintain the records of individual development accounts in a  
17 manner that enables the <sup>1</sup>[community based]<sup>1</sup> organization to  
18 determine the amounts deposited by the account holder and amounts  
19 paid by the <sup>1</sup>[community based]<sup>1</sup> organization as matching funds;
- 20 (5) require the individual development account to earn <sup>1</sup>[at least  
21 the market] a<sup>1</sup> rate of interest <sup>1</sup>that reasonably reflects the prevailing  
22 market rate paid on like deposits by financial institutions in this State<sup>1</sup>,  
23 which shall be <sup>1</sup>[paid] credited<sup>1</sup> to the account holder;
- 24 (6) permit the account holder, after obtaining the signature of the  
25 <sup>1</sup>[administrator of the community based organization, as cosignatory]  
26 trustee<sup>1</sup>, to withdraw moneys from the account for any of the purposes  
27 listed in subsection c. of this section;
- 28 (7) remit matching funds in the form of a joint check or transfer  
29 of funds made payable to the account holder and the <sup>1</sup>[respective  
30 party] payee<sup>1</sup> of the approved withdrawal, pursuant to 45 C.F.R.  
31 s.263.22 at the time the account holder <sup>1</sup>[withdraw] withdraws<sup>1</sup> funds  
32 for a purpose permitted pursuant to subsection c. of this section;
- 33 (8) work with other <sup>1</sup>[community based] community-based<sup>1</sup>  
34 organizations and State agencies to coordinate the <sup>1</sup>[Individual  
35 Development Account Program] program<sup>1</sup> with other private and  
36 public programs designed for asset accumulation and self-sufficiency,  
37 such as transportation, child care and health care services, New Jersey  
38 Housing <sup>1</sup>[Mortgage]<sup>1</sup> and <sup>1</sup>Mortgage<sup>1</sup> Finance Agency programs,  
39 Federal National Mortgage Association (Fannie Mae) mortgage  
40 programs and other programs under the direction of the <sup>1</sup>[New  
41 Jersey]<sup>1</sup> Department of Human Services, such as the Family Loan  
42 Pilot Program and Entrepreneur Development <sup>1</sup>Services<sup>1</sup> Pilot  
43 Program; <sup>1</sup>[and]<sup>1</sup>
- 44 (9) provide financial counseling to <sup>1</sup>[all]<sup>1</sup> account holders and  
45 assist <sup>1</sup>[all account holders] them<sup>1</sup> in establishing a secure, low-risk,

1 effective savings opportunity<sup>1</sup>, for the purposes of an individual  
2 development account.<sup>1</sup> for income that is in excess of the individual  
3 development account maximum match of \$1,500 <sup>1</sup>[per-year] per year<sup>1</sup>  
4 or income that does not meet the definition of earned income, as  
5 defined in paragraph (3) of this subsection <sup>1</sup>[e., for the purposes of an  
6 individual development account].<sup>1</sup> such as federal and State earned  
7 income tax credits, homestead and property tax rebates, inheritance,  
8 monetary damages recovered in a legal proceeding and income from  
9 the sale of an asset. The <sup>1</sup>[savings opportunity] account<sup>1</sup> shall be  
10 tailored to each account holder's resources and financial goals <sup>1</sup>and  
11 shall be held in a separate account from the individual development  
12 account<sup>1</sup>. <sup>1</sup>[Savings opportunities] Accounts<sup>1</sup> investigated may  
13 include money market accounts, individual retirement accounts,  
14 certificates of deposit and individual development accounts that do not  
15 include matching federal or State funds <sup>1</sup>; and

16 (10) be deemed to have a fiduciary duty with respect to moneys in  
17 an individual development account or reserve fund. The commissioner  
18 may require that an organization post and maintain a fidelity bond or  
19 other security with regard to the position of the organization as  
20 fiduciary for the moneys in an individual development account or  
21 reserve fund<sup>1</sup>.

22  
23 6. a. <sup>1</sup>[In] Notwithstanding the provisions of any other law to the  
24 contrary, in<sup>1</sup> the event of the death of the account holder, the  
25 ownership of the individual development account <sup>1</sup>[may] shall<sup>1</sup> be  
26 transferred to the ownership of a contingent beneficiary <sup>1</sup>[. An] ,  
27 which the<sup>1</sup> account holder shall name <sup>1</sup>[a contingent beneficiary]<sup>1</sup> at  
28 the time the account is established and may change <sup>1</sup>[the beneficiary]<sup>1</sup>  
29 at any time. If the beneficiary is deceased or otherwise cannot accept  
30 the transfer, the moneys in the individual development account  
31 derived from the account holder's earned income and any interest  
32 accrued thereon<sup>1</sup> shall be transferred to the <sup>1</sup>[individual development  
33 account reserve fund of the community based organization] estate of  
34 the account holder<sup>1</sup>.

35 b. If an individual development account is closed pursuant to  
36 subsection a. of this section or an account holder withdraws from the  
37 individual development account program or forfeits his State matching  
38 funds due to an unauthorized withdrawal, any moneys held for  
39 matching funds for that account may be retained in the reserve fund for  
40 reallocation to be used as matching funds for new individual  
41 development accounts.

42  
43 7. a. Moneys deposited into or withdrawn from an individual  
44 development account by an account holder pursuant to subsection c.  
45 of section 5 of <sup>1</sup>[P.L. , c. (C. )](now pending before the  
46 Legislature as this bill)] this act<sup>1</sup> or matched<sup>1</sup> by a <sup>1</sup>[community

1 based] community-based<sup>1</sup> organization pursuant to paragraph (7) of  
2 subsection e. of section 5 of <sup>1</sup>[P.L. , c. (C. )] this act<sup>1</sup> shall not  
3 be considered gross income otherwise includable as income pursuant  
4 to subsections a., b., k., and p. of N.J.S.54A:5-1.

5 b. Interest earned by an individual development account shall not  
6 be considered gross income otherwise includable as income pursuant  
7 to subsection e. of N.J.S.54A:5-1.

8 c. Monies deposited in an individual development account and the  
9 interest from an individual development account under this act shall  
10 not be taken into account in determining eligibility or the amount of  
11 assistance under State and federal means-tested programs pursuant to  
12 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

13  
14 8. a. The commissioner shall promulgate regulations pursuant to  
15 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
16 seq), necessary to effectuate the provisions of this act.

17 b. The commissioner shall consult with the Commissioner of  
18 Human Services regarding the development, operation and  
19 administration of the <sup>1</sup>[individual development account]<sup>1</sup> program and  
20 ensuring compliance with 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
21 (45 C.F.R. s.263.0 et seq.).

22  
23 9. a. The commissioner shall report to the Legislature annually on  
24 the effectiveness of the <sup>1</sup>[Individual Development Account Program]  
25 program<sup>1</sup> in providing eligible individuals in this State with an  
26 opportunity to establish an individual development account and may  
27 include in the report recommendations for change, if any, to make the  
28 program more effective. This report shall be due within 30 days of the  
29 end of the anniversary of the effective date of this section for each year  
30 the program is in operation.

31 b. The Department of Community Affairs shall make available to  
32 the Departments of Labor and Human Services necessary individual  
33 development account statistical and program information in a usable  
34 format and in a timely manner, so that those departments may prepare  
35 federal and other reports.

36  
37 10. <sup>2</sup>[There] Upon certification by the Director of the Division of  
38 Budget and Accounting in the State Department of the Treasury that  
39 federal funds to support the expenditure are available, there<sup>2</sup> is  
40 appropriated <sup>1</sup>[the sum of]<sup>1</sup> \$2,000,000 in federal <sup>2</sup>[Welfare-to-  
41 Work] Temporary Assistance for Needy Families<sup>2</sup> funds to the  
42 Department of Community Affairs for the purpose of funding the  
43 Individual Development Account Fund established pursuant to section  
44 4 of <sup>1</sup>[P.L. , c. (C. )](now pending before the Legislature as this  
45 bill)] this act<sup>1</sup> for adults with one or more dependent children, who  
46 are, or except for income and resources would be, eligible for Work

1 First New Jersey <sup>1</sup>pursuant to<sup>1</sup> P.L.1997, c.38 (C.44:10-55 et seq.).  
2 The department is authorized to use other federal and State funds  
3 which may become available for adults without dependent children.

4

5 11. This act shall take effect on the 180th day following  
6 enactment, except that <sup>1</sup>[this section and]<sup>1</sup> section 8 shall take effect  
7 immediately.

**SENATE, No. 1472**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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INTRODUCED JUNE 22, 2000

**Sponsored by:**

**Senator DONALD T. DIFRANCESCO**

**District 22 (Middlesex, Morris, Somerset and Union)**

**Senator NORMAN M. ROBERTSON**

**District 34 (Essex and Passaic)**

**Co-Sponsored by:**

**Senators Inverso, Kenny, Turner, Bryant, Rice and McNamara**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program," appropriates \$1 million from federal Welfare-to-Work funds.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 10/24/2000)**

1 AN ACT concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12 (1) Economic well-being does not come solely from income,  
13 spending, and consumption, but also requires savings, investment, and  
14 accumulation of assets, since assets can improve economic stability,  
15 connect people with a viable and hopeful future, stimulate  
16 development of human and other capital, yield personal and social  
17 dividends, and enhance the welfare of offspring.

18 (2) With the enactment of the "Work First New Jersey Act,"  
19 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
20 emphasizing moving people off of public assistance and into  
21 employment, there is an urgent need to provide incentives for savings  
22 accounts that will complement and stabilize the movement of people  
23 from public assistance and into employment.

24 (3) Income-based social policy should be complemented with  
25 asset-based social policy, because while income-based policies ensure  
26 that consumption needs, including food, child care, rent, clothing and  
27 health care are met, asset-based policies provide the means to achieve  
28 some degree of economic self-sufficiency.

29 (4) The State of New Jersey should develop policies, such as  
30 individual development accounts, that promote higher rates of personal  
31 savings and net private domestic investment.

32 b. It is the intent of the Legislature, therefore, to provide for the  
33 establishment of Individual Development Accounts (IDAs) which  
34 accounts are designed to:

35 (1) provide individuals and families, especially those with limited  
36 means, an opportunity to accumulate assets;

37 (2) facilitate and mobilize savings;

38 (3) promote education, home ownership and micro enterprise  
39 development; and

40 (4) stabilize families and build communities.

41

42 3. As used in this act:

43 "Account holder" means a person who is the owner of an individual  
44 development account.

45 "Commissioner" means the Commissioner of Community Affairs.

46 "Community based organization" means a not-for-profit

1 organization described in section 501(c)(3) of the Internal Revenue  
2 Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt from taxation under  
3 section 501(a) of the Internal Revenue Code of 1986 (26 U.S.C. s.501  
4 (a)), that is approved by the commissioner to implement the New  
5 Jersey Individual Development Account Program established under  
6 this act.

7 "Department" means the Department of Community Affairs.

8 "Economic literacy" means a basic understanding of budgets and  
9 savings accounts, credit and interest and how to use financial services;  
10 and having a savings plan and using it to reach the account holder's  
11 savings goal for an individual development account.

12 "Eligible individual" means an adult with an annual household gross  
13 income up to a maximum of 200 percent of the official poverty level.

14 "Financial institution" means a state or federally chartered bank,  
15 savings bank, savings and loan association or credit union with an  
16 office in this State or an entity which is a member of the Securities  
17 Investor Protection Corporation established pursuant to the "Securities  
18 Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq.

19 "Fund" means the Individual Development Account Fund  
20 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45  
21 C.F.R. s.263.0 et seq.).

22 "Individual development account" means a financial instrument  
23 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45  
24 C.F.R. s.263.0 et seq.).

25 "Program" means the New Jersey Individual Development Account  
26 Program established pursuant to the provisions of this act.

27 "Program contributor" means a person or entity who makes a  
28 contribution to an individual development account reserve fund,  
29 except that "program contributor" does not mean the account holder.

30 "Reserve fund" means the individual development account reserve  
31 fund created by a community based organization for the purposes of:  
32 funding the costs incurred in the administration of the program;  
33 receiving matching funds from the State; and providing matching funds  
34 for individual development accounts pursuant to section 5 of this act.

35

36 4. a. The New Jersey Individual Development Account Program  
37 is hereby established within the Department of Community Affairs.  
38 The purpose of this program shall be to provide each eligible  
39 individual in this State with an opportunity to establish an individual  
40 development account, to the extent funding will permit. The  
41 individual development account may be used by that individual or  
42 family member for any of the purposes specified under subsection c.  
43 of section 5 of this act.

44 b. There is established in the department, the Individual  
45 Development Account Fund. This fund shall be used by the  
46 commissioner to provide:

1 (1) grants to community based organizations selected by the  
2 commissioner to participate in the Individual Development Account  
3 Program; and

4 (2) a State match of one dollar for every one dollar of earned  
5 income deposited into an individual deposit account by the account  
6 holder, except that the maximum amount provided as a match per  
7 individual development account per calendar year shall be \$1,500.  
8 Community based organizations may raise additional, non-federal or  
9 State funds to increase the State match rate and the State maximum  
10 annual match amount. The earned income deposited into an individual  
11 development account may not be deposited on behalf of the account  
12 holder by a third party.

13 c. The commissioner shall implement this program by entering into  
14 agreements with community based organizations which the  
15 commissioner shall select through an open public bid process, pursuant  
16 to the provisions of P.L.1987, c.7 (C.52:14-34.4 et seq.).

17 d. In reviewing the proposals of community based organizations,  
18 the commissioner shall consider the following factors:

19 (1) the not-for-profit status of the community based organization;

20 (2) the fiscal accountability of the community based organization;

21 (3) the ability of the community based organization to provide its  
22 moneys or raise moneys from program contributors for matching  
23 contributions which are in addition to State matching funds;

24 (4) the plan of the community based organization for the  
25 development, implementation and management of an individual  
26 development account program;

27 (5) the capacity of the community based organization to provide  
28 economic literacy training, either directly or through another provider;

29 (6) the community based organization's history of working with  
30 low-income populations;

31 (7) the target population and the extent to which the community  
32 based organization plans to exceed the 33.3 percent minimum  
33 participation under this act by current or former Work First New  
34 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.), or  
35 Temporary Assistance for Needy Families recipients pursuant to  
36 42 U.S.C. s.601 et seq.; and

37 (8) the length of time in months and years, of the operation of the  
38 program taking into account the resources that are available to the  
39 community based organization.

40 e. (1) The commissioner shall select community based  
41 organizations and enter into a contract for services with each  
42 community based organization selected that requires the community  
43 based organization to establish and maintain an individual development  
44 account reserve fund and work with each eligible individual and any  
45 local financial institution to establish an individual development  
46 account, among other services to be provided for eligible individuals



1 and their households, if any.

