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103D CONGRESS
1ST SESSION

S. 863

To provide for the establishment of demonstration projects designed to determine the social, psychological, and economic effects of providing to individuals with limited means an opportunity to accumulate assets, and to determine the extent to which an asset-based welfare policy may be used to enable individuals with low income to achieve economic self-sufficiency.

IN THE SENATE OF THE UNITED STATES

APRIL 30 (legislative day, APRIL 19), 1993

Mr. BRADLEY (for himself, Mr. BIDEN, Mrs. BOXER, Mr. BRYAN, Mrs. FEINSTEIN, Mr. HOLLINGS, Mr. KERREY, Ms. MIKULSKI, Ms. MOSELEY-BRAUN, Mr. REID, Mr. ROBB, Mr. ROCKEFELLER, Mr. SIMON, Mr. WELLSTONE, and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To provide for the establishment of demonstration projects designed to determine the social, psychological, and economic effects of providing to individuals with limited means an opportunity to accumulate assets, and to determine the extent to which an asset-based welfare policy may be used to enable individuals with low income to achieve economic self-sufficiency.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Assets for Independence Demonstration Act".

SEC. 2. FINDINGS.

The Congress finds that—

(1) traditional welfare programs in the United States have provided millions of low-income persons with critically needed food, health, and cash benefits, and such programs should be improved and continued;

(2) while such programs have sustained millions of low-income persons, too rarely have such programs been successful in promoting and supporting the transition to economic self-sufficiency;

(3) millions of Americans continue to live in poverty and continue to receive public assistance;

(4) in addition to the social costs of poverty, the economic costs to the Federal Government to provide basic necessities to the poor exceeds $120,000,000,000 each year;

(5) poverty is a loss of human resources and an assault on human dignity;

(6) poverty rates remain high and welfare dependency continues, in part, because welfare theory has taken for granted that a certain level of income or consumption is necessary for one's economic well-

being when, in fact, very few people manage to spend or consume their way out of poverty;

(7) 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, enable people to focus and specialize, yield personal, social, and political dividends, and enhance the welfare of offspring;

(8) income-based welfare policy should be complemented with asset-based welfare policy, because while income-based policies ensure that present consumption needs (such as food, child care, rent, clothing, and health care) are met, asset-based policies can provide the means to achieve economic self-sufficiency and, accordingly, to leave public assistance;

(9) the Federal Government spends more than $100,000,000,000 each year to provide middle- and upper-income persons with many incentives to accumulate savings and assets (including tax subsidies for home equity accumulation and retirement pension accounts), but such benefits are beyond the reach of most low-income persons;

(10) under current welfare policies, poor families must deplete most of their assets before qualifying for public assistance;

(11) the Federal Government should develop policies that promote higher rates of personal savings and net private domestic investment, both of which fall behind the levels attained in other highly developed industrial nations; and

(12) the Federal Government should undertake an asset-based welfare policy demonstration project to determine the social, psychological, and economic effects of asset accumulation opportunities for low-income persons and to determine if such a policy could provide a new foundation for anti-poverty policies and programs in the United States.

SEC. 3. INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECTS.

(a) PURPOSE.—The purpose of this section is to provide for the establishment of demonstration projects designed to determine—

(1) the social, psychological, and economic effects of providing to individuals with limited means an opportunity to accumulate assets; and

(2) the extent to which an asset-based welfare policy may be used to enable individuals with low income to achieve economic self-sufficiency.

(b) APPLICATIONS.—

(1) SUBMISSION.—Not later than April 1, 1994, any organization may submit to the Secretary of the Treasury (in this section referred to as the "Secretary") an application to conduct a demonstration project under this section.

(2) CONTENTS.—The application shall contain—

(A) a description of the demonstration project;

(B) information about the ability of the organization to—

(i) assist project participants in achieving economic self-sufficiency through the project; and

(ii) administer the project;

(C) a commitment made to the organization by the State in which the project is to be conducted that the State will provide a specified amount of funds to the organization for the project, and any similar commitment made to the organization by any other non-Federal public entity or by any private entity; and

(D) a plan to provide the organization evaluating the project with such information with respect to the project as may be required for the evaluation.

(3) CRITERIA.—In considering whether or not to approve any application to conduct a demonstration project under this section, the Secretary shall assess the following:

(A) SUFFICIENCY OF PROJECT.—The degree to which the project described in the application appears likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses (as defined in section 529(c)(1) of the Internal Revenue Code of 1986). In making such assessment, the Secretary shall consider the overall quality of project activities and shall not consider aid in making any particular kind or combination of qualified expenses (as so defined) to be an essential feature of any project.

(B) ADMINISTRATIVE ABILITY.—The ability of the applicant to responsibly administer the project.

(C) COMMITMENT OF NON-FEDERAL FUNDS.—The aggregate amount of funds from non-Federal sources that are committed to the project.

(D) ADEQUACY OF PLAN FOR PROVIDING INFORMATION FOR EVALUATION.—The adequacy of the plan for providing information relevant to an evaluation of the project.

