INDIVIDUAL OR FAMILY DEVELOPMENT ACCOUNT PROGRAM ACT
Act 513 of 2006

AN ACT to permit the establishment and maintenance of individual or family development accounts; to provide for certain tax deductions and tax credits; to prescribe the requirements of and restrictions on individual or family development accounts; to provide for the promulgation of rules; and to provide penalties and remedies.

History: 2006, Act 513, Eff. Jan. 1, 2007.

The People of the State of Michigan enact:

206.901 Short title.

Sec. 1. This act shall be known and may be cited as the "individual or family development account program act".

History: 2006, Act 513, Eff. Jan. 1, 2007.

Compiler's note: This section as originally enacted was assigned the compilation number "206.701". To avoid a conflict with another section numbered "206.701", this section has been renumbered as 206.901.

206.902 Definitions.

Sec. 2. As used in this act:

(a) "Account holder" means a person who is the owner of an individual or family development account or the family if the account is a family account.

(b) "Agency" means the Michigan state housing development authority of the department of energy, labor, and economic growth.

(c) "Contributor" means a person that makes a contribution to an individual or family development account reserve fund and is not an account holder.

(d) "Department" means the department of energy, labor, and economic growth.

(e) "Education expenses" means tuition and fees required for the enrollment or attendance of a student at an eligible educational institution, and expenses for fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

(f) "Eligible educational institution" means any of the following:

(*i*) A college, university, community college, or junior college described in section 4, 5, or 6 of article VIII of the state constitution of 1963 or established under section 7 of article VIII of the state constitution of 1963.

(*ii*) An independent nonprofit college or university located in this state.

(*iii*) A state-licensed vocational or technical education program.

(*iv*) A state-licensed proprietary school.

(g) "Federal poverty level" means the poverty guidelines published annually in the federal register by the United States department of health and human services under its authority to revise the poverty line under section 673(2) of subtitle B of title VI of the omnibus budget reconciliation act of 1981, Public Law 97-35, 42 USC 9902.

(h) "Fiduciary organization" or "organization" means a charitable organization exempt from taxation under section 501(c)(3) of the internal revenue code that is approved by the agency to manage a reserve fund. A fiduciary organization may also be a program site.

(i) "Financial institution" means a state chartered bank, state chartered savings bank, savings and loan association, credit union, or trust company; or a national banking association or federal savings and loan association or credit union.

(j) "Financial literacy" means personal financial planning and education.

(k) "Individual or family development account" or "account" means an account established under section 4.

(*l*) "Individual or family development account reserve fund" or "reserve fund" means an account established and managed by a fiduciary organization housed at a financial institution. The reserve fund holds money that will be used to match participant savings based on a participant savings plan agreement.

(m) "Program" means the individual or family development account program established in section 3.

(n) "Program site" means a charitable organization exempt from taxation under section 501(c)(3) or 501(c)(14) of the internal revenue code that is approved by the agency to implement the individual or family development account program.

(o) "Qualified home improvement" means the purchase and installation of any qualified energy star product intended for residential or noncommercial use that meets or exceeds the applicable energy star energy efficiency guidelines developed by the United States environmental protection agency and the United States

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department of energy, including, but not limited to, windows, doors, insulation, high efficiency heating and cooling equipment, and any appliances such as dishwashers, clothes washers, and refrigerators.

History: 2006, Act 513, Eff. Jan. 1, 2007;—Am. 2008, Act 450, Imd. Eff. Jan. 9, 2009.

Compiler's note: This section as originally enacted was assigned the compilation number "206.702". To avoid a conflict with sections added to 1967 PA 281, this section has been renumbered as 206.902.

206.903 Individual or family development account; establishment; purpose; policies and procedures; approving and reviewing qualifications of fiduciary organizations and program sites; factors; implementation of programs.

Sec. 3. (1) The individual or family development account program is established within the agency. The program shall provide eligible individuals and families with an opportunity to establish accounts to be used for education, first-time purchase of a primary residence, qualified home improvements, or business capitalization as provided in section 4.

(2) The agency, in consultation with the department, shall establish policies and procedures for the program taking into consideration the policies and procedures adopted by the department of human services to implement the individual development account program under section 57k of the social welfare act, 1939 PA 280, MCL 400.57k. Except as otherwise provided under this subsection, the agency shall be responsible for approving fiduciary organizations and program sites and for all activities related to the program. The department shall be responsible for approving all activities related to these programs that relate solely to accounts to be used for education or business capitalization as provided in section 4.

(3) In reviewing the qualifications of fiduciary organizations and program sites, the agency shall consider all of the following factors:

(a) The not-for-profit status of the organization.

(b) The fiscal accountability of the organization.

(c) The ability of the organization to provide or raise money for matching contributions.