2 (2) The commissioner shall have the discretion to disburse moneys  
3 from the fund in a manner and an amount the commissioner deems  
4 appropriate and consistent with the community based organization's  
5 contract for services and proposal selected pursuant to subsections c.,  
6 d., e., and f. of this section.

7 f. (1) No more than 10 percent of the federal Welfare-to-Work  
8 funds under this act may be used for administrative purposes by a  
9 community based organization selected to participate in the Individual  
10 Development Account Program.

11 (2) No more that 10 percent of the federal Welfare-to-Work funds  
12 under this act may be used to provide economic literacy training and  
13 one-on-one financial counseling to account holders by a community  
14 based organization selected to participate in the Individual  
15 Development Account Program.

16 g. At all times a minimum of 33.3 percent of the account holders  
17 participating in the Individual Development Account Program shall be  
18 current or former Work First New Jersey recipients pursuant to  
19 P.L.1997, c.38 (C.44:10-55 et seq.) or Temporary Assistance for  
20 Needy Families recipients pursuant to 42 U.S.C. s.601 et seq., unless  
21 otherwise authorized by the commissioner.

22

23 5. a. An eligible individual may, in agreement with a community  
24 based organization selected by the commissioner pursuant to section  
25 4 of this act, open an individual development account for the purpose  
26 of accumulating and withdrawing moneys for specified expenditures  
27 pursuant to subsections a., b., c., d., and e. of this section. Upon  
28 satisfaction of the community based organization 's requirements for  
29 economic literacy by an account holder, the community based  
30 organization shall certify to the commissioner that the account holder  
31 may withdraw moneys from the account on the approval of the  
32 community based organization, without penalty, for any of the  
33 expenditures listed in subsection c. of this section.

34 b. The commissioner shall establish by regulation:

35 (1) the minimum monthly deposit amount that each account holder  
36 shall be required to maintain and the maximum monthly deposit  
37 amount that each account holder shall be permitted to make, during  
38 their participation in the Individual Development Account Program  
39 established pursuant to this act;

40 (2) the minimum time period the account holder shall maintain an  
41 individual development account, pursuant to section 4 of this act, in  
42 order to be eligible to withdraw the moneys deposited and receive the  
43 State matching funds, pursuant to subsections b., c., d., and e. of this  
44 section;

45 (3) the prior notice of the account holder's intent to, and purpose  
46 for, withdrawing individual development account funds and the

1 minimum time period that an account holder shall give notice to the  
2 individual development account cosignatory community based  
3 organization prior to an approved withdrawal in order to be eligible to  
4 receive State matching funds pursuant to subsections b., c., d., and e.  
5 of this section; and

6 (4) the maximum length of time an account holder may participate  
7 in the Individual Development Account Program.

8 c. Upon satisfaction of the provisions of subsections a. and b. of  
9 this section by the community based organization:

10 (1) The account holder may, upon the approval of the community  
11 based organization, withdraw moneys from the account holder's  
12 individual development account in the form of a joint check or transfer  
13 of funds made payable to the account holder and the respective party  
14 of the approved withdrawal, pursuant to 45 C.F.R. s.263.22, for any  
15 of the following purposes:

16 (a) post-secondary educational expenses for any family member as  
17 defined in 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20;

18 (b) qualified acquisition costs of a primary residence as defined in  
19 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

20 (c) qualified business capitalization expenses for any family  
21 member, as defined in 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

22 (2) If the account holder withdraws any moneys from the account  
23 and uses those moneys, or any part of those moneys, for a purpose  
24 other than that permitted pursuant to subsection c. of this section, the  
25 account holder shall forfeit all matching funds associated with the  
26 unapproved withdrawal. The account holder shall receive only the  
27 moneys which the account holder has deposited into the account.

28 (3) The commissioner, in consultation with the Commissioner of  
29 Human Services, shall establish procedures to ensure that funds held  
30 in an individual development account under this act are withdrawn for  
31 qualified purposes only, as defined in subsection c. of this section.  
32 Penalties for unapproved withdrawals may include taxing the  
33 withdrawal as income and, as applicable, including the withdrawal as  
34 income or resources in determining eligibility for federal and State  
35 public assistance pursuant to 45 C.F.R. s.263.23.

36 d. Community based organizations approved by the department  
37 shall establish an individual development account for an eligible  
38 individual in a financial institution as required pursuant to this act.  
39 Community based organizations may, with the approval of the  
40 commissioner, employ methods to maximize the efficiency of multiple  
41 individual development accounts, such as pooling deposits into a single  
42 account held by the financial institution, with individual account  
43 information maintained by the community based organization. In  
44 addition, with the approval of the commissioner, community based  
45 organizations may develop an efficient means of providing the match  
46 portion of an individual development account, such as matching

1 deposits at the time of approved withdrawal only. Community based  
2 organizations under this act shall, at all times, maintain current  
3 account information, without regard to the chosen method of  
4 administration, on all individual development accounts, which shall  
5 include: the individual development account balance, a time indexed  
6 record of deposits and withdrawals made by the account holder and  
7 the current match level. Community based organizations under this act  
8 shall certify to the department that the accounts have been established  
9 pursuant to the provisions of this act on behalf of the account holder  
10 in the manner approved by the commissioner.

11 e. A community based organization establishing an individual  
12 development account shall:

13 (1) sign an agreement with an eligible individual to the effect that  
14 the account shall be kept in the name of the eligible individual as the  
15 account holder and that the eligible individual shall have an officer of  
16 the community based organization as a co-signor on the account;

17 (2) open and keep the account in the name of the eligible  
18 individual, with an officer of the community based organization as co-  
19 signor;

20 (3) permit the account holder to deposit earned income, as defined  
21 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
22 which will be matched by the community based organization when  
23 withdrawn for an approved expenditure, pursuant to subsection c. of  
24 this section;

25 (4) maintain the records of individual development accounts in a  
26 manner that enables the community based organization to determine  
27 the amounts deposited by the account holder and amounts paid by the  
28 community based organization as matching funds;

29 (5) require the individual development account to earn at least the  
30 market rate of interest, which shall be paid to the account holder;

31 (6) permit the account holder, after obtaining the signature of the  
32 administrator of the community based organization, as cosignatory, to  
33 withdraw moneys from the account for any of the purposes listed in  
34 subsection c. of this section;

35 (7) remit matching funds in the form of a joint check or transfer of  
36 funds made payable to the account holder and the respective party of  
37 the approved withdrawal, pursuant to 45 C.F.R. s.263.22 at the time  
38 the account holder withdraw funds for a purpose permitted pursuant  
39 to subsection c. of this section;

40 (8) work with other community based organizations and State  
41 agencies to coordinate the Individual Development Account Program  
42 with other private and public programs designed for asset  
43 accumulation and self-sufficiency, such as transportation, child care  
44 and health care services, New Jersey Housing Mortgage and Finance  
45 Agency programs, Federal National Mortgage Association (Fannie  
46 Mae) mortgage programs and other programs under the direction of

1 the New Jersey Department of Human Services, such as the Family  
2 Loan Pilot Program and Entrepreneur Development Pilot Program;  
3 and

4 (9) provide financial counseling to all account holders and assist all  
5 account holders in establishing a secure, low-risk, effective savings  
6 opportunity for income that is in excess of the individual development  
7 account maximum match of \$1,500 per-year or income that does not  
8 meet the definition of earned income, as defined in paragraph (3) of  
9 this subsection e., for the purposes of an individual development  
10 account such as federal and State earned income tax credits,  
11 homestead and property tax rebates, inheritance, monetary damages  
12 recovered in a legal proceeding and income from the sale of an asset.  
13 The savings opportunity shall be tailored to each account holder's  
14 resources and financial goals. Savings opportunities investigated may  
15 include money market accounts, individual retirement accounts,  
16 certificates of deposit and individual development accounts that do not  
17 include matching federal or State funds.

18

19 6. a. In the event of the death of the account holder, the ownership  
20 of the individual development account may be transferred to the  
21 ownership of a contingent beneficiary. An account holder shall name  
22 a contingent beneficiary at the time the account is established and may  
23 change the beneficiary at any time. If the beneficiary is deceased or  
24 otherwise cannot accept the transfer, the moneys in the individual  
25 development account shall be transferred to the individual  
26 development account reserve fund of the community based  
27 organization.

28 b. If an individual development account is closed pursuant to  
29 subsection a. of this section or an account holder withdraws from the  
30 individual development account program or forfeits his State matching  
31 funds due to an unauthorized withdrawal, any moneys held for  
32 matching funds for that account may be retained in the reserve fund for  
33 reallocation to be used as matching funds for new individual  
34 development accounts.

35

36 7. a. Moneys deposited into or withdrawn from an individual  
37 development account by an account holder pursuant to subsection c.  
38 of section 5 of this act or by a community based organization pursuant  
39 to paragraph (7) of subsection e. of section 5 of this act shall not be  
40 considered gross income otherwise includable as income pursuant to  
41 subsections a., b., k., and p. of N.J.S.54A:5-1.

42 b. Interest earned by an individual development account shall not  
43 be considered gross income otherwise includable as income pursuant  
44 to subsection e. of N.J.S.54A:5-1.

45 c. Monies deposited in an individual development account and the  
46 interest from an individual development account under this act shall

1 not be taken into account as income or resources for purposes of  
2 determining the eligibility of an individual or family for benefits or  
3 assistance or the amount or extent of benefits or assistance under any  
4 State or federal means tested program.

5  
6 8. a. The commissioner shall promulgate regulations pursuant to  
7 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
8 seq), necessary to effectuate the provisions of this act.

9 b. The commissioner shall consult with the Commissioner of  
10 Human Services regarding the development, operation and  
11 administration of the individual development account program and  
12 ensuring compliance with 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
13 (45 C.F.R. s.263.0 et seq.).

14 c. The commissioner shall report to the Legislature annually on the  
15 effectiveness of the Individual Development Account Program in  
16 providing eligible individuals in this State with an opportunity to  
17 establish an individual development account and may include in the  
18 report recommendations for change, if any, to make the program more  
19 effective. This report shall be due within 30 days of the end of the  
20 anniversary of the effective date of the act for each year the program  
21 is in operation.

22 d. The Department of Community Affairs shall make available to  
23 the Departments of Labor and Human Services necessary individual  
24 development account statistical and program information in a usable  
25 format and in a timely manner, so that those departments may prepare  
26 federal and other reports.

27  
28 9. There is appropriated the sum of \$1,000,000 in federal Welfare-  
29 to-Work funds to the Department of Community Affairs for the  
30 purpose of funding the Individual Development Account Fund  
31 established pursuant to section 4 of this act for adults with one or  
32 more dependent children, who are or would be eligible for Work First  
33 New Jersey P.L.1997, c.38 (C.44:10-55 et seq.). The department is  
34 authorized to use other federal and state funds which may become  
35 available for adults without dependent children.

36  
37 10. This act shall take effect on the 180th day following enactment,  
38 except that subsections a. and b. of section 8 shall take effect  
39 immediately.

40  
41  
42 STATEMENT

43  
44 This bill establishes the "New Jersey Individual Development  
45 Account Program" in the Department of Community Affairs. The  
46 purpose of the New Jersey Individual Development Program is to

1 provide an incentive to low-income families to establish savings  
2 accounts. The bill establishes an Individual Development Account  
3 Fund in the department and appropriates to that fund \$1 million in  
4 federal Welfare-to-Work funds. As provided in the bill, the fund will  
5 be used to provide grants to community based organizations selected  
6 by the Commissioner of Community Affairs to implement the  
7 Individual Development Account Program and to provide matching  
8 funds, on a \$1 to \$1 basis, for earned income deposits made by  
9 account holders into individual development accounts up to a  
10 maximum of \$1,500 per calendar year.

11 The bill directs the commissioner to implement the program  
12 Statewide by entering into agreements with community based  
13 organizations which shall be selected by the commissioner following  
14 the open public solicitation of proposals from community based  
15 organizations and the evaluation of the responses of community based  
16 organizations.

17 In reviewing the proposals of community based organizations, the  
18 bill provides that the commissioner shall consider the following  
19 factors: the not-for-profit status of the community based organization;  
20 the ability of the community based organization to provide its moneys  
21 or raise moneys from program contributors for matching contributions  
22 which are in addition to State matching funds; the plan of the  
23 community based organization for the development, implementation  
24 and management of an individual development account program; the  
25 capacity of the community based organization to provide economic  
26 literacy training, either directly or through another provider; the  
27 organization's history of working with low-income populations; the  
28 target population; the extent to which the organization plans to exceed  
29 the minimum 33.3 percent participation requirement under the bill by  
30 current or former Work First New Jersey or Aid to Families with  
31 Dependent Children recipients; and the length of time of the operation  
32 of the program as specified by the organization.

33 The bill further provides that upon satisfaction of the community  
34 based organization's requirements for economic literacy by an account  
35 holder and certification of that fact to the commissioner, the account  
36 holder may withdraw moneys from an individual development account  
37 on the approval of the community based organization for any of the  
38 following expenditures:

- 39 (1) educational costs for any family member at an accredited  
40 institution of higher education;  
41 (2) purchase of a primary residence; and  
42 (3) capitalization of a small business for any family member.

43 Under the bill, the community based organization will remit the \$1  
44 State match for \$1 deposited by the account holder, in the form of a  
45 joint check or transfer made payable to the account holder and the  
46 respective party of the approved withdrawal at the time an account

1 holder withdraws money from the account for an approved purpose.

2 The bill also provides that amounts deposited by the account holder  
3 or the community based organization and interest earned on the  
4 account are exempted from State income tax. In addition, the interest  
5 income from the individual development account, the matching State  
6 funds and the moneys withdrawn shall be disregarded and not  
7 considered as income or resources in determining eligibility for federal  
8 or State means tested assistance.

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, No. 1472**

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

ADOPTED OCTOBER 19, 2000

**Sponsored by:**

**Senator DONALD T. DIFRANCESCO**

**District 22 (Middlesex, Morris, Somerset and Union)**

**Senator NORMAN M. ROBERTSON**

**District 34 (Essex and Passaic)**

**Co-Sponsored by:**

**Senators Inverso, Kenny, Turner, Bryant, Rice, McNamara, Vitale and  
Bucco**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program," appropriates \$2 million from federal Welfare-to-Work funds.

**CURRENT VERSION OF TEXT**

Substitute as adopted by the Senate Senior Citizens, Veterans' Affairs and Human Services Committee.



**(Sponsorship Updated As Of: 1/23/2001)**



1 AN ACT concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12 (1) Economic well-being does not come solely from income,  
13 spending and consumption, but also requires savings, investment and  
14 accumulation of assets, since assets can improve economic stability,  
15 connect people with a viable and hopeful future, stimulate  
16 development of human and other capital, yield personal and social  
17 dividends and enhance the welfare of offspring.

18 (2) With the enactment of the "Work First New Jersey Act,"  
19 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
20 emphasizing moving people off of public assistance and into  
21 employment, there is an urgent need to provide incentives for savings  
22 accounts that will complement and stabilize the movement of people  
23 from public assistance and into employment.