(4) APPROVAL.—Not later than June 1, 1995, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration projects under this section as the Secretary deems appropriate, taking into account the assessment required by paragraph (3).

(c) DEMONSTRATION AUTHORITY; ANNUAL GRANTS.—

(1) DEMONSTRATION AUTHORITY.—If the Secretary approves an application to conduct a demonstration project under this section, the Secretary shall, not later than July 1, 1995, authorize the applicant to conduct the project for 5 project years in accordance with the approved application therefor and this section.

(2) GRANT AUTHORITY.—For each project year of a demonstration project conducted under this sec-

tion, the Secretary shall make a grant to the organization authorized to conduct the project, on the first day of the project year.

(3) LIMITATIONS ON GRANT AMOUNTS.—

(A) MAXIMUM.—The amount of each grant under paragraph (2) shall be not more than $20,000,000.

(B) FIRST YEAR GRANT LEVEL ASSURED.—The amount of each grant to an organization under paragraph (2) after the first such grant shall be not less than the amount of such first grant.

(C) GRANTS REDUCED, IF NECESSARY, IN PROPORTION TO ANY REDUCTIONS IN APPROPRIATIONS AFTER FIRST YEAR.—If the amount appropriated to carry out this section for any particular fiscal year after fiscal year 1995 is less than the amount so appropriated for fiscal year 1995, then the limitations of subparagraphs (A) and (B) shall each be reduced for the particular fiscal year in equal proportion to the reduction of such appropriations, but only to the extent that the reduction of such limitations is made necessary by the reduction in such appropriations.

(d) RESERVE FUND.—

(1) ESTABLISHMENT.—Each organization authorized to conduct a demonstration project under this section shall establish a Reserve Fund which shall be used in accordance with this subsection.

(2) AMOUNTS IN RESERVE FUND.—

(A) IN GENERAL.—As soon after receipt as is practicable, the organization shall place in the Reserve Fund established under paragraph (1)—

(i) all funds provided to the organization by any public or private entity to conduct the demonstration project;

(ii) the proceeds of any investment made under paragraph (3)(B).

(B) INDIVIDUAL DEVELOPMENT ACCOUNT PENALTIES.—

(i) PENALTY AMOUNTS AUTHORIZED TO BE APPROPRIATED FOR PAYMENT TO THE RESERVE FUND.—For payment to the Reserve Fund established by an organization that provides financial assistance under subsection (g) of this section to any individual who pays, or from whose individual development account is paid, a penalty amount, there is authorized to be appropriated to the Secretary, without fiscal year limitation, an amount equal to the penalty amount.

(ii) PAYMENT TO RESERVE FUND OF PENALTY AMOUNTS APPROPRIATED THEREFOR.—The Secretary shall immediately pay to the Reserve Fund any amount appropriated pursuant to clause (i) for payment to the Reserve Fund.

(C) UNIFORM ACCOUNTING REGULATIONS.—The Secretary shall prescribe regulations with respect to accounting for amounts in Reserve Funds.

(3) USE OF RESERVE FUND.—

(A) IN GENERAL.—The organization shall use the amounts in the Reserve Fund established under paragraph (1) to—

(i) assist participants in the demonstration project in obtaining the skills and information necessary to achieve economic self-sufficiency through activities requiring qualified expenses (as defined in section 529(c)(1) of the Internal Revenue Code of 1986);

(ii) provide financial assistance in accordance with subsection (g) to individuals selected by the organization to participate in the project;

(iii) administer the project; and

(iv) provide the organization evaluating the project under a contract entered into under subsection (k) with such information with respect to the project as may be required for the evaluation.

(B) AUTHORITY TO INVEST FUNDS.—The organization shall invest such amounts in the Reserve Fund as are not immediately needed to carry out subparagraph (A) of this paragraph, in accordance with guidelines which shall require such investments to be highly liquid and of low risk.

(C) LIMITATION ON ADMINISTRATIVE EXPENSES.—Not more than 10 percent of the amounts provided to the organization under subsection (c)(2) may be used to administer, or notify the public about, the demonstration project.

(4) UNUSED FEDERAL GRANT FUNDS TRANSFERRED TO THE SECRETARY WHEN PROJECT TERMI-

NATES.—Notwithstanding paragraph (3), upon the termination of any demonstration project authorized under this section, the organization conducting the project shall transfer to the Secretary an amount equal to—

(A) the amounts in the Reserve Fund at time of the termination; multiplied by

(B) a percentage equal to—

(i) the aggregate amount of grants made to the organization under subsection (c)(2); divided by

(ii) the aggregate of the amounts provided to the organization by all entities to conduct the project.

(e) ELIGIBILITY FOR ASSISTANCE.—Any individual who is a member of a household that meets the following requirements shall be eligible for assistance under a demonstration project conducted under this section:

(1) INCOME TEST.—The income of the household for the immediately preceding calendar year is not more than 200 percent of the poverty threshold for such period.

(2) NET WORTH TEST.—The net worth of the household, as of the close of such immediately preceding calendar year, is not more than $20,000.

