

**SUBSTITUTE FOR
HOUSE BILL NO. 4195**

(As amended December 10, 1997)

A bill to amend 1939 PA 280, entitled
"The social welfare act,"
(MCL 400.1 to 400.119b) by adding section 57j.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 57J. (1) THE DEPARTMENT SHALL OPERATE A PROGRAM ALLOW-
2 ING AN INDIVIDUAL ELIGIBLE FOR FAMILY INDEPENDENCE ASSISTANCE TO
3 ESTABLISH AN INDIVIDUAL DEVELOPMENT ACCOUNT FOR BUSINESS CAPITAL-
4 IZATION IN ACCORDANCE WITH THIS SECTION. THE DEPARTMENT SHALL
5 DISREGARD FUNDS, INCLUDING ACCRUED INTEREST, IN AN INDIVIDUAL
6 DEVELOPMENT ACCOUNT IN DETERMINING THE INDIVIDUAL'S ELIGIBILITY
7 FOR FAMILY INDEPENDENCE ASSISTANCE AND THE AMOUNT OF THE GRANT
8 THE INDIVIDUAL RECEIVES.

9 (2) AN INDIVIDUAL WHO IS ELIGIBLE TO RECEIVE FAMILY
10 INDEPENDENCE ASSISTANCE, OR ANOTHER PERSON ON BEHALF OF THAT
11 INDIVIDUAL, MAY ESTABLISH AN INDIVIDUAL DEVELOPMENT ACCOUNT [OF NOT
 MORE THAN \$5,000.00] FOR

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1 THE PURPOSE OF ACCUMULATING FUNDS FOR A QUALIFIED PURPOSE
2 DESCRIBED IN SUBSECTION (3). AN INDIVIDUAL SHALL ONLY CONTRIBUTE
3 MONEY TO THE INDIVIDUAL DEVELOPMENT ACCOUNT THAT IS DERIVED FROM
4 EARNED INCOME, AS THAT TERM IS DEFINED IN SECTION 911(d)(2) OF
5 THE INTERNAL REVENUE CODE OF 1986. THE INDIVIDUAL SHALL WITHDRAW
6 MONEY FROM THE INDIVIDUAL DEVELOPMENT ACCOUNT ONLY FOR A QUALI-
7 FIED PURPOSE DESCRIBED IN SUBSECTION (3).

8 (3) AN INDIVIDUAL WHO HAS ESTABLISHED AN INDIVIDUAL DEVELOP-
9 MENT ACCOUNT UNDER THIS SECTION MAY WITHDRAW AND EXPEND FUNDS
10 FROM THE INDIVIDUAL DEVELOPMENT ACCOUNT ONLY FOR PAYMENT MADE
11 DIRECTLY TO A BUSINESS CAPITALIZATION ACCOUNT THAT IS ESTABLISHED
12 IN A FEDERALLY INSURED FINANCIAL INSTITUTION AND IS RESTRICTED TO
13 USE SOLELY FOR QUALIFIED BUSINESS CAPITALIZATION EXPENSES.

14 (4) AS USED IN THIS SECTION:

15 (A) "INDIVIDUAL DEVELOPMENT ACCOUNT" MEANS A TRUST CREATED
16 OR ORGANIZED IN THE UNITED STATES THAT IS FUNDED THROUGH PERIODIC
17 CONTRIBUTIONS BY THE ESTABLISHING INDIVIDUAL IN ACCORDANCE WITH
18 THIS SECTION AND THAT MAY BE MATCHED BY OR THROUGH A QUALIFIED
19 ENTITY FOR A QUALIFIED PURPOSE DESCRIBED IN SUBSECTION (3).

20 (B) "QUALIFIED BUSINESS" MEANS A BUSINESS THAT DOES NOT
21 CONTRAVENE LAW OR PUBLIC POLICY, AS DETERMINED BY THE DIRECTOR.

22 (C) "QUALIFIED BUSINESS CAPITALIZATION EXPENSES" MEANS QUAL-
23 IFIED EXPENDITURES FOR THE CAPITALIZATION OF A QUALIFIED BUSINESS
24 IN ACCORDANCE WITH A QUALIFIED PLAN.

25 (D) "QUALIFIED ENTITY" MEANS EITHER OF THE FOLLOWING:

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1 (i) A NOT-FOR-PROFIT ORGANIZATION DESCRIBED IN SECTION
2 501(c)(3) OF THE INTERNAL REVENUE CODE OF 1986 AND EXEMPT FROM
3 TAXATION UNDER SECTION 501(a) OF THAT CODE.

4 (ii) A STATE OR LOCAL GOVERNMENTAL AGENCY ACTING IN COOPERA-
5 TION WITH AN ORGANIZATION DESCRIBED IN SUBPARAGRAPH (i).

6 (E) "QUALIFIED EXPENDITURES" MEANS EXPENDITURES INCLUDED IN
7 A QUALIFIED PLAN, INCLUDING CAPITAL, PLANT, EQUIPMENT, WORKING
8 CAPITAL, AND INVENTORY EXPENSES.

9 (F) "QUALIFIED PLAN" MEANS A BUSINESS PLAN THAT MEETS ALL OF
10 THE FOLLOWING REQUIREMENTS:

11 (i) IS APPROVED BY A FINANCIAL INSTITUTION, OR BY A NON-
12 PROFIT LOAN FUND HAVING DEMONSTRATED FIDUCIARY INTEGRITY.

13 (ii) INCLUDES A DESCRIPTION OF SERVICES OR GOODS TO BE SOLD,
14 A MARKETING PLAN, AND PROJECTED FINANCIAL STATEMENTS.

15 (iii) MAY REQUIRE THE ELIGIBLE INDIVIDUAL TO OBTAIN THE
16 ASSISTANCE OF AN EXPERIENCED ENTREPRENEURIAL ADVISOR.