24 (3) Income-based social policy should be complemented with  
25 asset-based social policy, because while income-based policies ensure  
26 that consumption needs, including food, child care, rent, clothing and  
27 health care are met, asset-based policies provide the means to achieve  
28 some degree of economic self-sufficiency.

29 (4) The State of New Jersey should develop policies, such as  
30 individual development accounts, that promote higher rates of personal  
31 savings and net private domestic investment.

32 b. It is the intent of the Legislature, therefore, to provide for the  
33 establishment of individual development accounts which accounts are  
34 designed to:

35 (1) provide individuals and families, especially those with limited  
36 means, an opportunity to accumulate assets;

37 (2) facilitate and mobilize savings;

38 (3) promote education, home ownership and micro enterprise  
39 development; and

40 (4) stabilize families and build communities.

41

42 3. As used in this act:

43 "Account holder" means a person who is the owner of an individual  
44 development account.

45 "Commissioner" means the Commissioner of Community Affairs.

1 "Community-based organization" means a not-for-profit  
2 organization described in section 501(c)(3) of the Internal Revenue  
3 Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt from taxation under  
4 section 501(a) of the Internal Revenue Code of 1986 (26 U.S.C. s.501  
5 (a)), that is approved by the commissioner to implement the New  
6 Jersey Individual Development Account Program established under  
7 this act.

8 "Department" means the Department of Community Affairs.

9 "Economic literacy" means a basic understanding of budgets and  
10 savings accounts, credit and interest and how to use financial services;  
11 and having a savings plan and using it to reach the account holder's  
12 savings goal for an individual development account.

13 "Eligible individual" means an adult with an annual household  
14 gross income up to a maximum of 200 percent of the official poverty  
15 level.

16 "Financial institution" means a state or federally chartered bank,  
17 savings bank, savings and loan association or credit union with an  
18 office in this State.

19 "Fund" means the Individual Development Account Fund  
20 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45  
21 C.F.R. s.263.0 et seq.).

22 "Individual development account" means an account established  
23 pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45 C.F.R.  
24 s.263.0 et seq.) in trust for an eligible individual that is a trust account  
25 pursuant to the "Multiple-party Deposit Account Act," P.L.1979,  
26 c.491 (C.17:16I-1 et seq.).

27 "Program" means the New Jersey Individual Development Account  
28 Program established pursuant to the provisions of this act.

29 "Program contributor" means a person or entity who makes a  
30 contribution to an individual development account reserve fund,  
31 except that "program contributor" does not mean the account holder.

32 "Reserve fund" means the individual development account reserve  
33 fund created by a community-based organization for the purposes of:  
34 funding the costs incurred in the administration of the program;  
35 receiving matching funds from the State; and providing matching funds  
36 for individual development accounts pursuant to section 5 of this act.

37  
38 4. a. The New Jersey Individual Development Account Program  
39 is hereby established within the Department of Community Affairs.  
40 The purpose of this program shall be to provide each eligible  
41 individual in this State with an opportunity to establish an individual  
42 development account in a financial institution, to the extent funding  
43 will permit. The individual development account may be used for any  
44 of the purposes specified under subsection c. of section 5 of this act.

45 b. There is established in the department, the Individual  
46 Development Account Fund. This fund shall be used by the

1 commissioner to provide:

2 (1) grants to community-based organizations selected by the  
3 commissioner to participate in the program; and

4 (2) a State match of one dollar for every one dollar of earned  
5 income deposited into an individual deposit account by the account  
6 holder, except that the maximum amount provided as a match per  
7 individual development account per calendar year shall be \$1,500. The  
8 earned income deposited into an individual development account shall  
9 not be deposited on behalf of the account holder by a third party.

10 Community-based organizations may raise additional, non-federal  
11 or State funds to increase the State match rate and the State maximum  
12 annual match amount.

13 c. The commissioner shall implement this program by entering into  
14 agreements with community-based organizations which the  
15 commissioner shall select through a request for proposal process,  
16 pursuant to the provisions of P.L.1987, c.7 (C.52:14-34.4 et seq.).

17 d. In reviewing the proposals of community-based organizations,  
18 the commissioner shall consider the following factors:

19 (1) the not-for-profit status of the organization;

20 (2) the fiscal accountability of the organization;

21 (3) the ability of the organization to provide its moneys or raise  
22 moneys from program contributors for matching contributions which  
23 are in addition to State matching funds;

24 (4) the plan of the organization for the development,  
25 implementation and management of an individual development account  
26 program;

27 (5) the capacity of the organization to provide economic literacy  
28 training, either directly or through another provider;

29 (6) the organization's history of working with low-income  
30 populations;

31 (7) the target population and the extent to which the organization  
32 plans to exceed the 33.3 percent minimum participation under this act  
33 by current or former Work First New Jersey recipients pursuant to  
34 P.L.1997, c.38 (C.44:10-55 et seq.), or Aid to Families with  
35 Dependent Children recipients or Temporary Assistance for Needy  
36 Families recipients pursuant to 42 U.S.C. s.601 et seq.; and

37 (8) the length of time in months and years, of the operation of the  
38 program taking into account the resources that are available to the  
39 organization.

40 e. (1) The commissioner shall select community-based  
41 organizations and enter into a contract for services with each  
42 organization selected that requires the organization to establish and  
43 maintain an individual development account reserve fund and work  
44 with each eligible individual and any local financial institution to  
45 establish an individual development account, among other services to  
46 be provided for eligible individuals and their households, if any.

1 (2) The commissioner shall have the discretion to disburse moneys  
2 from the fund in a manner and an amount the commissioner deems  
3 appropriate and consistent with the community-based organization's  
4 contract for services and proposal selected pursuant to this subsection  
5 and subsections c., d. and f. of this section.

6 f. (1) No more than 10 percent of the federal Welfare-to-Work  
7 funds under this act may be used for administrative purposes by a  
8 community-based organization selected to participate in the program.

9 (2) No more than 10 percent of the federal Welfare-to-Work funds  
10 under this act may be used to provide economic literacy training and  
11 one-on-one financial counseling to account holders by an organization  
12 selected to participate in the program.

13 g. At all times, a minimum of 33.3 percent of the account holders  
14 participating in the program shall be current or former Work First New  
15 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.) or  
16 Aid to Families with Dependent Children recipients or Temporary  
17 Assistance for Needy Families recipients pursuant to 42 U.S.C. s.601  
18 et seq., unless otherwise authorized by the commissioner.

19  
20 5. a. An eligible individual may, in agreement with a community-  
21 based organization selected by the commissioner pursuant to section  
22 4 of this act, open an individual development account for the purpose  
23 of accumulating and withdrawing moneys for specified expenditures  
24 pursuant to this section. Upon satisfaction of the organization's  
25 requirements for economic literacy by an account holder, the  
26 organization shall certify to the commissioner that the account holder  
27 may withdraw moneys from the account on the approval of the  
28 organization, without penalty, for any of the expenditures listed in  
29 subsection c. of this section.

30 b. The commissioner shall establish by regulation:

31 (1) the minimum monthly deposit amount that each account holder  
32 shall be required to maintain and the maximum monthly deposit  
33 amount that each account holder shall be permitted to make, during  
34 their participation in the program;

35 (2) the minimum time period the account holder shall maintain an  
36 individual development account, pursuant to section 4 of this act, in  
37 order to be eligible to withdraw the moneys deposited and receive the  
38 State matching funds, pursuant to this subsection and subsections c.,  
39 d. and e. of this section;

40 (3) the prior notice of the account holder's intent to, and purpose  
41 for, withdrawing individual development account funds and the  
42 minimum time period that an account holder shall give notice to the  
43 individual development account trustee community-based organization  
44 prior to an approved withdrawal in order to be eligible to receive State  
45 matching funds pursuant to this subsection and subsections c., d. and  
46 e. of this section; and

1 (4) the maximum length of time an account holder may participate  
2 in the program.

3 c. Upon satisfaction of the provisions of subsections a. and b. of  
4 this section by the community-based organization:

5 (1) the account holder may, upon the approval of the community-  
6 based organization, withdraw moneys from the account holder's  
7 individual development account in the form of a joint check or transfer  
8 of funds made payable to the account holder and the payee of the  
9 approved withdrawal, pursuant to 45 C.F.R. s.263.22, for any of the  
10 following purposes:

11 (a) post-secondary educational expenses as defined in 42 U.S.C.  
12 s.604(h)(5) and 45 C.F.R. s.263.20;

13 (b) qualified acquisition costs of a primary residence as defined in  
14 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

15 (c) qualified business capitalization expenses, as defined in  
16 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

17 (2) if the account holder withdraws any moneys from the account  
18 and uses those moneys, or any part of those moneys, for a purpose  
19 other than that permitted pursuant to this subsection, the account  
20 holder shall forfeit all matching funds associated with the unapproved  
21 withdrawal. The account holder shall receive only the moneys which  
22 the account holder has deposited into the account.

23 (3) the commissioner, in consultation with the Commissioner of  
24 Human Services, shall establish procedures to ensure that funds held  
25 in an individual development account under this act are withdrawn for  
26 qualified purposes only, as defined in this subsection. Penalties for  
27 unapproved withdrawals may include taxing the withdrawal as income  
28 and, as applicable, including the withdrawal as income or resources  
29 in determining eligibility for federal and State public assistance  
30 pursuant to 45 C.F.R. s.263.23.

31 d. Community-based organizations approved by the department  
32 shall establish an individual development account in trust for an  
33 eligible individual in a financial institution as required pursuant to this  
34 act. Organizations may, with the approval of the commissioner,  
35 employ methods to maximize the efficiency of multiple individual  
36 development accounts, such as pooling deposits into a single account  
37 held by the financial institution, with individual account information  
38 maintained by the organization. In addition, with the approval of the  
39 commissioner, organizations shall develop an efficient means of  
40 providing the match portion of an individual development account,  
41 such as matching deposits at the time of approved withdrawal only.  
42 Organizations acting as trustees under this act shall, at all times,  
43 maintain current account information, without regard to the chosen  
44 method of administration, on all individual development accounts,  
45 which shall include: the individual development account balance, a  
46 time indexed record of deposits and withdrawals made by the account

1 holder and the current match level. Community-based organizations  
2 under this act shall certify to the department that the accounts have  
3 been established pursuant to the provisions of this act in trust for the  
4 account holder in the manner approved by the commissioner.

5 e. A community-based organization establishing an individual  
6 development account shall:

7 (1) sign an agreement with an eligible individual to the effect that  
8 the account shall be kept in the name of the eligible individual as the  
9 account holder and that the eligible individual shall have an officer of  
10 the organization as a trustee of the account;

11 (2) open and keep the account in the name of the eligible  
12 individual, with an officer of the organization as trustee;

13 (3) permit the account holder to deposit earned income, as defined  
14 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
15 which shall be matched by the organization when withdrawn for an  
16 approved expenditure, pursuant to subsection c. of this section;

17 (4) maintain the records of individual development accounts in a  
18 manner that enables the organization to determine the amounts  
19 deposited by the account holder and amounts paid by the organization  
20 as matching funds;

21 (5) require the individual development account to earn a rate of  
22 interest that reasonably reflects the prevailing market rate paid on like  
23 deposits by financial institutions in this State, which shall be credited  
24 to the account holder;

25 (6) permit the account holder, after obtaining the signature of the  
26 trustee, to withdraw moneys from the account for any of the purposes  
27 listed in subsection c. of this section;

28 (7) remit matching funds in the form of a joint check or transfer  
29 of funds made payable to the account holder and the payee of the  
30 approved withdrawal, pursuant to 45 C.F.R. s.263.22 at the time the  
31 account holder withdraws funds for a purpose permitted pursuant to  
32 subsection c. of this section;

33 (8) work with other community-based organizations and State  
34 agencies to coordinate the program with other private and public  
35 programs designed for asset accumulation and self-sufficiency, such as  
36 transportation, child care and health care services, New Jersey  
37 Housing Finance Mortgage and Agency programs, Federal National  
38 Mortgage Association (Fannie Mae) mortgage programs and other  
39 programs under the direction of the Department of Human Services,  
40 such as the Family Loan Pilot Program and Entrepreneur Development  
41 Services Pilot Program;

42 (9) provide financial counseling to account holders and assist them  
43 in establishing a secure, low-risk, effective savings opportunity, for the  
44 purposes of an individual development account, for income that is in  
45 excess of the individual development account maximum match of  
46 \$1,500 per year or income that does not meet the definition of earned

1 income, as defined in paragraph (3) of this subsection, such as federal  
2 and State earned income tax credits, homestead and property tax  
3 rebates, inheritance, monetary damages recovered in a legal  
4 proceeding and income from the sale of an asset. The account shall be  
5 tailored to each account holder's resources and financial goals and  
6 shall be held in a separate account from the individual development  
7 account. Accounts investigated may include money market accounts,  
8 individual retirement accounts, certificates of deposit and individual  
9 development accounts that do not include matching federal or State  
10 funds; and

11 (10) be deemed to have a fiduciary duty with respect to moneys in  
12 an individual development account or reserve fund. The commissioner  
13 may require that an organization post and maintain a fidelity bond or  
14 other security with regard to the position of the organization as  
15 fiduciary for the moneys in an individual development account or  
16 reserve fund.

17

18 6. a. Notwithstanding the provisions of any other law to the  
19 contrary, in the event of the death of the account holder, the  
20 ownership of the individual development account shall be transferred  
21 to the ownership of a contingent beneficiary, which the account holder  
22 shall name at the time the account is established and may change at any  
23 time. If the beneficiary is deceased or otherwise cannot accept the  
24 transfer, the moneys in the individual development account derived  
25 from the account holder's earned income and any interest accrued  
26 thereon shall be transferred to the estate of the account holder.

27 b. If an individual development account is closed pursuant to  
28 subsection a. of this section or an account holder withdraws from the  
29 individual development account program or forfeits his State matching  
30 funds due to an unauthorized withdrawal, any moneys held for  
31 matching funds for that account may be retained in the reserve fund for  
32 reallocation to be used as matching funds for new individual  
33 development accounts.

34

35 7. a. Moneys deposited into or withdrawn from an individual  
36 development account by an account holder pursuant to subsection c.  
37 of section 5 of this act or matched by a community-based organization  
38 pursuant to paragraph (7) of subsection e. of section 5 of this act shall  
39 not be considered gross income otherwise includable as income  
40 pursuant to subsections a., b., k., and p. of N.J.S.54A:5-1.

41 b. Interest earned by an individual development account shall not  
42 be considered gross income otherwise includable as income pursuant  
43 to subsection e. of N.J.S.54A:5-1.