(f) SELECTION OF INDIVIDUALS TO RECEIVE ASSISTANCE.—From among the individuals eligible for assistance under a demonstration project conducted under this section, the organization authorized to conduct the project shall select the individuals—

(1) whom the organization deems to be best suited to receive such assistance; and

(2) to whom the organization will provide financial assistance in accordance with subsection (g).

(g) PROVISION OF FINANCIAL ASSISTANCE.—Each organization to which a grant is made under subsection (c)(2) of this section for a project year shall, during the project year, deposit directly into the individual development account of any individual selected by the organization under subsection (f) of this section an amount determined in accordance with the following table:

If the income of the individual for the applicable period is the following percentage of the poverty threshold:	The amount is not to exceed the lesser of:		
	The following percentage of the qualified savings of the individual for the period:	OR	The following dollar amount:
Not more than 75 percent ...	300	or	$1,500
More than 75 percent but not more than 125 percent.	100	or	$1,000
More than 125 percent but not more than 160 percent.	66	or	$750
More than 160 percent but not more than 200 percent.	33	or	$500.

(h) LOCAL CONTROL OVER DEMONSTRATION PROJECTS.—Each organization authorized to conduct a demonstration project under this section shall, subject to the provisions of subsection (j), have sole authority over the administration of the project. The Secretary may prescribe only such regulations with respect to demonstration projects under this section as are necessary to ensure compliance with the approved applications therefor and this section.

(i) SEMIANNUAL PROGRESS REPORTS.—

(1) IN GENERAL.—Each organization authorized to conduct a demonstration project under this section shall prepare 10 semiannual reports on the progress of the project, including—

(A) information on participation of individuals in the project;

(B) information on amounts in the Reserve Fund established with respect to the project;

(C) information on amounts in the individual development accounts of the individuals to whom assistance is provided under the project; and

(D) such other information as the Secretary may require to assess the project.

(2) SUBMISSION OF REPORTS.—The organization shall submit each report required to be prepared under paragraph (1) with respect to a demonstration project to—

(A) the Secretary; and

(B) the Treasurer (or equivalent official) of the State in which the project is conducted.

(3) TIMING.—The first report required by paragraph (1) shall be submitted at the end of the 6-month period beginning on the date the Secretary authorized the organization to conduct the demonstration project, and subsequent reports shall be submitted 6 months apart.

(j) SANCTIONS.—

(1) AUTHORITY TO REVOKE DEMONSTRATION AUTHORITY.—If the Secretary determines a demonstration project is not operating in accordance with its application and this section (and has not implemented any recommendations made by the Secretary), the Secretary may revoke the original authorization to conduct the project.

(2) ACTIONS REQUIRED UPON REVOCATION.—If the Secretary revokes the original authorization to conduct a demonstration project, the Secretary—

(A) shall suspend the project;

(B) shall take control of the Reserve Fund established pursuant to subsection (d) as part of the project;

(C) shall make every effort to find another organization willing and able to conduct the project in accordance with the approved application therefor (as modified, if necessary, to incorporate the recommendations) and this section;

(D) if the Secretary finds such an organization, shall—

(i) authorize the organization to conduct the project in accordance with the approved application therefor (as modified, if necessary, to incorporate the recommendations) and this section;

(ii) transfer to the organization control over the Reserve Fund established pursuant to subsection (d) as part of the project; and

(iii) for purposes of this section, consider—

(I) such other organization to be the organization originally authorized to conduct the project; and

(II) the date of such authorization to be the date of the original authorization; and

(E) if, by the end of the 1-year period beginning on the date of such revocation, the Secretary has not found such an organization, shall—

(i) terminate the project; and

(ii) from the Reserve Fund established as part of the project, remit to each entity that has provided amounts to the organization originally authorized to conduct the project, an amount equal to that percentage of the aggregate of the amounts so provided by all entities that is represented by the amount so provided by such entity.

(k) EVALUATIONS.—

(1) IN GENERAL.—Not later than July 1, 1995, the Secretary shall enter into a contract with an independent research organization that requires the organization, in accordance with this subsection, to evaluate the demonstration projects conducted under ~~this section~~, ~~individually and as a group~~.

(2) RESEARCH QUESTIONS.—In evaluating any demonstration project conducted under this section,

the research organization shall address the following questions:

(A) What types of information and public education efforts are successful in attracting project participants?

(B) How can participation in the demonstration project be made as easy and accessible as possible for participants?

(C) What level of financial incentives is required to stimulate participation in the demonstration project, and does this vary among different populations?

(D) What program features in conjunction with individual development accounts (such as peer support, structured planning exercises, mentoring, and case management) increase the rate and consistency of participation in the demonstration project?

(E) What are the economic, psychological, and social effects of asset accumulation, and for whom? To what extent, under what circumstances, and for whom does asset accumulation under the demonstration project lead to any or all of the following:

(i) A greater sense of security and control?

(ii) Greater stability in the household?

(iii) A more positive future outlook?

(iv) More long-term planning?

(v) Increased efforts to maintain and develop assets?

(vi) Greater knowledge about savings, investments, and other financial matters?

