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INDIVIDUAL DEVELOPMENT ACCOUNT FOR FIA RECIPIENTS

House Bill 4786

Sponsor: Rep. Hubert Price, Jr.

Committee: Human Services and Children

Complete to 5-30-97

A SUMMARY OF HOUSE BILL 4786 AS INTRODUCED 5-14-97

The bill would add a new section to the Social Welfare Act (MCL 400.57k) to establish a program, operated by the Family Independence Agency (FIA), that would allow an individual eligible for family independence assistance to establish an individual development account for first-time home buyers. Under the bill, the FIA would be required to disregard funds, including accrued interest, in a development account when determining the individual's eligibility for family independence assistance, in accordance with the following provisions:

Individual Development Account. The bill would define an individual development account to mean a trust created or organized in the U.S. that was funded through periodic contributions by the establishing individual, in accordance with the provisions of the bill, and that could be matched by or through a qualified entity for a "qualified purpose," as described under the bill. Under the bill, an individual who was eligible to receive family independence assistance, or another person on behalf of that individual, could establish a development account in order to accumulate funds for a "qualified purpose," which would be defined, under the bill, to mean only for the payment of qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons to whom the qualified acquisition costs were due. However, an individual could only contribute money to a development account that was derived from earned income, as that term is defined under Section 911(d)(2) of the Internal Revenue Code. Money from a development account could only be withdrawn and expended for a "qualified purpose," as that term is defined under the bill.

In addition, the bill would define "qualified acquisition costs" to mean the costs of acquiring, constructing, or reconstructing a qualified principal residence. The term would include any usual or reasonable settlement, financing, or other closing costs. "Qualified entity" would be defined to mean either a not-for-profit organization, which is exempt from taxation as described under Section 501(a) of the Internal Revenue Code; or a state or local governmental agency acting in cooperation with a not-for-profit organization. "Qualified first-time homebuyer" would mean a taxpayer and, if married, the taxpayer's spouse, who had no present ownership interest in a principal residence during the three-year period ending on the date of acquisition of the qualified principal residence to which the provisions of the bill applied. "Qualified principal residence" would mean a principal residence within the meaning of Section 1034 of the Internal Revenue Code, the qualified acquisition costs of which did not exceed 100 percent of the average area

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purchase price applicable to that residence, as determined in accordance with Section 143(e) of the Internal Revenue Code. "Date of acquisition" would mean the date on which a qualified first-time homebuyer entered into a binding contract to acquire, construct, or reconstruct the qualified first-time homebuyer's principal residence.

Analyst: R. Young

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.