44 c. Monies deposited in an individual development account and the  
45 interest from an individual development account under this act shall  
46 not be taken into account in determining eligibility or the amount of

1 assistance under State and federal means-tested programs pursuant to  
2 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

3

4 8. a. The commissioner shall promulgate regulations pursuant to  
5 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
6 seq.), necessary to effectuate the provisions of this act.

7 b. The commissioner shall consult with the Commissioner of  
8 Human Services regarding the development, operation and  
9 administration of the program and ensuring compliance with 42 U.S.C.  
10 s.604(h) and 45 C.F.R. Part 263 (45 C.F.R. s.263.0 et seq.).

11

12 9. a. The commissioner shall report to the Legislature annually on  
13 the effectiveness of the program in providing eligible individuals in this  
14 State with an opportunity to establish an individual development  
15 account and may include in the report recommendations for change,  
16 if any, to make the program more effective. This report shall be due  
17 within 30 days of the end of the anniversary of the effective date of  
18 this section for each year the program is in operation.

19 b. The Department of Community Affairs shall make available to  
20 the Departments of Labor and Human Services necessary individual  
21 development account statistical and program information in a usable  
22 format and in a timely manner, so that those departments may prepare  
23 federal and other reports.

24

25 10. There is appropriated \$2,000,000 in federal Welfare-to-Work  
26 funds to the Department of Community Affairs for the purpose of  
27 funding the Individual Development Account Fund established  
28 pursuant to section 4 of this act for adults with one or more dependent  
29 children, who are, or except for income and resources would be,  
30 eligible for Work First New Jersey pursuant to P.L.1997, c.38  
31 (C.44:10-55 et seq.). The department is authorized to use other  
32 federal and State funds which may become available for adults without  
33 dependent children.

34

35 11. This act shall take effect on the 180th day following  
36 enactment, except that section 8 shall take effect immediately.



SENATE SENIOR CITIZENS, VETERANS' AFFAIRS AND  
HUMAN SERVICES COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, No. 1472**

**STATE OF NEW JERSEY**

DATED: OCTOBER 19, 2000

The Senate Senior Citizens, Veterans' Affairs and Human Services Committee reports favorably a Senate Committee Substitute for Senate Bill No. 1472.

This Senate Committee Substitute for Senate Bill No. 1472 establishes the "New Jersey Individual Development Account Program" in the Department of Community Affairs.

The program will provide an incentive to low-income families to establish savings accounts. The substitute establishes an Individual Development Account Fund in the department and appropriates to that fund \$2 million in federal Welfare-to-Work funds. The fund will be used to provide grants to community-based organizations selected by the Commissioner of Community Affairs to implement the Individual Development Account Program and to provide matching funds, on a \$1 to \$1 basis, for earned income deposits made by account holders into individual development accounts up to a maximum of \$1,500 per calendar year. Adults in this State with an annual household gross income up to a maximum of 200 percent of the official poverty level, will be eligible to establish individual development accounts, which may be used for any of the three following expenditures: educational costs at an accredited institution of higher education; purchase of a primary residence; and capitalization of a small business.

The approved community-based organizations shall establish the individual development accounts in trust for eligible individuals in financial institutions, which are defined in the substitute as state or federally chartered banks, savings banks, savings and loan associations or credit unions with an office in this State.

The substitute also directs the commissioner to implement the program Statewide by entering into agreements with community-based organizations which shall be selected by the commissioner following the request for proposals from the organizations and the evaluation of the responses of the organizations.

In reviewing the proposals of community-based organizations, the substitute provides that the commissioner shall consider the following

factors: the not-for-profit status of the organization and its fiscal accountability; the ability of the organization to provide its moneys or raise moneys for matching contributions which are in addition to State matching funds; the plan of the organization for the development, implementation and management of the program; the capacity of the organization to provide economic literacy training; the organization's history of working with low-income populations; the target population; the extent to which the organization plans to exceed the minimum 33.3 percent participation requirement by current or former recipients of Work First New Jersey, Aid to Families with Dependent Children or Temporary Assistance for Needy Families benefits; and the length of time of the operation of the program as specified by the organization.

The substitute further provides that upon satisfaction of the community based organization's requirements for economic literacy by an account holder and certification of that fact to the commissioner, the account holder may withdraw moneys for the three permitted expenditures (educational costs at an accredited institution of higher education; purchase of a primary residence; and capitalization of a small business).

In addition, the community based organization establishing the individual development account shall:

- C sign an agreement that the account shall be kept in the name of the eligible individual as the account holder and that an officer of the organization shall be a trustee of the account;
- C open and keep the account in the name of the eligible individual, with an officer of the organization as trustee;
- C permit the account holder to deposit earned income, as defined in 42 U.S.C. s.604(h)(2)(C), into an individual development account which shall be matched by the organization when withdrawn for an approved expenditure;
- C maintain the records of individual development accounts in a manner that enables the organization to determine the amounts deposited by the account holder and amounts paid by the organization as matching funds;
- C require the individual development account to earn a rate of interest that reasonably reflects the prevailing market rate paid on like deposits by financial institutions in this State, which shall be credited to the account holder;
- C permit the account holder, after obtaining the signature of the trustee, to withdraw moneys from the account for any of the approved purposes;
- C remit the \$1 State match for \$1 deposited by the account holder, in the form of a joint check or transfer made payable to the account holder and the payee of the approved withdrawal at the time an account holder withdraws money from the account for a permitted purpose;

- C work with other community-based organizations and State agencies to coordinate the program with other private and public programs designed for asset accumulation and self-sufficiency;
- C provide financial counseling and assist account holders in establishing a secure, low-risk, effective savings opportunity, for the purposes of an individual development account, for income that is in excess of the individual development account maximum match of \$1,500 per-year or income that does not meet the definition of earned income, such as federal and State earned income tax credits, homestead and property tax rebates, inheritance, monetary damages recovered in a legal proceeding and income from the sale of an asset. The account shall be held in a separate account from the individual development account; and
- C be deemed to have a fiduciary duty with respect to moneys in an individual development account or reserve fund. The commissioner may require that an organization post and maintain a fidelity bond or other security with regard to the position of the organization as fiduciary for the moneys in an individual development account or reserve fund.

In the event of the death of the account holder, the individual development account shall be transferred to a contingent beneficiary, which the account holder shall name at the time the account is established and may change at any time. If the beneficiary is deceased or otherwise cannot accept the transfer, the moneys in the individual development account derived from the account holder's earned income and any accrued interest shall be transferred to the estate of the account holder. If the account is closed due to death or if an account holder withdraws from the program or forfeits his State matching funds due to an unauthorized withdrawal, any moneys held for matching funds for that account may be retained in the reserve fund for reallocation to be used as matching funds for new individual development accounts.

The substitute also provides that amounts deposited by the account holder or the community based organization and interest earned on the account are exempt from State income tax. In addition, the monies deposited and interest income from the individual development account, the matching State funds and the moneys withdrawn shall be disregarded in determining eligibility or the amount of assistance for federal or State means-tested programs pursuant to federal law.

Lastly, the substitute appropriates \$2 million in federal Welfare-to-Work funds to the Department of Community Affairs for the purpose of funding the Individual Development Account Fund for adults with one or more dependent children, who are, or except for income or resources would be, eligible for benefits under the Work First New Jersey program. The department is authorized to use other federal and State funds which may become available for adults without dependent children.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1472**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 14, 2000

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1472 (SCS).

This bill establishes the "New Jersey Individual Development Account Program" in the Department of Community Affairs (DCA).

The program will provide an incentive to low-income families to establish savings accounts. The bill establishes in DCA an Individual Development Account Fund and appropriates to that fund \$2 million in federal Welfare-to-Work funds. The fund will be used to provide grants to community-based organizations chosen by the Commissioner of Community Affairs to implement the Individual Development Account Program and to provide matching funds, on a \$1 for \$1 basis, for earned income deposits made by account holders into individual development accounts in amounts of up to \$1,500 per calendar year. Adults in this State with an annual household gross income of up to 200% of the official poverty level will be eligible to establish individual development accounts. Account deposits may be used to

- Ⓒ Pay educational costs at an accredited institution of higher education,
- Ⓒ Purchase a primary residence, or
- Ⓒ Capitalize a small business.

The approved community-based organizations shall establish the individual development accounts in trust for eligible individuals in financial institutions, which are defined in the bill as state or federally chartered banks, savings banks, savings and loan associations or credit unions with an office in this State.

The bill directs the commissioner to implement the program Statewide through agreements with community-based organizations that the commissioner selects on the basis of proposals submitted by the organizations and evaluated by the commissioner. In making the selection, the commissioner is to consider the following factors:

- Ⓒ the not-for-profit status of the organization and its fiscal accountability;
- Ⓒ the ability of the organization to provide or raise funds to match contributions that are in addition to State matching funds;
- Ⓒ the organization's plan for developing, implementing and managing

the program;

- C the organization's capacity to provide economic literacy training;
- C the organization's history of working with low-income populations;
- C the target population;
- C the extent to which the organization plans to exceed the 33.3% minimum participation requirement by current or former recipients of Work First New Jersey, Aid to Families with Dependent Children or Temporary Assistance for Needy Families benefits; and
- C the duration of the program's operation as specified by the organization.

The bill further provides that once an account holder has satisfied the community-based organization's requirements for economic literacy and that fact has been certified to the commissioner, the account holder may withdraw moneys for any of the three permitted types of expenditure itemized above.

In addition, the community-based organization establishing the individual development account shall:

- C sign an agreement that the account shall be kept in the name of the eligible individual as the account holder and that an officer of the organization shall be a trustee of the account;
- C open and keep the account in the name of the eligible individual, with an officer of the organization as trustee;
- C permit the account holder to deposit into the account earned income, as defined in federal law, which deposit shall be matched by the organization when withdrawn for an approved expenditure;
- C maintain the records of individual development accounts in a manner that enables the organization to determine the amounts deposited by the account holder and amounts paid by the organization as matching funds;
- C require the individual development account to earn a rate of interest that reasonably reflects the prevailing market rate paid on like deposits by financial institutions in this State, which interest shall be credited to the account holder;
- C permit the account holder, after obtaining the signature of the trustee, to withdraw moneys from the account for any of the approved purposes;
- C at the time an account holder withdraws money from the account for a permitted purpose, remit the \$1 State match for each \$1 deposited by the account holder, in the form of a check or transfer payable jointly to the account holder and the payee of the amount withdrawn;
- C work with other community-based organizations and State agencies to coordinate the program with other private and public programs designed for asset accumulation and self-sufficiency;
- C provide financial counseling and assist account holders in establishing a secure, low-risk, effective savings opportunity, for the purposes of an individual development account, for income that is in excess of the individual development account maximum match

of \$1,500 per year or income that does not meet the definition of earned income, such as federal and State earned income tax credits, homestead and property tax rebates, inheritance, monetary damages recovered in a legal proceeding and income from the sale of an asset. The account shall be held in a separate account from the individual development account; and

- C be deemed to have a fiduciary duty with respect to moneys in an individual development account or reserve fund. The commissioner may require that an organization post and maintain a fidelity bond or other security with regard to the position of the organization as fiduciary for the moneys in an individual development account or reserve fund.

If the account holder dies, the individual development account shall be transferred to a contingent beneficiary that the account holder shall name at the time the account is established and may change at any time. If the beneficiary is deceased or otherwise cannot accept the transfer, the moneys in the individual development account derived from the account holder's earned income and any accrued interest shall be transferred to the account holder's estate. If the account is closed due to death or if an account holder withdraws from the program or forfeits State matching funds due to an unauthorized withdrawal, any moneys held for matching funds for that account may be retained in the reserve fund for reallocation to be used as matching funds for new individual development accounts.

The bill also provides that amounts deposited by the account holder or the community-based organization and interest earned on the account are exempt from State income tax. In addition, the moneys deposited and interest income from the individual development account, the matching State funds and the moneys withdrawn shall be disregarded in determining eligibility or the amount of assistance for federal or State means-tested programs pursuant to federal law.

#### FISCAL IMPACT

This bill appropriates \$2 million in federal Welfare-to-Work funds to the Department of Community Affairs for the purpose of funding the Individual Development Account Fund for adults with one or more dependent children who are, or except for income or resources would be, eligible for benefits under the Work First New Jersey program. The department is authorized to use other federal and State funds that may become available for adults without dependent children.

STATEMENT TO  
SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, No. 1472**

with Senate Floor Amendments  
(Proposed By Senator DiFRANCESCO)

ADOPTED: FEBRUARY 15, 2001

These amendments provide that the source of the \$2,000,000 in funding for the New Jersey Individual Development Account Program established under the bill is from federal Temporary Assistance to Needy Family funds, rather than from federal Welfare-to-Work funds.

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, No. 1472**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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ADOPTED OCTOBER 19, 2000

**Sponsored by:**

**Senator DONALD T. DIFRANCESCO**

**District 22 (Middlesex, Morris, Somerset and Union)**

**Senator NORMAN M. ROBERTSON**

**District 34 (Essex and Passaic)**

**Co-Sponsored by:**

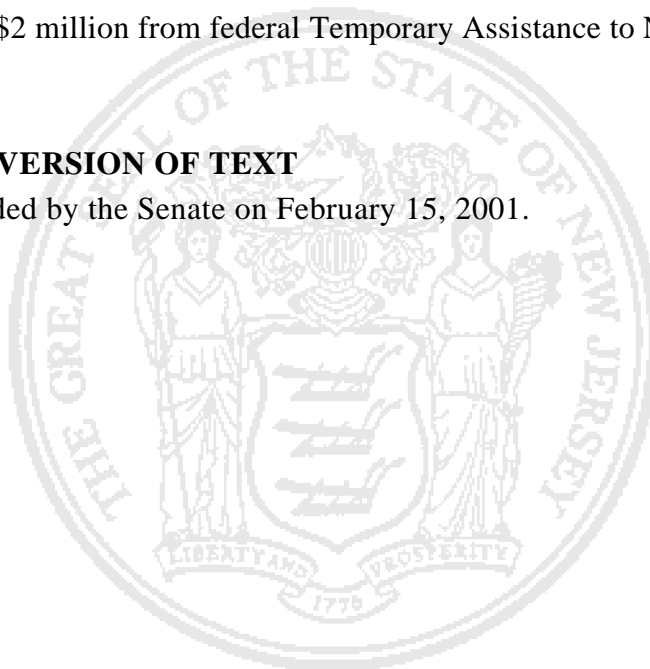
**Senators Inverso, Kenny, Turner, Bryant, Rice, McNamara, Vitale,  
Bucco, Kosco, Cafiero, Allen, Matheussen, Zane, Palaia and Sinagra**

**SYNOPSIS**

Establishes the "New Jersey Individual Development Account Program," appropriates \$2 million from federal Temporary Assistance to Needy Families funds.

**CURRENT VERSION OF TEXT**

As amended by the Senate on February 15, 2001.