(vii) Increased effort and success in educational achievement (including those of parents working to provide for the education of their children)?

(viii) Increased specialization in career development?

(ix) Greater self-esteem and personal efficacy?

(x) Improved social status?

(xi) Increased political participation?

(xii) Increased community involvement?

(xiii) Increased labor earnings in the long term?

(xiv) Decreased reliance on traditional forms of public assistance in the long term?

(3) METHODOLOGICAL REQUIREMENTS.—In evaluating any demonstration project conducted under this section, the research organization shall—

(A) use control groups to compare participants with nonparticipants as much as possible;

(B) before, during, and after the project, obtain such quantitative data as are necessary to thoroughly evaluate the project; and

(C) develop a qualitative assessment, derived from sources such as in depth interviews, of how asset accumulation affects individuals and families.

(l) DEFINITIONS.—As used in this section:

(1) APPLICABLE PERIOD.—The term "applicable period" means, with respect to amounts to be paid from a grant made for a project year, the calendar year immediately preceding the calendar year in which the grant is made.

(2) HOUSEHOLD.—The term "household" means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

(3) HOUSEHOLD NET WORTH.—

(A) IN GENERAL.—The term "net worth" means, with respect to a household, the aggregate market value of all assets not excluded under subparagraph (B) that are owned in whole or in part by any member of the household, minus the obligations or debts of any member of the household.

(B) ASSETS EXCLUDED.—The following assets (and obligations or debts with respect thereto) shall be excluded in determining the net worth of any household:

(i) $35,000 OF HOME EQUITY.—The lesser of—

(I) the equity of the members of the household in the dwelling unit in which the members reside; or

(II) $35,000.

(ii) MOTOR VEHICLE.—The most valuable motor vehicle owned by any member of the household.

(iii) FURNITURE; APPLIANCES; CLOTHING.—All furniture, appliances, and clothing used by any member of the household in the course of daily living.

(iv) ART OBJECTS.—All art objects displayed in the dwelling unit in which the members of the household reside.

(v) JEWELRY.—All jewelry owned by any member of the household.

(4) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term "individual development account" has the same meaning given such term in section 529 of the Internal Revenue Code of 1986.

(5) PENALTY AMOUNT.—The term "penalty amount" means any of the following:

(A) FINANCIAL ASSISTANCE FORFEITED.—Any amount paid into the general fund of the Treasury of the United States under section 529(e) of the Internal Revenue Code of 1986.

(B) 10 PERCENT ADDITION TO TAX.—Any additional tax imposed by section 529(f) of the Internal Revenue Code of 1986.

(C) OTHER PENALTY TAXES.—Any tax imposed with respect to an individual development account by section 4973, 4975, or 6693 of the Internal Revenue Code of 1986.

(6) POVERTY THRESHOLD.—The term "poverty threshold" means, with respect to a calendar year, the Federal poverty line for the calendar year for the

relevant family size, as defined annually by the Bureau of the Census.

(7) PROJECT YEAR.—The term "project year" means, with respect to a demonstration project, any of the 5 consecutive 12-month periods beginning on the date the project is originally authorized to be conducted.

(8) QUALIFIED SAVINGS OF THE INDIVIDUAL FOR THE PERIOD.—The term "qualified savings of the individual for the period" means the aggregate of the amounts contributed by the individual to the individual development account of the individual during the period.

(m) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—To carry out this section, there are authorized to be appropriated to the Secretary of the Treasury not to exceed $100,000,000 for each of fiscal years 1994, 1995, 1996, 1997, and 1998.

(2) CERTAIN AMOUNTS TO BE USED FOR EVALUATIONS.—The Secretary shall expend from amounts appropriated under paragraph (1) such amounts as the Secretary determines appropriate to

obtain evaluations of the projects in accordance with subsection (k).

SEC. 4. INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Subchapter F of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by adding at the end the following new part:

"PART VIII—INDIVIDUAL DEVELOPMENT ACCOUNTS

"SEC. 529. INDIVIDUAL DEVELOPMENT ACCOUNTS.

"(a) ESTABLISHMENT OF ACCOUNTS.—

"(1) IN GENERAL.—An individual development account may be established by or on behalf of an eligible individual for the purpose of accumulating funds to pay the qualified expenses of such individual.

"(2) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means an individual for whom assistance is (or at any prior time was) provided under section 3(g) of the Individual Development Account Demonstration Act.

"(b) LIMITATIONS.—

"(1) ACCOUNT MAY NOT BE ESTABLISHED FOR BENEFIT OF MORE THAN 1 INDIVIDUAL.—An individual development account may not be established for the benefit of more than 1 individual.

"(2) ELIGIBLE INDIVIDUAL TREATED AS ELIGIBLE INDIVIDUAL ONLY WITH RESPECT TO 1 ACCOUNT.—If, at any time during a calendar year, 2 or more individual development accounts are maintained for the benefit of an eligible individual, such individual shall be treated as an eligible individual for the calendar year only with respect to the 1st of such accounts.