(d) The significance and quality of proposed auxiliary services to support the goals of the program.

(e) The availability of a financial literacy program for account holders.

(f) The ability to maintain and manage necessary program data for tracking account holders and participants in the program and for development of reports as required under section 9.

(4) The agency shall select fiduciary organizations to provide technical assistance and support to program sites and oversee program sites' reserve accounts on a not-for-profit basis. In reviewing the qualifications of fiduciary organizations, the agency shall consider the ability of the fiduciary organizations to do all of the following:

(a) Administer 1 or more reserve funds to provide matching funds for account holders according to participant savings plan agreements.

(b) Administer any money appropriated by this state for the purposes of this act.

(c) Collaborate with program sites on a regional basis.

(d) Provide technical assistance and support to program sites to assist them to effectively administer programs.

(e) Work in conjunction with approved program sites to hold, manage, and disburse matching funds for accounts as provided in section 5.

(f) Maintain and manage necessary program data for tracking account holders and participants in the program and for development reports as required under section 9.

(5) The agency shall select program sites to administer the accounts under the oversight of a fiduciary on a not-for-profit basis. In reviewing the qualifications of program sites, the agency shall consider the ability of the program site to do all of the following:

(a) Develop and implement participant savings plan agreements to be used with account holders that include at least all of the following:

(*i*) The purpose for which the account holder's account is established.

(*ii*) The schedule of deposits that the account holder will make to the account.

(*iii*) The agreed-upon amount of matching funds and the projected date when those matching funds will be provided.

(*iv*) A plan to provide financial literacy; homeownership training; education, career, or business planning assistance, if appropriate; and any other services designed to increase the independence of the account holder or the account holder's family through the achievement of the designated purpose of the account.

(b) Develop a partnership with all account holders with whom the program site has a participant savings plan agreement to assist the account holder to effectively make financial decisions relating to the use of the funds available through the account and to offer support services to maximize the opportunities provided by

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the individual or family development account program.

(6) The agency shall work cooperatively with financial institutions, fiduciary organizations, program sites, and the department to implement the programs under this act.

History: 2006, Act 513, Eff. Jan. 1, 2007;—Am. 2008, Act 450, Imd. Eff. Jan. 9, 2009.

Compiler's note: This section as originally enacted was assigned the compilation number "206.703". To avoid a conflict with another section numbered "206.703", this section has been renumbered as 206.903.

206.904 Eligibility; approval or rejection of applicant by program site; limitation on number of accounts; duties of individual; establishment of account; purposes; signatures for withdrawals.

Sec. 4. (1) An individual or family whose household income is less than or equal to 200% of the federal poverty level for an individual or for that family's family size may apply to a program site to establish an individual or family development account.

(2) A program site may approve applications to the extent that the program site has matching funds available to meet matching commitments in participant savings plan agreements.

(3) A program site may reject an application made under subsection (1) if approving the application would result in the establishment of an individual or family development account by 1 or more of the members of a family that has established an individual or family development account for the same person for the same purpose.

(4) A household shall not have more than 1 account for the same purpose if that purpose is a first-time purchase of a primary residence or start-up capitalization of a business.

(5) If the program site approves the individual's or the family's application to establish an individual or family development account, the individual shall do all of the following:

(a) Establish the individual or family development account with a financial institution.

(b) Enter into a participant savings plan agreement with a program site.

(c) Declare, with the approval of the program site, the purpose for which the account is established.

(d) Any other criteria required by the program site.

(6) An account may be established only to pay qualified expenses as provided in subsection (7).

(7) An account shall be established for 1 or more of the following purposes:

(a) To pay educational expenses for the individual account holder who will be 17 years of age or older when the funds in the account will be used if the account is an account for educational purposes.

(b) For the first-time purchase of a primary residence by the individual account holder if the account is an account for the purchase of a primary residence.

(c) For start-up capitalization of a business for the individual account holder who is 18 years of age or older if the account is an account for capitalization of a business based on a business plan approved by the program site.

(d) For qualified home improvements.

(8) An account established under this section shall be an account that requires 2 signatures for withdrawals. The 2 required signatures shall be those of the account holder and an administrator of the program site with which the account holder has a participant savings plan agreement.

History: 2006, Act 513, Eff. Jan. 1, 2007;—Am. 2008, Act 450, Imd. Eff. Jan. 9, 2009.

Compiler's note: This section as originally enacted was assigned the compilation number "206.704". To avoid a conflict with sections added to 1967 PA 281, this section has been renumbered as 206.904.

206.905 Participant savings plan agreement; matching funds; distributions; manner.

Sec. 5. (1) A program site shall enter into a participant savings plan agreement with each account holder who is approved to establish an individual or family development account.