**(Sponsorship Updated As Of: 3/30/2001)**



1 **AN ACT** concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12 (1) Economic well-being does not come solely from income,  
13 spending and consumption, but also requires savings, investment and  
14 accumulation of assets, since assets can improve economic stability,  
15 connect people with a viable and hopeful future, stimulate  
16 development of human and other capital, yield personal and social  
17 dividends and enhance the welfare of offspring.

18 (2) With the enactment of the "Work First New Jersey Act,"  
19 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
20 emphasizing moving people off of public assistance and into  
21 employment, there is an urgent need to provide incentives for savings  
22 accounts that will complement and stabilize the movement of people  
23 from public assistance and into employment.

24 (3) Income-based social policy should be complemented with  
25 asset-based social policy, because while income-based policies ensure  
26 that consumption needs, including food, child care, rent, clothing and  
27 health care are met, asset-based policies provide the means to achieve  
28 some degree of economic self-sufficiency.

29 (4) The State of New Jersey should develop policies, such as  
30 individual development accounts, that promote higher rates of personal  
31 savings and net private domestic investment.

32 b. It is the intent of the Legislature, therefore, to provide for the  
33 establishment of individual development accounts which accounts are  
34 designed to:

35 (1) provide individuals and families, especially those with limited  
36 means, an opportunity to accumulate assets;

37 (2) facilitate and mobilize savings;

38 (3) promote education, home ownership and micro enterprise  
39 development; and

40 (4) stabilize families and build communities.

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

**<sup>1</sup> Senate floor amendments adopted February 15, 2001.**

1       3. As used in this act:

2       "Account holder" means a person who is the owner of an individual  
3 development account.

4       "Commissioner" means the Commissioner of Community Affairs.

5       "Community-based organization" means a not-for-profit  
6 organization described in section 501(c)(3) of the Internal Revenue  
7 Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt from taxation under  
8 section 501(a) of the Internal Revenue Code of 1986 (26 U.S.C. s.501  
9 (a)), that is approved by the commissioner to implement the New  
10 Jersey Individual Development Account Program established under  
11 this act.

12       "Department" means the Department of Community Affairs.

13       "Economic literacy" means a basic understanding of budgets and  
14 savings accounts, credit and interest and how to use financial services;  
15 and having a savings plan and using it to reach the account holder's  
16 savings goal for an individual development account.

17       "Eligible individual" means an adult with an annual household  
18 gross income up to a maximum of 200 percent of the official poverty  
19 level.

20       "Financial institution" means a state or federally chartered bank,  
21 savings bank, savings and loan association or credit union with an  
22 office in this State.

23       "Fund" means the Individual Development Account Fund  
24 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
25 (45 C.F.R. s.263.0 et seq.).

26       "Individual development account" means an account established  
27 pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45 C.F.R.  
28 s.263.0 et seq.) in trust for an eligible individual that is a trust account  
29 pursuant to the "Multiple-party Deposit Account Act," P.L.1979,  
30 c.491 (C.17:16I-1 et seq.).

31       "Program" means the New Jersey Individual Development Account  
32 Program established pursuant to the provisions of this act.

33       "Program contributor" means a person or entity who makes a  
34 contribution to an individual development account reserve fund,  
35 except that "program contributor" does not mean the account holder.

36       "Reserve fund" means the individual development account reserve  
37 fund created by a community-based organization for the purposes of:  
38 funding the costs incurred in the administration of the program;  
39 receiving matching funds from the State; and providing matching funds  
40 for individual development accounts pursuant to section 5 of this act.

41

42       4. a. The New Jersey Individual Development Account Program  
43 is hereby established within the Department of Community Affairs.  
44 The purpose of this program shall be to provide each eligible  
45 individual in this State with an opportunity to establish an individual  
46 development account in a financial institution, to the extent funding

1 will permit. The individual development account may be used for any  
2 of the purposes specified under subsection c. of section 5 of this act.

3 b. There is established in the department, the Individual  
4 Development Account Fund. This fund shall be used by the  
5 commissioner to provide:

6 (1) grants to community-based organizations selected by the  
7 commissioner to participate in the program; and

8 (2) a State match of one dollar for every one dollar of earned  
9 income deposited into an individual<sup>1</sup> [~~deposit~~] development<sup>1</sup> account  
10 by the account holder, except that the maximum amount provided as  
11 a match per individual development account per calendar year shall be  
12 \$1,500. The earned income deposited into an individual development  
13 account shall not be deposited on behalf of the account holder by a  
14 third party.

15 Community-based organizations may raise additional, non-federal  
16 or State funds to increase the State match rate and the State maximum  
17 annual match amount.

18 c. The commissioner shall implement this program by entering into  
19 agreements with community-based organizations which the  
20 commissioner shall select through a request for proposal process,  
21 pursuant to the provisions of P.L.1987, c.7 (C.52:14-34.4 et seq.).

22 d. In reviewing the proposals of community-based organizations,  
23 the commissioner shall consider the following factors:

24 (1) the not-for-profit status of the organization;

25 (2) the fiscal accountability of the organization;

26 (3) the ability of the organization to provide its moneys or raise  
27 moneys from program contributors for matching contributions which  
28 are in addition to State matching funds;

29 (4) the plan of the organization for the development,  
30 implementation and management of an individual development account  
31 program;

32 (5) the capacity of the organization to provide economic literacy  
33 training, either directly or through another provider;

34 (6) the organization's history of working with low-income  
35 populations;

36 (7) the target population and the extent to which the organization  
37 plans to exceed the 33.3 percent minimum participation under this act  
38 by current or former Work First New Jersey recipients pursuant to  
39 P.L.1997, c.38 (C.44:10-55 et seq.), or Aid to Families with  
40 Dependent Children recipients or Temporary Assistance for Needy  
41 Families recipients pursuant to 42 U.S.C. s.601 et seq.; and

42 (8) the length of time<sup>1,1</sup> in months and years, of the operation of  
43 the program<sup>1,1</sup> taking into account the resources that are available to  
44 the organization.

45 e. (1) The commissioner shall select community-based  
46 organizations and enter into a contract for services with each

1 organization selected that requires the organization to establish and  
2 maintain an individual development account reserve fund and work  
3 with each eligible individual and any local financial institution to  
4 establish an individual development account, among other services to  
5 be provided for eligible individuals and their households, if any.

6 (2) The commissioner shall have the discretion to disburse moneys  
7 from the fund in a manner and an amount the commissioner deems  
8 appropriate and consistent with the community-based organization's  
9 contract for services and proposal selected pursuant to this subsection  
10 and subsections c., d. and f. of this section.

11 f. (1) No more than 10 percent of the federal <sup>1</sup>[Welfare-to-  
12 Work] Temporary Assistance for Needy Families<sup>1</sup> funds under this act  
13 may be used for administrative purposes by a community-based  
14 organization selected to participate in the program.

15 (2) No more than 10 percent of the federal <sup>1</sup>[Welfare-to-Work]  
16 Temporary Assistance for Needy Families<sup>1</sup> funds under this act may  
17 be used to provide economic literacy training and one-on-one financial  
18 counseling to account holders by an organization selected to  
19 participate in the program.

20 g. At all times, a minimum of 33.3 percent of the account holders  
21 participating in the program shall be current or former Work First New  
22 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.) or  
23 Aid to Families with Dependent Children recipients or Temporary  
24 Assistance for Needy Families recipients pursuant to 42 U.S.C. s.601  
25 et seq., unless otherwise authorized by the commissioner.

26  
27 5. a. An eligible individual may, in agreement with a community-  
28 based organization selected by the commissioner pursuant to section  
29 4 of this act, open an individual development account for the purpose  
30 of accumulating and withdrawing moneys for specified expenditures  
31 pursuant to this section. Upon satisfaction of the organization's  
32 requirements for economic literacy by an account holder, the  
33 organization shall certify to the commissioner that the account holder  
34 may withdraw moneys from the account on the approval of the  
35 organization, without penalty, for any of the expenditures listed in  
36 subsection c. of this section.

37 b. The commissioner shall establish by regulation:

38 (1) the minimum monthly deposit amount that each account holder  
39 shall be required to maintain and the maximum monthly deposit  
40 amount that each account holder shall be permitted to make, during  
41 their participation in the program;

42 (2) the minimum time period the account holder shall maintain an  
43 individual development account, pursuant to section 4 of this act, in  
44 order to be eligible to withdraw the moneys deposited and receive the  
45 State matching funds, pursuant to this subsection and subsections c.,  
46 d. and e. of this section;

1 (3) the prior notice of the account holder's intent to, and purpose  
2 for, withdrawing individual development account funds and the  
3 minimum time period that an account holder shall give notice to the  
4 individual development account trustee community-based organization  
5 prior to an approved withdrawal in order to be eligible to receive State  
6 matching funds pursuant to this subsection and subsections c., d. and  
7 e. of this section; and

8 (4) the maximum length of time an account holder may participate  
9 in the program.

10 c. Upon satisfaction of the provisions of subsections a. and b. of  
11 this section by the community-based organization:

12 (1) the account holder may, upon the approval of the community-  
13 based organization, withdraw moneys from the account holder's  
14 individual development account in the form of a joint check or transfer  
15 of funds made payable to the account holder and the payee of the  
16 approved withdrawal, pursuant to 45 C.F.R. s.263.22, for any of the  
17 following purposes:

18 (a) post-secondary educational expenses as defined in 42 U.S.C.  
19 s.604(h)(5) and 45 C.F.R. s.263.20;

20 (b) qualified acquisition costs of a primary residence as defined in  
21 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

22 (c) qualified business capitalization expenses, as defined in  
23 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

24 (2) if the account holder withdraws any moneys from the account  
25 and uses those moneys, or any part of those moneys, for a purpose  
26 other than that permitted pursuant to this subsection, the account  
27 holder shall forfeit all matching funds associated with the unapproved  
28 withdrawal. The account holder shall receive only the moneys which  
29 the account holder has deposited into the account.

30 (3) the commissioner, in consultation with the Commissioner of  
31 Human Services, shall establish procedures to ensure that funds held  
32 in an individual development account under this act are withdrawn for  
33 qualified purposes only, as defined in this subsection. Penalties for  
34 unapproved withdrawals may include taxing the withdrawal as income  
35 and, as applicable, including the withdrawal as income or resources  
36 in determining eligibility for federal and State public assistance  
37 pursuant to 45 C.F.R. s.263.23.

38 d. Community-based organizations approved by the department  
39 shall establish an individual development account in trust for an  
40 eligible individual in a financial institution as required pursuant to this  
41 act. Organizations may, with the approval of the commissioner,  
42 employ methods to maximize the efficiency of multiple individual  
43 development accounts, such as pooling deposits into a single account  
44 held by the financial institution, with individual account information  
45 maintained by the organization. In addition, with the approval of the  
46 commissioner, organizations shall develop an efficient means of

1 providing the match portion of an individual development account,  
2 such as matching deposits at the time of approved withdrawal only.  
3 Organizations acting as trustees under this act shall, at all times,  
4 maintain current account information, without regard to the chosen  
5 method of administration, on all individual development accounts,  
6 which shall include: the individual development account balance, a  
7 time indexed record of deposits and withdrawals made by the account  
8 holder and the current match level. Community-based organizations  
9 under this act shall certify to the department that the accounts have  
10 been established pursuant to the provisions of this act in trust for the  
11 account holder in the manner approved by the commissioner.

12 e. A community-based organization establishing an individual  
13 development account shall:

14 (1) sign an agreement with an eligible individual to the effect that  
15 the account shall be kept in the name of the eligible individual as the  
16 account holder and that the eligible individual shall have an officer of  
17 the organization as a trustee of the account;

18 (2) open and keep the account in the name of the eligible  
19 individual, with an officer of the organization as trustee;

20 (3) permit the account holder to deposit earned income, as defined  
21 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
22 which shall be matched by the organization when withdrawn for an  
23 approved expenditure, pursuant to subsection c. of this section;

24 (4) maintain the records of individual development accounts in a  
25 manner that enables the organization to determine the amounts  
26 deposited by the account holder and amounts paid by the organization  
27 as matching funds;

28 (5) require the individual development account to earn a rate of  
29 interest that reasonably reflects the prevailing market rate paid on like  
30 deposits by financial institutions in this State, which shall be credited  
31 to the account holder;

32 (6) permit the account holder, after obtaining the signature of the  
33 trustee, to withdraw moneys from the account for any of the purposes  
34 listed in subsection c. of this section;

35 (7) remit matching funds in the form of a joint check or transfer  
36 of funds made payable to the account holder and the payee of the  
37 approved withdrawal, pursuant to 45 C.F.R. s.263.22 at the time the  
38 account holder withdraws funds for a purpose permitted pursuant to  
39 subsection c. of this section;

40 (8) work with other community-based organizations and State  
41 agencies to coordinate the program with other private and public  
42 programs designed for asset accumulation and self-sufficiency, such as  
43 transportation, child care and health care services, New Jersey  
44 Housing and Mortgage Finance Agency programs, Federal National  
45 Mortgage Association (Fannie Mae) mortgage programs and other  
46 programs under the direction of the Department of Human Services,

1 such as the Family Loan Pilot Program and Entrepreneur Development  
2 Services Pilot Program;

3 (9) provide financial counseling to account holders and assist them  
4 in establishing a secure, low-risk, effective savings opportunity, for the  
5 purposes of an individual development account, for income that is in  
6 excess of the individual development account maximum match of  
7 \$1,500 per year or income that does not meet the definition of earned  
8 income, as defined in paragraph (3) of this subsection, such as federal  
9 and State earned income tax credits, homestead and property tax  
10 rebates, inheritance, monetary damages recovered in a legal  
11 proceeding and income from the sale of an asset. The account shall be  
12 tailored to each account holder's resources and financial goals and  
13 shall be held in a separate account from the individual development  
14 account. Accounts investigated may include money market accounts,  
15 individual retirement accounts, certificates of deposit and individual  
16 development accounts that do not include matching federal or State  
17 funds; and

18 (10) be deemed to have a fiduciary duty with respect to moneys in  
19 an individual development account or reserve fund. The commissioner  
20 may require that an organization post and maintain a fidelity bond or  
21 other security with regard to the position of the organization as  
22 fiduciary for the moneys in an individual development account or  
23 reserve fund.

24  
25 6. a. Notwithstanding the provisions of any other law to the  
26 contrary, in the event of the death of the account holder, the  
27 ownership of the individual development account shall be transferred  
28 to the ownership of a contingent beneficiary, which the account holder  
29 shall name at the time the account is established and may change at any  
30 time. If the beneficiary is deceased or otherwise cannot accept the  
31 transfer, the moneys in the individual development account derived  
32 from the account holder's earned income and any interest accrued  
33 thereon shall be transferred to the estate of the account holder.