"(3) ANNUAL LIMIT.—Contributions to an individual development account for any taxable year shall not exceed $2,000. No contribution to the account under section 3(g) of the Individual Development Account Demonstration Act shall be taken into account for purposes of this paragraph.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED EXPENSES.—The term 'qualified expenses' means 1 or more of the following, as provided by the organization providing assistance to the individual under section 3(g) of the Individual Development Account Demonstration Act:

"(A) POST-SECONDARY EDUCATION EXPENSES.—Post-secondary educational expenses paid from an individual development account directly to an eligible educational institution. For purposes of this subparagraph—

"(i) IN GENERAL.—The term 'postsecondary educational expenses' means—

"(I) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution,

"(II) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution, and

"(III) a reasonable allowance for meals, lodging, transportation, and child care, while attending an eligible educational institution.

"(ii) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' means the following:

"(I) INSTITUTION OF HIGHER EDUCATION.—An institution described in section 481(a)(1) or 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of the enactment of this section.

"(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

"(B) FIRST-HOME PURCHASE.—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 amounts are due. For purposes of this subparagraph—

"(i) QUALIFIED ACQUISITION COSTS.—The term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

"(ii) QUALIFIED PRINCIPAL RESIDENCE.—The term 'qualified principal residence' means a principal residence (within the meaning of section 1034), the qualified acquisition costs of which do not exceed 110 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e)).

"(iii) QUALIFIED FIRST-TIME HOMEBUYER.—

"(I) IN GENERAL.—The term 'qualified first-time homebuyer' means a taxpayer (and, if married, the taxpayer's spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this subparagraph applies.

"(II) DATE OF ACQUISITION.—The term 'date of acquisition' means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which this subparagraph applies is entered into.

"(C) BUSINESS CAPITALIZATION.—Amounts paid from an individual development account directly to a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses. For purposes of this subparagraph—

"(i) QUALIFIED BUSINESS CAPITALIZATION EXPENSES.—The term 'qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

"(ii) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

"(iii) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law or public policy (as determined by the Secretary).

"(iv) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which—

"(I) is approved by a financial institution, or by a nonprofit loan fund having demonstrated fiduciary integrity,

"(II) includes a description of services or goods to be sold, a marketing plan, and projected financial statements, and

"(III) may require the eligible individual to obtain the assistance of an experienced entrepreneurial advisor.

"(D) RETIREMENT EXPENSES.—Expenses for which amounts may be distributed from an individual retirement plan, subject to the same requirements and limitations as apply to such amounts.

"(E) TRANSFERS TO IDA'S OF FAMILY MEMBERS.—Amounts paid from an individual development account directly into another such account established for the benefit of an eligible individual who is—

"(i) the taxpayer's spouse, or

"(ii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151.

"(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term 'individual development account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an eligible individual, but only if the written governing instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted unless it is in cash.

"(B) The trustee is a federally insured financial institution.

"(C) The assets of the account will be invested in accordance with the direction of the eligible individual.

"(D) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(E) Except as provided in subparagraph (F), any amount in the account which is attributable to assistance provided under section 3(g) of the Individual Development Account Demonstration Act may be paid or distributed out of the account only for the purpose of paying the qualified expenses of the eligible individual.

"(F) Any balance in the account on the day after the date on which the individual for whose benefit the trust is established dies will be distributed within 30 days of such date as directed by such individual to another individual development account established for the benefit of an eligible individual.

"(4) TIME WHEN CONTRIBUTIONS DEEMED MADE.—A taxpayer shall be deemed to have made a contribution on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof).

"(d) TAX TREATMENT OF DISTRIBUTIONS.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, any amount paid or distributed out of an individual development account shall be included in gross income of the payee or distributee for the taxable year in the manner provided in section 72.

"(2) DISTRIBUTION USED TO PAY QUALIFIED EXPENSES.—A payment or distribution out of an individual development account shall not be included in gross income to the extent such payment or distribution is used exclusively to pay the qualified expenses incurred by the eligible individual for whose benefit the account is established.

"(3) ASSISTANCE PAYMENTS.—For purposes of section 72, contributions to the account under section 3(g) of the Individual Development Account Demonstration Act shall be treated in the same manner as earnings on the account.

"(e) TAX TREATMENT OF ACCOUNTS.—

"(1) EXEMPTION FROM TAX.—An individual development account is exempt from taxation under this subtitle unless such account has ceased to be an individual development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"(2) LOSS OF EXEMPTION OF ACCOUNT WHERE INDIVIDUAL ENGAGES IN PROHIBITED TRANSACTION.—

"(A) IN GENERAL.—If the individual for whose benefit an individual development account is established or any individual who contributes to such account engages in any transaction prohibited by section 4975 with respect to the account, the account shall cease to be an individual development account as of the 1st day of the taxable year (of the individual so engaging in such transaction) during which such transaction occurs.