(2) Upon request from a program site, the fiduciary organization shall provide matching funds for contributions to an account by an account holder according to a participant savings plan agreement. Only the fiduciary organization shall expend funds to provide matching funds or for account holder support services.

(3) Matching fund distributions shall be made on behalf of an account holder according to participant savings plan agreements at the same time that an account holder withdraws money to pay qualified expenses. Matching distributions shall be at least a match of $1.00 for every $1.00 withdrawn from an account by an account holder to pay expenses for a purpose described in section 4(7) or for a purpose approved by the agency.

(4) Matching distributions under this section shall be made by check to the order of the account holder and the entity the account holder is paying.

History: 2006, Act 513, Eff. Jan. 1, 2007;—Am. 2008, Act 450, Imd. Eff. Jan. 9, 2009.

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Compiler's note: This section as originally enacted was assigned the compilation number "206.705". To avoid a conflict with another section numbered "206.705", this section has been renumbered as 206.905.

206.906 Withdrawal matched by program site; contingent beneficiary; financial institution not responsible for verification.

Sec. 6. (1) Money withdrawn during a calendar year from an individual or family development account by an account holder for a purpose under section 4 shall be matched by the program site as provided in the participant savings plan agreement between the account holder and the program site.

(2) An account holder shall name at least 1 contingent beneficiary at the time the account is established and may change beneficiaries at any time. If an account holder dies, the account shall be transferred to a contingent beneficiary. If the named beneficiary is deceased or otherwise cannot accept the transfer, the money shall be transferred to the estate of the beneficiary.

(3) A financial institution is not responsible for verifying whether or not withdrawals from accounts held at that financial institution are made in accordance with and for a purpose allowed under section 4.

History: 2006, Act 513, Eff. Jan. 1, 2007.

Compiler's note: This section as originally enacted was assigned the compilation number "206.706". To avoid a conflict with sections added to 1967 PA 281, this section has been renumbered as 206.906.

206.907, 206.908 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.

Compiler's note: The repealed sections pertained to eligibility for tax credit and limitation on total amount of credits.

206.909 Administration of individual or family development account program by fiduciary organization; report.

Sec. 9. (1) A fiduciary organization selected to administer an individual or family development account program under this act shall file with the agency an annual report of the fiduciary organization's individual development account program activity related to accounts established for the first-time purchase of a primary residence or for qualified home improvements. The report shall be filed no later than September 30 each year. The report shall include, but is not limited to, all of the following:

(a) The number of individual development accounts established for the first-time purchase of a primary residence and for qualified home improvements and administered by the fiduciary organization.

(b) The amount of deposits and matching deposits for each account.

(c) The purpose of each account.

(d) The number of withdrawals made.

(e) The number of terminated accounts and the reasons for termination.

(f) Any other information the agency may require for the purpose of making a return on investment analysis.

(2) A fiduciary organization selected to administer an individual or family development account program under this act shall file with the department an annual report of the fiduciary organization's individual development account program activity related to accounts established either for educational purposes or capitalization of a business. The report shall be filed no later than September 30 each year. The report shall include, but is not limited to, all of the following:

(a) The number of individual development accounts established either for educational purposes or capitalization of a business and administered by the fiduciary organization.

(b) The amount of deposits and matching deposits for each account.

(c) The purpose of each account.

(d) The number of withdrawals made.

(e) The number of terminated accounts and the reasons for termination.

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

(3) Not later than December 31 of each year, the agency and the department shall jointly file with the clerk of the house of representatives and the secretary of the senate a report that includes all of the information under subsections (1) and (2) and copies of any changes in policies or procedures used to administer this act that occurred during the year.

History: 2006, Act 513, Eff. Jan. 1, 2007;—Am. 2008, Act 450, Imd. Eff. Jan. 9, 2009.

Compiler's note: This section as originally enacted was assigned the compilation number "206.709". To avoid a conflict with another section numbered "206.709", this section has been renumbered as 206.909.

206.910 Rules.

Sec. 10. The Michigan state housing development authority and the department, in consultation with one

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another, may promulgate rules as needed to implement their respective responsibilities under this act under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

History: 2006, Act 513, Eff. Jan. 1, 2007;—Am. 2008, Act 450, Imd. Eff. Jan. 9, 2009.

Compiler's note: This section as originally enacted was assigned the compilation number "206.710". To avoid a conflict with sections added to 1967 PA 281, this section has been renumbered as 206.910.

206.911 Effective date.

Sec. 11. This act takes effect January 1, 2007.

History: 2006, Act 513, Eff. Jan. 1, 2007.

Compiler's note: This section as originally enacted was assigned the compilation number "206.711". To avoid a conflict with another section numbered "206.711", this section has been renumbered as 206.911.

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