34 b. If an individual development account is closed pursuant to  
35 subsection a. of this section or an account holder withdraws from the  
36 individual development account program or forfeits his State matching  
37 funds due to an unauthorized withdrawal, any moneys held for  
38 matching funds for that account may be retained in the reserve fund for  
39 reallocation to be used as matching funds for new individual  
40 development accounts.

41  
42 7. a. Moneys deposited into or withdrawn from an individual  
43 development account by an account holder pursuant to subsection c.  
44 of section 5 of this act or matched by a community-based organization  
45 pursuant to paragraph (7) of subsection e. of section 5 of this act shall  
46 not be considered gross income otherwise includable as income

1 pursuant to subsections a., b., k., and p. of N.J.S.54A:5-1.

2 b. Interest earned by an individual development account shall not  
3 be considered gross income otherwise includable as income pursuant  
4 to subsection e. of N.J.S.54A:5-1.

5 c. Monies deposited in an individual development account and the  
6 interest from an individual development account under this act shall  
7 not be taken into account in determining eligibility or the amount of  
8 assistance under State and federal means-tested programs pursuant to  
9 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

10

11 8. a. The commissioner shall promulgate regulations pursuant to  
12 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
13 seq.), necessary to effectuate the provisions of this act.

14 b. The commissioner shall consult with the Commissioner of  
15 Human Services regarding the development, operation and  
16 administration of the program and ensuring compliance with 42 U.S.C.  
17 s.604(h) and 45 C.F.R. Part 263 (45 C.F.R. s.263.0 et seq.).

18

19 9. a. The commissioner shall report to the Legislature annually on  
20 the effectiveness of the program in providing eligible individuals in this  
21 State with an opportunity to establish an individual development  
22 account and may include in the report recommendations for change,  
23 if any, to make the program more effective. This report shall be due  
24 within 30 days of the end of the anniversary of the effective date of  
25 this section for each year the program is in operation.

26 b. The Department of Community Affairs shall make available to  
27 the Departments of Labor and Human Services necessary individual  
28 development account statistical and program information in a usable  
29 format and in a timely manner, so that those departments may prepare  
30 federal and other reports.

31

32 10. <sup>1</sup>[There] Upon certification by the Director of the Division of  
33 Budget and Accounting in the State Department of the Treasury that  
34 federal funds to support the expenditure are available, there<sup>1</sup> is  
35 appropriated \$2,000,000 in federal <sup>1</sup>[Welfare-to-Work] Temporary  
36 Assistance for Needy Families<sup>1</sup> funds to the Department of Community  
37 Affairs for the purpose of funding the Individual Development  
38 Account Fund established pursuant to section 4 of this act for adults  
39 with one or more dependent children, who are, or except for income  
40 and resources would be, eligible for Work First New Jersey pursuant  
41 to P.L.1997, c.38 (C.44:10-55 et seq.). The department is authorized  
42 to use other federal and State funds which may become available for  
43 adults without dependent children.

44

45 11. This act shall take effect on the 180th day following  
46 enactment, except that section 8 shall take effect immediately.



§§1-9  
C.44:10-86 to  
44:10-94  
§10  
Approp.  
§11  
Note to §§1-10

P.L. 2001, CHAPTER 93, *approved May 10, 2001*  
Assembly Committee Substitute (*Second Reprint*) for  
Assembly, No. 2143

1 AN ACT concerning individual development accounts, supplementing  
2 chapter 10 of Title 44 of the Revised Statutes and making an  
3 appropriation.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. This act shall be known and may be cited as the "New Jersey  
9 Individual Development Account Act."

10

11 2. a. The Legislature finds and declares that:

12 (1) Economic well-being does not come solely from income,  
13 spending <sup>1</sup>[,]<sup>1</sup> and consumption, but also requires savings, investment  
14 <sup>1</sup>[,]<sup>1</sup> and accumulation of assets, since assets can improve economic  
15 stability, connect people with a viable and hopeful future, stimulate  
16 development of human and other capital, yield personal and social  
17 dividends <sup>1</sup>[,]<sup>1</sup> and enhance the welfare of offspring.

18 (2) With the enactment of the "Work First New Jersey Act,"  
19 P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation,  
20 emphasizing moving people off of public assistance and into  
21 employment, there is an urgent need to provide incentives for savings  
22 accounts that will complement and stabilize the movement of people  
23 from public assistance and into employment.

24 (3) Income-based social policy should be complemented with  
25 asset-based social policy, because while income-based policies ensure  
26 that consumption needs, including food, child care, rent, clothing and  
27 health care are met, asset-based policies provide the means to achieve  
28 some degree of economic self-sufficiency.

29 (4) The State of New Jersey should develop policies, such as  
30 individual development accounts, that promote higher rates of personal  
31 savings and net private domestic investment.

32 b. It is the intent of the Legislature, therefore, to provide for the  
33 establishment of <sup>1</sup>[Individual Development Accounts (IDAs)]

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Assembly floor amendments adopted October 30, 2000.

<sup>2</sup> Senate floor amendments adopted March 26, 2001.

- 1 individual development accounts<sup>1</sup> which accounts are designed to:
- 2 (1) provide individuals and families, especially those with limited
- 3 means, an opportunity to accumulate assets;
- 4 (2) facilitate and mobilize savings;
- 5 (3) promote education, home ownership and micro enterprise
- 6 development; and
- 7 (4) stabilize families and build communities.

8

9 3. As used in this act:

10 "Account holder" means a person who is the owner of an individual

11 development account.

12 "Commissioner" means the Commissioner of Community Affairs.

13 "<sup>1</sup>~~Community based~~ Community-based<sup>1</sup> organization" means a

14 not-for-profit organization described in section 501(c)(3) of the

15 Internal Revenue Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt

16 from taxation under section 501(a) of the Internal Revenue Code of

17 1986 (26 U.S.C. s.501 (a)), that is approved by the commissioner to

18 implement the New Jersey Individual Development Account Program

19 established under this act.

20 "Department" means the Department of Community Affairs.

21 "Economic literacy" means a basic understanding of budgets and

22 savings accounts, credit and interest and how to use financial services;

23 and having a savings plan and using it to reach the account holder's

24 savings goal for an individual development account.

25 "Eligible individual" means an adult with an annual household

26 gross income up to a maximum of 200 percent of the official poverty

27 level.

28 "Financial institution" means a state or federally chartered bank,

29 savings bank, savings and loan association or credit union with an

30 office in this State <sup>1</sup>~~or an entity which is a member of the Securities~~

31 Investor Protection Corporation established pursuant to the "Securities

32 Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq]<sup>1</sup>.

33 "Fund" means the Individual Development Account Fund

34 established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263

35 (45 C.F.R. s.263.0 et seq.).

36 "Individual development account" means <sup>1</sup>~~a financial instrument~~

37 an account<sup>1</sup> established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R.

38 Part 263 (45 C.F.R. s.263.0 et seq.) <sup>1</sup>in trust for an eligible individual

39 that is a trust account pursuant to the "Multiple-party Deposit

40 Account Act," P.L.1979, c.491 (C.17:16I-1 et seq.)<sup>1</sup>.

41 "Program" means the New Jersey Individual Development Account

42 Program established pursuant to the provisions of this act.

43 "Program contributor" means a person or entity who makes a

44 contribution to an individual development account reserve fund,

45 except that "program contributor" does not mean the account holder.

46 "Reserve fund" means the individual development account reserve

1 fund created by a <sup>1</sup>[community based] community-based<sup>1</sup> organization  
2 for the purposes of: funding the costs incurred in the administration of  
3 the program; receiving matching funds from the State; and providing  
4 matching funds for individual development accounts pursuant to  
5 section 5 of this act.

6

7 4. a. The New Jersey Individual Development Account Program  
8 is hereby established within the Department of Community Affairs.  
9 The purpose of this program shall be to provide each eligible  
10 individual in this State with an opportunity to establish an individual  
11 development account <sup>1</sup>in a financial institution<sup>1</sup>, to the extent funding  
12 will permit. The individual development account may be used for any  
13 of the purposes specified under subsection c. of section 5 of  
14 <sup>1</sup>[P.L. , c. (C. )(now pending before the Legislature as this  
15 bill)] this act<sup>1</sup>.

16 b. There is established in the department, the Individual  
17 Development Account Fund. This fund shall be used by the  
18 commissioner to provide:

19 (1) grants to <sup>1</sup>[community based] community-based<sup>1</sup> organizations  
20 selected by the commissioner to participate in the <sup>1</sup>[Individual  
21 Development Account Program] program<sup>1</sup>; and

22 (2) a State match of one dollar for every one dollar of earned  
23 income deposited into an individual <sup>1</sup>[deposit] development<sup>1</sup> account  
24 by the account holder, except that the maximum amount provided as  
25 a match per individual development account per calendar year shall be  
26 \$1,500. <sup>1</sup>[Community based organizations may raise additional, non-  
27 federal or State funds to increase the State match rate and the State  
28 maximum annual match amount.]<sup>1</sup> The earned income deposited into  
29 an individual development account <sup>1</sup>[may] shall<sup>1</sup> not be deposited on  
30 behalf of the account holder by a third party.

31 <sup>1</sup>Community-based organizations may raise additional, non-federal  
32 or State funds to increase the State match rate and the State maximum  
33 annual match amount.<sup>1</sup>

34 c. The commissioner shall implement this program by entering into  
35 agreements with <sup>1</sup>[community based] community-based<sup>1</sup>  
36 organizations which the commissioner shall select through a request  
37 for proposal process, pursuant to the provisions of P.L.1987, c.7  
38 (C.52:14-34.4 et seq.).

39 d. In reviewing the proposals of <sup>1</sup>[community based] community-  
40 based<sup>1</sup> organizations, the commissioner shall consider the following  
41 factors:

42 (1) the not-for-profit status of the <sup>1</sup>[community based]<sup>1</sup>  
43 organization;

44 (2) the fiscal accountability of the <sup>1</sup>[community based]<sup>1</sup>  
45 organization;

46 (3) the ability of the <sup>1</sup>[community based]<sup>1</sup> organization to provide

1 its moneys or raise moneys from program contributors for matching  
2 contributions which are in addition to State matching funds;

3 (4) the plan of the <sup>1</sup>[community based]<sup>1</sup> organization for the  
4 development, implementation and management of an individual  
5 development account program;

6 (5) the capacity of the <sup>1</sup>[community based]<sup>1</sup> organization to  
7 provide economic literacy training, either directly or through another  
8 provider;

9 (6) the <sup>1</sup>[community based]<sup>1</sup> organization's history of working  
10 with low-income populations;

11 (7) the target population and the extent to which the <sup>1</sup>[community  
12 based]<sup>1</sup> organization plans to exceed the 33.3 percent minimum  
13 participation under this act by current or former Work First New  
14 Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.), or  
15 Aid to Families with Dependent Children <sup>1</sup>[Recipients] recipients<sup>1</sup> or  
16 Temporary Assistance for Needy Families recipients pursuant to  
17 42 U.S.C. s.601 et seq.; and

18 (8) the length of time <sup>2,2</sup> in months and years, of the operation of  
19 the program <sup>2,2</sup> taking into account the resources that are available to  
20 the <sup>1</sup>[community based]<sup>1</sup> organization.

21 e. (1) The commissioner shall select <sup>1</sup>[community based]  
22 community-based<sup>1</sup> organizations and enter into a contract for services  
23 with each <sup>1</sup>[community based]<sup>1</sup> organization selected that requires the  
24 <sup>1</sup>[community based]<sup>1</sup> organization to establish and maintain an  
25 individual development account reserve fund and work with each  
26 eligible individual and any local financial institution to establish an  
27 individual development account, among other services to be provided  
28 for eligible individuals and their households, if any.

29 (2) The commissioner shall have the discretion to disburse moneys  
30 from the fund in a manner and an amount the commissioner deems  
31 appropriate and consistent with the <sup>1</sup>[community based] community-  
32 based<sup>1</sup> organization's contract for services and proposal selected  
33 pursuant to <sup>1</sup>this subsection and<sup>1</sup> subsections c., d. <sup>1</sup>[, e.,]<sup>1</sup> and f. of  
34 this section.

35 f. (1) No more than 10 percent of the federal <sup>2</sup>[Welfare-to-  
36 Work] Temporary Assistance for Needy Families<sup>2</sup> funds under this act  
37 may be used for administrative purposes by a <sup>1</sup>[community based]  
38 community-based<sup>1</sup> organization selected to participate in the  
39 <sup>1</sup>[Individual Development Account Program] program<sup>1</sup>.

40 (2) No more than 10 percent of the federal <sup>2</sup>[Welfare-to-Work]  
41 Temporary Assistance for Needy Families<sup>2</sup> funds under this act may  
42 be used to provide economic literacy training and one-on-one financial  
43 counseling to account holders by <sup>1</sup>[a community based] an<sup>1</sup>  
44 organization selected to participate in the <sup>1</sup>[Individual Development  
45 Account Program] program<sup>1</sup>.

46 g. At all times <sup>1,1</sup> a minimum of 33.3 percent of the account

1 holders participating in the <sup>1</sup>[Individual Development Account  
2 Program] <sup>1</sup>program<sup>1</sup> shall be current or former Work First New Jersey  
3 recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.) or Aid to  
4 Families with Dependent Children <sup>1</sup>[Recipients] recipients<sup>1</sup> or  
5 Temporary Assistance for Needy Families recipients pursuant to  
6 42 U.S.C. s.601 et seq., unless otherwise authorized by the  
7 commissioner.

8

9 5. a. An eligible individual may, in agreement with a <sup>1</sup>[community  
10 based] community-based<sup>1</sup> organization selected by the commissioner  
11 pursuant to section 4 of <sup>1</sup>[P.L. , c. (C. )(now pending before  
12 the Legislature as this bill)] this act<sup>1</sup>, open an individual development  
13 account for the purpose of accumulating and withdrawing moneys for  
14 specified expenditures pursuant to <sup>1</sup>[subsections a., b., c., d., and e.  
15 of]<sup>1</sup> this section. Upon satisfaction of the <sup>1</sup>[community based]<sup>1</sup>  
16 organization's requirements for economic literacy by an account  
17 holder, the <sup>1</sup>[community based]<sup>1</sup> organization shall certify to the  
18 commissioner that the account holder may withdraw moneys from the  
19 account on the approval of the <sup>1</sup>[community based]<sup>1</sup> organization,  
20 without penalty, for any of the expenditures listed in subsection c. of  
21 this section.