"(B) ACCOUNT TREATED AS DISTRIBUTING ALL ITS ASSETS.—In any case in which any account ceases to be an individual development account by reason of subparagraph (A) as of the 1st day of any taxable year—

"(i) all assets in the account on such 1st day which are attributable to assistance provided under section 3(g) of the Individual Development Account Demonstration Act shall be paid into the general fund of the Treasury of the United States, and "(ii) paragraph (1) of subsection (d) shall apply as if there was a distribution on such 1st day in an amount equal to the fair market value of all other assets in the account on such 1st day.

"(3) EFFECT OF PLEDGING ACCOUNT AS SECURITY.—If, during any taxable year, the individual for whose benefit an individual development account is established, or any individual who contributes to such account, uses the account or any portion thereof as security for a loan—

"(A) an amount equal to the part of the portion so used which is attributable to assistance provided under section 3(g) of the Individual Development Account Demonstration Act shall be paid into the general fund of the Treasury of the United States, and

"(B) the remaining part of the portion so used shall be treated as distributed to the individual so using such portion.

"(f) ADDITIONAL TAX ON CERTAIN AMOUNTS INCLUDED IN GROSS INCOME.—

"(1) DISTRIBUTION NOT USED FOR QUALIFIED EXPENSES.—In the case of any payment or distribution to which subsection (d)(1) applies, the tax liability of each payee or distributee under this chapter for the taxable year in which the payment or distribution is received shall be increased by an amount equal to 10 percent of the amount of the distribution which is includible in the gross income of such payee or distributee for such taxable year.

"(2) DISQUALIFICATION CASES.—If an amount is includible in the gross income of an individual for a taxable year because such amount is required to be treated as a distribution under paragraph (2) or (3) of subsection (e), such individual's tax liability under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount required to be treated as a distribution and included in such individual's gross income.

"(3) DISABILITY OR DEATH CASES.—Paragraphs (1) and (2) shall not apply if the payment or distribution is made after the individual for whose benefit the individual development account becomes disabled within the meaning of section 72(m)(7) or dies.

"(g) COMMUNITY PROPERTY LAWS.—This section shall be applied without regard to any community property laws.

"(h) CUSTODIAL ACCOUNTS.—For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subsection (c)(2). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) REPORTS.—The trustee of an individual development account shall—

"(1) prepare reports regarding the account with respect to contributions, distributions, and any other matter required by the Secretary under regulations, and

"(2) submit such reports, at the time and in the manner prescribed by the Secretary in regulations, to—

"(A) the individual for whose benefit the account is maintained, "(B) the organization providing assistance to the individual under section 3(g) of the Individual Development Account Demonstration Act, and

"(C) the Secretary."

(b) CONTRIBUTION NOT SUBJECT TO GIFT TAX.—Section 2503 of such Code (relating to taxable gifts) is amended by adding at the end the following new subsection:

"(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any contribution made by an individual to an individual development account described in section 529(c)(3) shall not be treated as a transfer of property by gift for purposes of this chapter."

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 of such Code (relating to prohibited transactions) is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

"(4) SPECIAL RULE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.—An individual for whose benefit an individual development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be an individual development account by reason of the application of section 529(e)(2)(A) to such account.", and

(2) by inserting ", an individual development account described in section 529(c)(3)," in subsection (e)(1) after "described in section 408(a)".

(d) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 6693 of such Code (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

(1) by inserting "**OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS**" after "**ANNUITIES**" in the heading of such section, and

(2) by adding at the end of subsection (a) the following new sentence: "The person required by section 529(i) to file a report regarding an individual development account at the time and in the manner required by such section shall pay a penalty of $50 for each failure, unless it is shown that such failure is due to reasonable cause."

(e) SPECIAL RULE FOR DETERMINING AMOUNTS OF SUPPORT FOR DEPENDENT.—Subsection (b) of section 152 of such Code (relating to definition of dependent) is amended by adding at the end the following new paragraph:

"(6) A distribution from an individual development account described in section 529(c)(3) to the individual for whose benefit such account has been established shall not be taken into account in determining support for purposes of this section to the extent such distribution is excluded from gross income of such individual under section 529(d)(2)."

(f) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter F of chapter 1 of such Code is amended by inserting at the end the following new item:

"Part VIII. Individual development accounts."

(2) The table of sections for subchapter B of chapter 68 of such Code is amended by striking the item relating to section 6693 and inserting the following new item:

"Sec. 6693. Failure to provide reports on individual retirement accounts or annuities or on individual development accounts."

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after June 30, 1993.

SEC. 5. FUNDS IN INDIVIDUAL DEVELOPMENT ACCOUNTS OF DEMONSTRATION PROJECT PARTICIPANTS DISREGARDED FOR PURPOSES OF ALL MEANS-TESTED FEDERAL PROGRAMS.

Notwithstanding any Federal law (other than the Internal Revenue Code of 1986) that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such law to be provided to or for the benefit of such individual, funds (including interest accruing) in an individual development account (as defined in section 529 of the Internal Revenue Code of 1986) shall be disregarded for such purpose with respect to any period during which such individual participates in a demonstration project conducted under section 3 of this Act (or would be participating in such a project but for the suspension of the project).