22 b. The commissioner shall establish by regulation:

23 (1) the minimum monthly deposit amount that each account holder  
24 shall be required to maintain and the maximum monthly deposit  
25 amount that each account holder shall be permitted to make, during  
26 their participation in the <sup>1</sup>[Individual Development Account Program  
27 established pursuant to this act] program<sup>1</sup>;

28 (2) the minimum time period the account holder shall maintain an  
29 individual development account, pursuant to section 4 of <sup>1</sup>[P.L. , c.  
30 (C. )(now pending before the Legislature as this bill)] this act<sup>1</sup>,  
31 in order to be eligible to withdraw the moneys deposited and receive  
32 the State matching funds, pursuant to <sup>1</sup>this subsection and<sup>1</sup>  
33 subsections <sup>1</sup>[b.,] <sup>1</sup>c., d. <sup>1</sup>[,] <sup>1</sup>and e. of this section;

34 (3) the prior notice of the account holder's intent to, and purpose  
35 for, withdrawing individual development account funds and the  
36 minimum time period that an account holder shall give notice to the  
37 individual development account <sup>1</sup>[cosignatory community based]  
38 trustee community-based<sup>1</sup> organization prior to an approved  
39 withdrawal in order to be eligible to receive State matching funds  
40 pursuant to <sup>1</sup>this subsection and<sup>1</sup> subsections <sup>1</sup>[b.,] <sup>1</sup>c., d. <sup>1</sup>[,] <sup>1</sup>and  
41 e. of this section; and

42 (4) the maximum length of time an account holder may participate  
43 in the <sup>1</sup>[Individual Development Account Program] program<sup>1</sup>.

44 c. Upon satisfaction of the provisions of subsections a. and b. of  
45 this section by the <sup>1</sup>[community based] community-based<sup>1</sup>

1 organization:

2 (1) <sup>1</sup>[The] the<sup>1</sup> account holder may, upon the approval of the  
3 <sup>1</sup>[community based] community-based<sup>1</sup> organization, withdraw  
4 moneys from the account holder's individual development account in  
5 the form of a joint check or transfer of funds made payable to the  
6 account holder and the <sup>1</sup>[respective party] payee<sup>1</sup> of the approved  
7 withdrawal, pursuant to 45 C.F.R. s.263.22, for any of the following  
8 purposes:

9 (a) post-secondary educational expenses as defined in 42 U.S.C.  
10 s.604(h)(5) and 45 C.F.R. s.263.20;

11 (b) qualified acquisition costs of a primary residence as defined in  
12 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

13 (c) qualified business capitalization expenses, as defined in  
14 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

15 (2) <sup>1</sup>[If] if<sup>1</sup> the account holder withdraws any moneys from the  
16 account and uses those moneys, or any part of those moneys, for a  
17 purpose other than that permitted pursuant to <sup>1</sup>[subsection c. of]<sup>1</sup>  
18 this <sup>1</sup>[section] subsection<sup>1</sup>, the account holder shall forfeit all  
19 matching funds associated with the unapproved withdrawal. The  
20 account holder shall receive only the moneys which the account holder  
21 has deposited into the account.

22 (3) <sup>1</sup>[The] the<sup>1</sup> commissioner, in consultation with the  
23 Commissioner of Human Services, shall establish procedures to ensure  
24 that funds held in an individual development account under this act are  
25 withdrawn for qualified purposes only, as defined in <sup>1</sup>[subsection c.  
26 of]<sup>1</sup> this <sup>1</sup>[section] subsection<sup>1</sup>. Penalties for unapproved  
27 withdrawals may include taxing the withdrawal as income and, as  
28 applicable, including the withdrawal as income or resources in  
29 determining eligibility for federal and State public assistance pursuant  
30 to 45 C.F.R. s.263.23.

31 d. <sup>1</sup>[Community based] Community-based <sup>1</sup>organizations  
32 approved by the department shall establish an individual development  
33 account in trust<sup>1</sup> for an eligible individual in a financial institution as  
34 required pursuant to this act. <sup>1</sup>[Community based organizations]  
35 Organizations<sup>1</sup> may, with the approval of the commissioner, employ  
36 methods to maximize the efficiency of multiple individual development  
37 accounts, such as pooling deposits into a single account held by the  
38 financial institution, with individual account information maintained by  
39 the <sup>1</sup>[community based]<sup>1</sup> organization. In addition, with the approval  
40 of the commissioner, <sup>1</sup>[community based]<sup>1</sup> organizations <sup>1</sup>[may]  
41 shall<sup>1</sup> develop an efficient means of providing the match portion of an  
42 individual development account, such as matching deposits at the time  
43 of approved withdrawal only. <sup>1</sup>[Community based organizations]  
44 Organizations acting as trustees<sup>1</sup> under this act shall, at all times,  
45 maintain current account information, without regard to the chosen

1 method of administration, on all individual development accounts,  
2 which shall include: the individual development account balance, a  
3 time indexed record of deposits and withdrawals made by the account  
4 holder and the current match level. <sup>1</sup>[Community based] Community-  
5 based<sup>1</sup> organizations under this act shall certify to the department that  
6 the accounts have been established pursuant to the provisions of this  
7 act <sup>1</sup>[on behalf of] in trust for<sup>1</sup> the account holder in the manner  
8 approved by the commissioner.

9 e. A <sup>1</sup>[community based] community-based<sup>1</sup> organization  
10 establishing an individual development account shall:

11 (1) sign an agreement with an eligible individual to the effect that  
12 the account shall be kept in the name of the eligible individual as the  
13 account holder and that the eligible individual shall have an officer of  
14 the <sup>1</sup>[community based]<sup>1</sup> organization as a <sup>1</sup>[co-signor on] trustee  
15 of<sup>1</sup> the account;

16 (2) open and keep the account in the name of the eligible  
17 individual, with an officer of the <sup>1</sup>[community based]<sup>1</sup> organization as  
18 <sup>1</sup>[co-signor] trustee<sup>1</sup>;

19 (3) permit the account holder to deposit earned income, as defined  
20 in 42 U.S.C. s.604(h)(2)(C), into an individual development account  
21 which <sup>1</sup>[will] shall<sup>1</sup> be matched by the <sup>1</sup>[community based] <sup>1</sup>  
22 organization when withdrawn for an approved expenditure, pursuant  
23 to subsection c. of this section;

24 (4) maintain the records of individual development accounts in a  
25 manner that enables the <sup>1</sup>[community based] <sup>1</sup> organization to  
26 determine the amounts deposited by the account holder and amounts  
27 paid by the <sup>1</sup>[community based]<sup>1</sup> organization as matching funds;

28 (5) require the individual development account to earn <sup>1</sup>[at least  
29 the market] a<sup>1</sup> rate of interest that reasonably reflects the prevailing  
30 market rate paid on like deposits by financial institutions in this State<sup>1</sup>,  
31 which shall be <sup>1</sup>[paid] credited<sup>1</sup> to the account holder;

32 (6) permit the account holder, after obtaining the signature of the  
33 <sup>1</sup>[administrator of the community based organization, as cosignatory]  
34 trustee<sup>1</sup>, to withdraw moneys from the account for any of the purposes  
35 listed in subsection c. of this section;

36 (7) remit matching funds in the form of a joint check or transfer  
37 of funds made payable to the account holder and the <sup>1</sup>[respective  
38 party] payee<sup>1</sup> of the approved withdrawal, pursuant to 45 C.F.R.  
39 s.263.22 at the time the account holder <sup>1</sup>[withdraw] withdraws<sup>1</sup> funds  
40 for a purpose permitted pursuant to subsection c. of this section;

41 (8) work with other <sup>1</sup>[community based] community-based<sup>1</sup>  
42 organizations and State agencies to coordinate the <sup>1</sup>[Individual  
43 Development Account Program] program<sup>1</sup> with other private and  
44 public programs designed for asset accumulation and self-sufficiency,  
45 such as transportation, child care and health care services, New Jersey

1 Housing <sup>1</sup>[Mortgage]<sup>1</sup> and <sup>1</sup>Mortgage<sup>1</sup> Finance Agency programs,  
 2 Federal National Mortgage Association (Fannie Mae) mortgage  
 3 programs and other programs under the direction of the <sup>1</sup>[New  
 4 Jersey]<sup>1</sup> Department of Human Services, such as the Family Loan  
 5 Pilot Program and Entrepreneur Development <sup>1</sup>Services<sup>1</sup> Pilot  
 6 Program; <sup>1</sup>[and]<sup>1</sup>

7 (9) provide financial counseling to <sup>1</sup>[all]<sup>1</sup> account holders and  
 8 assist <sup>1</sup>[all account holders] them<sup>1</sup> in establishing a secure, low-risk,  
 9 effective savings opportunity<sup>1</sup>, for the purposes of an individual  
 10 development account.<sup>1</sup> for income that is in excess of the individual  
 11 development account maximum match of \$1,500 <sup>1</sup>[per-year] per year<sup>1</sup>  
 12 or income that does not meet the definition of earned income, as  
 13 defined in paragraph (3) of this subsection <sup>1</sup>[e., for the purposes of an  
 14 individual development account],<sup>1</sup> such as federal and State earned  
 15 income tax credits, homestead and property tax rebates, inheritance,  
 16 monetary damages recovered in a legal proceeding and income from  
 17 the sale of an asset. The <sup>1</sup>[savings opportunity] account<sup>1</sup> shall be  
 18 tailored to each account holder's resources and financial goals <sup>1</sup>and  
 19 shall be held in a separate account from the individual development  
 20 account<sup>1</sup>. <sup>1</sup>[Savings opportunities] Accounts<sup>1</sup> investigated may  
 21 include money market accounts, individual retirement accounts,  
 22 certificates of deposit and individual development accounts that do not  
 23 include matching federal or State funds <sup>1</sup>; and

24 (10) be deemed to have a fiduciary duty with respect to moneys in  
 25 an individual development account or reserve fund. The commissioner  
 26 may require that an organization post and maintain a fidelity bond or  
 27 other security with regard to the position of the organization as  
 28 fiduciary for the moneys in an individual development account or  
 29 reserve fund<sup>1</sup>.

30

31 6. a. <sup>1</sup>[In] Notwithstanding the provisions of any other law to the  
 32 contrary, in<sup>1</sup> the event of the death of the account holder, the  
 33 ownership of the individual development account <sup>1</sup>[may] shall<sup>1</sup> be  
 34 transferred to the ownership of a contingent beneficiary <sup>1</sup>[. An] <sup>1</sup>,  
 35 which the<sup>1</sup> account holder shall name <sup>1</sup>[a contingent beneficiary]<sup>1</sup> at  
 36 the time the account is established and may change <sup>1</sup>[the beneficiary]<sup>1</sup>  
 37 at any time. If the beneficiary is deceased or otherwise cannot accept  
 38 the transfer, the moneys in the individual development account  
 39 derived from the account holder's earned income and any interest  
 40 accrued thereon<sup>1</sup> shall be transferred to the <sup>1</sup>[individual development  
 41 account reserve fund of the community based organization] estate of  
 42 the account holder<sup>1</sup>.

43 b. If an individual development account is closed pursuant to  
 44 subsection a. of this section or an account holder withdraws from the  
 45 individual development account program or forfeits his State matching  
 46 funds due to an unauthorized withdrawal, any moneys held for



1 matching funds for that account may be retained in the reserve fund for  
2 reallocation to be used as matching funds for new individual  
3 development accounts.

4  
5 7. a. Moneys deposited into or withdrawn from an individual  
6 development account by an account holder pursuant to subsection c.  
7 of section 5 of <sup>1</sup>[P.L. , c. (C. )](now pending before the  
8 Legislature as this bill)] this act<sup>1</sup> or matched<sup>1</sup> by a <sup>1</sup>[community  
9 based] community-based<sup>1</sup> organization pursuant to paragraph (7) of  
10 subsection e. of section 5 of <sup>1</sup>[P.L. , c. (C. )] this act<sup>1</sup> shall not  
11 be considered gross income otherwise includable as income pursuant  
12 to subsections a., b., k., and p. of N.J.S.54A:5-1.

13 b. Interest earned by an individual development account shall not  
14 be considered gross income otherwise includable as income pursuant  
15 to subsection e. of N.J.S.54A:5-1.

16 c. Monies deposited in an individual development account and the  
17 interest from an individual development account under this act shall  
18 not be taken into account in determining eligibility or the amount of  
19 assistance under State and federal means-tested programs pursuant to  
20 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

21  
22 8. a. The commissioner shall promulgate regulations pursuant to  
23 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
24 seq), necessary to effectuate the provisions of this act.

25 b. The commissioner shall consult with the Commissioner of  
26 Human Services regarding the development, operation and  
27 administration of the <sup>1</sup>[individual development account]<sup>1</sup> program and  
28 ensuring compliance with 42 U.S.C. s.604(h) and 45 C.F.R. Part 263  
29 (45 C.F.R. s.263.0 et seq.).

30  
31 9. a. The commissioner shall report to the Legislature annually on  
32 the effectiveness of the <sup>1</sup>[Individual Development Account Program]  
33 program<sup>1</sup> in providing eligible individuals in this State with an  
34 opportunity to establish an individual development account and may  
35 include in the report recommendations for change, if any, to make the  
36 program more effective. This report shall be due within 30 days of the  
37 end of the anniversary of the effective date of this section for each year  
38 the program is in operation.

39 b. The Department of Community Affairs shall make available to  
40 the Departments of Labor and Human Services necessary individual  
41 development account statistical and program information in a usable  
42 format and in a timely manner, so that those departments may prepare  
43 federal and other reports.

44  
45 10. <sup>2</sup>[There] Upon certification by the Director of the Division of  
46 Budget and Accounting in the State Department of the Treasury that

1 federal funds to support the expenditure are available, there<sup>2</sup> is  
2 appropriated <sup>1</sup>[the sum of]<sup>1</sup> \$2,000,000 in federal <sup>2</sup>[Welfare-to-  
3 Work] Temporary Assistance for Needy Families<sup>2</sup> funds to the  
4 Department of Community Affairs for the purpose of funding the  
5 Individual Development Account Fund established pursuant to section  
6 4 of <sup>1</sup>[P.L. , c. (C. )](now pending before the Legislature as this  
7 bill)] this act<sup>1</sup> for adults with one or more dependent children, who  
8 are, or except for income and resources would be, eligible for Work  
9 First New Jersey <sup>1</sup>pursuant to<sup>1</sup> P.L.1997, c.38 (C.44:10-55 et seq.).  
10 The department is authorized to use other federal and State funds  
11 which may become available for adults without dependent children.  
12

13 11. This act shall take effect on the 180th day following  
14 enactment, except that <sup>1</sup>[this section and]<sup>1</sup> section 8 shall take effect  
15 immediately.  
16  
17  
18

19 \_\_\_\_\_  
20 Establishes the "New Jersey Individual Development Account  
21 Program," appropriates \$2 million from federal Temporary Assistance  
22 to Needy Families funds.

## CHAPTER 93

AN ACT concerning individual development accounts, supplementing chapter 10 of Title 44 of the Revised Statutes and making an appropriation.

**BE IT ENACTED** by the Senate and General Assembly of the State of New Jersey:

C.44:10-86 Short title.

1. This act shall be known and may be cited as the "New Jersey Individual Development Account Act."

C.44:10-87 Findings, declarations regarding individual development accounts.

2. a. The Legislature finds and declares that:

(1) Economic well-being does not come solely from income, spending and consumption, but also requires savings, investment and accumulation of assets, since assets can improve economic stability, connect people with a viable and hopeful future, stimulate development of human and other capital, yield personal and social dividends and enhance the welfare of offspring.

(2) With the enactment of the "Work First New Jersey Act," P.L.1997, c.38 (C.44:10-55 et seq.) and companion legislation, emphasizing moving people off of public assistance and into employment, there is an urgent need to provide incentives for savings accounts that will complement and stabilize the movement of people from public assistance and into employment.

(3) Income-based social policy should be complemented with asset-based social policy, because while income-based policies ensure that consumption needs, including food, child care, rent, clothing and health care are met, asset-based policies provide the means to achieve some degree of economic self-sufficiency.

(4) The State of New Jersey should develop policies, such as individual development accounts, that promote higher rates of personal savings and net private domestic investment.

b. It is the intent of the Legislature, therefore, to provide for the establishment of individual development accounts which accounts are designed to:

(1) provide individuals and families, especially those with limited means, an opportunity to accumulate assets;

(2) facilitate and mobilize savings;

(3) promote education, home ownership and micro enterprise development; and

(4) stabilize families and build communities.

C.44:10-88 Definitions regarding individual development accounts.

3. As used in this act:

"Account holder" means a person who is the owner of an individual development account.

"Commissioner" means the Commissioner of Community Affairs.

"Community-based organization" means a not-for-profit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.C. s.501(c)(3)) and exempt from taxation under section 501(a) of the Internal Revenue Code of 1986 (26 U.S.C. s.501 (a)), that is approved by the commissioner to implement the New Jersey Individual Development Account Program established under this act.

"Department" means the Department of Community Affairs.

"Economic literacy" means a basic understanding of budgets and savings accounts, credit and interest and how to use financial services; and having a savings plan and using it to reach the account holder's savings goal for an individual development account.

"Eligible individual" means an adult with an annual household gross income up to a maximum of 200 percent of the official poverty level.

"Financial institution" means a state or federally chartered bank, savings bank, savings and loan association or credit union with an office in this State.

"Fund" means the Individual Development Account Fund established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45 C.F.R. s.263.0 et seq.).

"Individual development account" means an account established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45 C.F.R. s.263.0 et seq.) in trust for an eligible individual that is a trust account pursuant to the "Multiple-party Deposit Account Act," P.L.1979, c.491

(C.17:16I-1 et seq.).

"Program" means the New Jersey Individual Development Account Program established pursuant to the provisions of this act.

"Program contributor" means a person or entity who makes a contribution to an individual development account reserve fund, except that "program contributor" does not mean the account holder.

"Reserve fund" means the individual development account reserve fund created by a community-based organization for the purposes of: funding the costs incurred in the administration of the program; receiving matching funds from the State; and providing matching funds for individual development accounts pursuant to section 5 of this act.

C.44:10-89 New Jersey Individual Development Account Program.

4. a. The New Jersey Individual Development Account Program is hereby established within the Department of Community Affairs. The purpose of this program shall be to provide each eligible individual in this State with an opportunity to establish an individual development account in a financial institution, to the extent funding will permit. The individual development account may be used for any of the purposes specified under subsection c. of section 5 of this act.

b. There is established in the department, the Individual Development Account Fund. This fund shall be used by the commissioner to provide:

(1) grants to community-based organizations selected by the commissioner to participate in the program; and

(2) a State match of one dollar for every one dollar of earned income deposited into an individual development account by the account holder, except that the maximum amount provided as a match per individual development account per calendar year shall be \$1,500. The earned income deposited into an individual development account shall not be deposited on behalf of the account holder by a third party.

Community-based organizations may raise additional, non-federal or State funds to increase the State match rate and the State maximum annual match amount.

c. The commissioner shall implement this program by entering into agreements with community-based organizations which the commissioner shall select through a request for proposal process, pursuant to the provisions of P.L.1987, c.7 (C.52:14-34.4 et seq.).

d. In reviewing the proposals of community-based organizations, the commissioner shall consider the following factors:

(1) the not-for-profit status of the organization;

(2) the fiscal accountability of the organization;

(3) the ability of the organization to provide its moneys or raise moneys from program contributors for matching contributions which are in addition to State matching funds;

(4) the plan of the organization for the development, implementation and management of an individual development account program;

(5) the capacity of the organization to provide economic literacy training, either directly or through another provider;

(6) the organization's history of working with low-income populations;

(7) the target population and the extent to which the organization plans to exceed the 33.3 percent minimum participation under this act by current or former Work First New Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.), or Aid to Families with Dependent Children recipients or Temporary Assistance for Needy Families recipients pursuant to 42 U.S.C. s.601 et seq.; and

(8) the length of time, in months and years, of the operation of the program, taking into account the resources that are available to the organization.

e. (1) The commissioner shall select community-based organizations and enter into a contract for services with each organization selected that requires the organization to establish and maintain an individual development account reserve fund and work with each eligible individual and any local financial institution to establish an individual development account, among other services to be provided for eligible individuals and their households, if any.

(2) The commissioner shall have the discretion to disburse moneys from the fund in

a manner and an amount the commissioner deems appropriate and consistent with the community-based organization's contract for services and proposal selected pursuant to this subsection and subsections c., d. and f. of this section.

f. (1) No more than 10 percent of the federal Temporary Assistance for Needy Families funds under this act may be used for administrative purposes by a community-based organization selected to participate in the program.

(2) No more than 10 percent of the federal Temporary Assistance for Needy Families funds under this act may be used to provide economic literacy training and one-on-one financial counseling to account holders by an organization selected to participate in the program.

g. At all times, a minimum of 33.3 percent of the account holders participating in the program shall be current or former Work First New Jersey recipients pursuant to P.L.1997, c.38 (C.44:10-55 et seq.) or Aid to Families with Dependent Children recipients or Temporary Assistance for Needy Families recipients pursuant to 42 U.S.C. s.601 et seq., unless otherwise authorized by the commissioner.

C.44:10-90 Opening an individual development account; conditions.

5. a. An eligible individual may, in agreement with a community-based organization selected by the commissioner pursuant to section 4 of this act, open an individual development account for the purpose of accumulating and withdrawing moneys for specified expenditures pursuant to this section. Upon satisfaction of the organization's requirements for economic literacy by an account holder, the organization shall certify to the commissioner that the account holder may withdraw moneys from the account on the approval of the organization, without penalty, for any of the expenditures listed in subsection c. of this section.

b. The commissioner shall establish by regulation:

(1) the minimum monthly deposit amount that each account holder shall be required to maintain and the maximum monthly deposit amount that each account holder shall be permitted to make, during their participation in the program;

(2) the minimum time period the account holder shall maintain an individual development account, pursuant to section 4 of this act, in order to be eligible to withdraw the moneys deposited and receive the State matching funds, pursuant to this subsection and subsections c., d. and e. of this section;

(3) the prior notice of the account holder's intent to, and purpose for, withdrawing individual development account funds and the minimum time period that an account holder shall give notice to the individual development account trustee community-based organization prior to an approved withdrawal in order to be eligible to receive State matching funds pursuant to this subsection and subsections c., d. and e. of this section; and

(4) the maximum length of time an account holder may participate in the program.

c. Upon satisfaction of the provisions of subsections a. and b. of this section by the community-based organization:

(1) the account holder may, upon the approval of the community-based organization, withdraw moneys from the account holder's individual development account in the form of a joint check or transfer of funds made payable to the account holder and the payee of the approved withdrawal, pursuant to 45 C.F.R. s.263.22, for any of the following purposes:

(a) post-secondary educational expenses as defined in 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20;

(b) qualified acquisition costs of a primary residence as defined in 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20; and

(c) qualified business capitalization expenses, as defined in 42 U.S.C. s.604(h)(5) and 45 C.F.R. s.263.20.

(2) if the account holder withdraws any moneys from the account and uses those moneys, or any part of those moneys, for a purpose other than that permitted pursuant to this subsection, the account holder shall forfeit all matching funds associated with the unapproved withdrawal. The account holder shall receive only the moneys which the account holder has deposited into the account.

(3) the commissioner, in consultation with the Commissioner of Human Services, shall establish procedures to ensure that funds held in an individual development account under this

act are withdrawn for qualified purposes only, as defined in this subsection. Penalties for unapproved withdrawals may include taxing the withdrawal as income and, as applicable, including the withdrawal as income or resources in determining eligibility for federal and State public assistance pursuant to 45 C.F.R. s.263.23.

d. Community-based organizations approved by the department shall establish an individual development account in trust for an eligible individual in a financial institution as required pursuant to this act. Organizations may, with the approval of the commissioner, employ methods to maximize the efficiency of multiple individual development accounts, such as pooling deposits into a single account held by the financial institution, with individual account information maintained by the organization. In addition, with the approval of the commissioner, organizations shall develop an efficient means of providing the match portion of an individual development account, such as matching deposits at the time of approved withdrawal only. Organizations acting as trustees under this act shall, at all times, maintain current account information, without regard to the chosen method of administration, on all individual development accounts, which shall include: the individual development account balance, a time indexed record of deposits and withdrawals made by the account holder and the current match level. Community-based organizations under this act shall certify to the department that the accounts have been established pursuant to the provisions of this act in trust for the account holder in the manner approved by the commissioner.

e. A community-based organization establishing an individual development account shall:

(1) sign an agreement with an eligible individual to the effect that the account shall be kept in the name of the eligible individual as the account holder and that the eligible individual shall have an officer of the organization as a trustee of the account;

(2) open and keep the account in the name of the eligible individual, with an officer of the organization as trustee;

(3) permit the account holder to deposit earned income, as defined in 42 U.S.C. s.604(h)(2)(C), into an individual development account which shall be matched by the organization when withdrawn for an approved expenditure, pursuant to subsection c. of this section;

(4) maintain the records of individual development accounts in a manner that enables the organization to determine the amounts deposited by the account holder and amounts paid by the organization as matching funds;

(5) require the individual development account to earn a rate of interest that reasonably reflects the prevailing market rate paid on like deposits by financial institutions in this State, which shall be credited to the account holder;

(6) permit the account holder, after obtaining the signature of the trustee, to withdraw moneys from the account for any of the purposes listed in subsection c. of this section;

(7) remit matching funds in the form of a joint check or transfer of funds made payable to the account holder and the payee of the approved withdrawal, pursuant to 45 C.F.R. s.263.22 at the time the account holder withdraws funds for a purpose permitted pursuant to subsection c. of this section;

(8) work with other community-based organizations and State agencies to coordinate the program with other private and public programs designed for asset accumulation and self-sufficiency, such as transportation, child care and health care services, New Jersey Housing and Mortgage Finance Agency programs, Federal National Mortgage Association (Fannie Mae) mortgage programs and other programs under the direction of the Department of Human Services, such as the Family Loan Pilot Program and Entrepreneur Development Services Pilot Program;

(9) provide financial counseling to account holders and assist them in establishing a secure, low-risk, effective savings opportunity, for the purposes of an individual development account, for income that is in excess of the individual development account maximum match of \$1,500 per year or income that does not meet the definition of earned income, as defined in paragraph (3) of this subsection, such as federal and State earned income tax credits, homestead and property tax rebates, inheritance, monetary damages recovered in a legal proceeding and income from the sale of an asset. The account shall be tailored to each account holder's

resources and financial goals and shall be held in a separate account from the individual development account. Accounts investigated may include money market accounts, individual retirement accounts, certificates of deposit and individual development accounts that do not include matching federal or State funds; and

(10) be deemed to have a fiduciary duty with respect to moneys in an individual development account or reserve fund. The commissioner may require that an organization post and maintain a fidelity bond or other security with regard to the position of the organization as fiduciary for the moneys in an individual development account or reserve fund.

C.44:10-91 Transfer of account on death of holder.

6. a. Notwithstanding the provisions of any other law to the contrary, in the event of the death of the account holder, the ownership of the individual development account shall be transferred to the ownership of a contingent beneficiary, which the account holder shall name at the time the account is established and may change at any time. If the beneficiary is deceased or otherwise cannot accept the transfer, the moneys in the individual development account derived from the account holder's earned income and any interest accrued thereon shall be transferred to the estate of the account holder.

b. If an individual development account is closed pursuant to subsection a. of this section or an account holder withdraws from the individual development account program or forfeits his State matching funds due to an unauthorized withdrawal, any moneys held for matching funds for that account may be retained in the reserve fund for reallocation to be used as matching funds for new individual development accounts.

C.44:10-92 Moneys in, interest on account not considered gross income.

7. a. Moneys deposited into or withdrawn from an individual development account by an account holder pursuant to subsection c. of section 5 of this act or matched by a community-based organization pursuant to paragraph (7) of subsection e. of section 5 of this act shall not be considered gross income otherwise includable as income pursuant to subsections a., b., k., and p. of N.J.S.54A:5-1.

b. Interest earned by an individual development account shall not be considered gross income otherwise includable as income pursuant to subsection e. of N.J.S.54A:5-1.

c. Monies deposited in an individual development account and the interest from an individual development account under this act shall not be taken into account in determining eligibility or the amount of assistance under State and federal means-tested programs pursuant to 42 U.S.C s.604(h) and 45 C.F.R. s.263.20.

C.44:10-93 Regulations; consultation with Human Services.

8. a. The commissioner shall promulgate regulations pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to effectuate the provisions of this act.

b. The commissioner shall consult with the Commissioner of Human Services regarding the development, operation and administration of the program and ensuring compliance with 42 U.S.C. s.604(h) and 45 C.F.R. Part 263 (45 C.F.R. s.263.0 et seq.).

C.44:10-94 Report to Legislature.

9. a. The commissioner shall report to the Legislature annually on the effectiveness of the program in providing eligible individuals in this State with an opportunity to establish an individual development account and may include in the report recommendations for change, if any, to make the program more effective. This report shall be due within 30 days of the end of the anniversary of the effective date of this section for each year the program is in operation.

b. The Department of Community Affairs shall make available to the Departments of Labor and Human Services necessary individual development account statistical and program information in a usable format and in a timely manner, so that those departments may prepare federal and other reports.

10. Upon certification by the Director of the Division of Budget and Accounting in the State Department of the Treasury that federal funds to support the expenditure are available, there is appropriated \$2,000,000 in federal Temporary Assistance for Needy Families funds to the Department of Community Affairs for the purpose of funding the Individual Development Account Fund established pursuant to section 4 of this act for adults with one or more dependent children, who are, or except for income and resources would be, eligible for Work First New Jersey pursuant to P.L.1997, c.38 (C.44:10-55 et seq.). The department is authorized to use other federal and State funds which may become available for adults without dependent children.

11. This act shall take effect on the 180th day following enactment, except that section 8 shall take effect immediately.

Approved May 10, 2001.