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THE WHITE HOUSE

WASHINGTON

May 3, 1994

MEMORANDUM FOR CANTA PIAM

FROM: PAUL WEINSTEIN
SHERYLL CASHIN
CONNIE DUNHAM

SUBJECT: FINAL LEGISLATIVE LANGUAGE FOR INDIVIDUAL DEVELOPMENT ACCOUNT AND MICROENTERPRISE INITIATIVES

As promised, please find attached the final language for the IDA and Microenterprise proposals. If you have any questions please feel free to contact us. If you have any technical drafting questions regarding the IDA demonstration or the IDA changes to the Tax Code, you can call Karen Dorsey at Treasury (622-1192) or Paul Weinstein (456-5577). Sheryll Cashin can be reached regarding the Microenterprise Demonstration at 622-6410.

We should meet in approximately one to two weeks after these two sections have been added to the welfare reform legislation and the reinventing government piece has been completed.

We have included a disk for your convenience.

cc: Bruce Reed
Kathi Way

TITLE ___— ECONOMIC INDEPENDENCE

SEC. __1. SHORT TITLE.

This title may be cited as the "Individual Development Account Demonstration Act of 1994".

SEC. __2. DECLARATION OF POLICY AND STATEMENT OF PURPOSE.

(a) **DECLARATION OF POLICY.**—It is the policy of the United States—

(1) to eliminate legal and regulatory barriers that prevent recipients of Aid to Families with Dependent Children (AFDC) from becoming self-sufficient through self-employment and asset accumulation;

(2) to identify and implement cost-effective strategies to encourage saving and entrepreneurship among the broadest possible range of low-income families, particularly families eligible for AFDC, and that have the potential to reduce Federal spending on transfers and services to the disadvantaged;

(3) to enhance private-sector opportunities for low-income families by enabling them to use their own human and financial resources through expansion of business investment, job creation, home ownership, and human capital investment; and

(4) to expand the capacity of local organizations to provide asset-related services that help people to help themselves such as savings mechanisms, loan funds, technical assistance, and entrepreneurial training.

(b) **STATEMENT OF PURPOSE.**—The purpose of the demonstration projects authorized under this title is to provide for a means of determining—

(1) the social, psychological, and economic effects of providing low-income individuals the opportunity to accumulate assets and develop and utilize entrepreneurial skills; and

(2) the extent to which an asset-based assistance policy may be used to enable individuals with low-income to achieve economic self-sufficiency.

SEC. __3. INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECTS.

(a) **IN GENERAL.**—Not later than one year after the date of enactment of this Act, any State or local government, or any qualified organization may apply to the Administrator/Chairperson of the Community Development Bank and Financial Institutions Fund (hereinafter the Administrator/Chairperson) for a grant to conduct individual development account demonstration projects for eligible persons.

(b) **CONTENTS.**—Each application shall—

(1) describe the demonstration project;

(2) describe the persons who will participate in the project;

(3) demonstrate the ability of the applicant—

(A) to assist project participants in achieving economic self-sufficiency through the project; and

(B) to assist project participants in developing greater knowledge about savings, investments, and other financial matters;

(C) to oversee the use of grant funds, including the documentation and verification of start-up expenses in the case of entrepreneurial assistance; and

(D) to effectively administer the project;

(4) in the case of a qualified organization, document a commitment by the State in which the project is to be conducted to provide a specified amount of funds to the qualified organization for the project, and any similar commitment made to the qualified organization by any other non-Federal public entity or by any private entity;

(5) contain a plan for maintaining data and other information concerning assistance provided to project participants sufficient to evaluate the project and a certification that the applicant will fully cooperate and provide access to all information concerning the project in connection with any evaluation of the project conducted pursuant to subsection (*l*); and

(6) contain such other information as the Administrator/Chair may prescribe.

(c) **CRITERIA.**—In considering whether to approve an application, the Administrator/Chairperson shall assess the following:

(1) The degree to which the project described in the application is likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses. In making such assessment, the Administrator/Chairperson shall consider the overall quality of project activities and shall not consider any particular kind or combination of such qualified expenses to be an essential feature of any project.

(2) The ability of the applicant to responsibly administer the project.

(3) The amount of funds from non-Federal sources that are committed to the project.

(4) The adequacy of the plan for maintaining information necessary to evaluate the project.

(d) **APPROVAL.**—

(1) The Administrator/Chairperson shall, on a competitive basis, approve such applications to conduct demonstration projects under this section as the Administrator/Chairperson deems appropriate on the basis of the criteria described in subsection (c).

(2) No court shall have jurisdiction to review the approval or nonapproval of any application by the Administrator/Chairperson.

(e) **DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**—

(1) **DEMONSTRATION AUTHORITY.**—The approval by the

Administrator of an application shall authorize the applicant (hereinafter the grantee) to conduct the project for five project years in accordance with the approved application and the requirements of this section.

(2) **ANNUAL GRANTS.**—The Administrator/Chairperson shall make a grant to each grantee on the first day of each project year.

(f) **RESERVE FUND.**—

(1) **ESTABLISHMENT.**—Each grantee shall establish a reserve fund that shall be used in accordance with this subsection.

(2) **DEPOSITS.**—

(A) As soon after receipt as is practicable, a grantee shall deposit into the reserve fund—

(i) all annual grants made by the Administrator/Chairperson;

(ii) all funds provided to the grantee by any non-Federal public or private entity to conduct the demonstration project;

(iii) all proceeds from any investments made pursuant to paragraph (4); and

(iv) all amounts title to which vests in the grantee pursuant to subsection (h)(5).

(3) **EXPENDITURES.**—A grantee shall use amounts in the reserve fund only—

(A) to assist project participants in obtaining the skills and information necessary to achieve economic self-sufficiency through activities requiring the payment of qualified expenses;

(B) to provide financial assistance in accordance with subsection (h) to project participants;

(C) to administer the project; and

(D) to maintain and provide information necessary for the evaluation of the project pursuant to subsection (*l*).

(4) **AUTHORITY TO INVEST FUNDS.**—A grantee entity may invest amounts in the reserve fund that are not immediately needed to make expenditures authorized by paragraph (3), in highly liquid low risk investments in accordance with guidelines issued by the Administrator/Chairperson in consultation with the Secretary of the Treasury.

(5) **ACCOUNTING STANDARDS.**—The Administrator/Chairperson shall prescribe regulations governing the accounting of amounts deposited in and withdrawn from reserve funds.

(6) **TERMINATION OF PROJECT.**—Notwithstanding paragraph (3), upon the termination of any demonstration project approved under this section, remaining amounts in the reserve fund established with respect to such project and remaining investments made from amounts in the reserve fund shall be distributed to the Administrator/Chairperson and each non-Federal public or private entity that contributed

to the project in proportion to their contributions.

(g) **SELECTION OF ELIGIBLE PERSONS TO RECEIVE ASSISTANCE.**— A grantee shall provide individual development account assistance to eligible persons whom the grantee deems to be best situated to benefit from such assistance, taking into account the amount of grants made by the Administrator/Chairperson and other funds available to the grantee for such assistance.

(h) **FINANCIAL ASSISTANCE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.**—

(1) **IN GENERAL.**—A grantee shall provide initial financial assistance to a project participant who establishes an individual development account, not to exceed $500 per participant. Such financial assistance shall be deposited in the individual development account established by a project participant.

(2) **MATCHING CONTRIBUTIONS.**—The Administrator/Chairperson or a grantee may make matching contributions of not less than 50 cents and not more than $4 for every $1 dollar deposited into an individual development account by a project participant, not to exceed $2,500 for any project participant.

(3) **LIMITATION ON USE.**—

(A) Financial assistance provided pursuant to paragraph (1) shall not be available for use by a project participant until—

(i) the individual development account is closed; and

(ii) a project participant has deposited into the individual development account an amount equal to the initial financial assistance provided pursuant to paragraph (1).

(B) Financial assistance provided pursuant to paragraph (1) or (2) shall be used by a project participant only for the payment of qualified expenses.

(4) **APPLICABILITY OF OTHER LAW.**—The provisions of section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529) and such rules, regulations and procedures as may be prescribed by the Secretary of the Treasury under such Code shall apply to an individual development account for which financial assistance is provided pursuant to this subsection.

(5) **EFFECT OF PROHIBITED TRANSACTIONS.**—In the event that an individual development account ceases to be an individual development account under the provisions of section 529(e) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)), title to all amounts in such account attributable to financial assistance provided pursuant to paragraph (1) or (2) shall vest in the grantee providing financial assistance pursuant to paragraph (1) and such amounts shall be paid to such grantee.

(i) **LOCAL CONTROL OVER DEMONSTRATION.**—

(1) Each grantee shall, subject to the provisions of

subsection (k), have sole responsibility for the administration of demonstration projects approved by the Administrator/Chairperson.

(2) The Administrator/Chairperson may prescribe such regulations as may be necessary to ensure that grantees comply with the terms of approved applications and the requirements of this section.

(j) **ANNUAL REPORTS.**—

(1) **IN GENERAL.**—Each grantee shall annually report to the Administrator/Chairperson concerning the progress of each approved demonstration project administered by such grantee. The report shall, at a minimum—

(A) describe project participants;

(B) contain an audited financial statement for the reserve fund established with respect to the project;

(C) provide information on amounts deposited in individual development accounts of project participants to whom such assistance is provided under the project; and

(D) such other information as the Administrator/Chairperson may require with respect to the evaluation of the project pursuant to subsection (*l*).

(2) **SUBMISSION.**—Reports required by paragraph (1) shall be submitted annually not later than the anniversary of the date the Administrator/Chairperson approved the application for the demonstration project.

(3) **COORDINATION WITH STATE GOVERNMENT.**—A grantee shall transmit a copy of each report required by paragraph (1) to the Treasurer (or equivalent official) of the State in which the project is conducted at the time prescribed by paragraph (2).

(k) **SANCTIONS.**—

(1) **REVOCATION OF DEMONSTRATION AUTHORITY.**—If the Administrator/Chairperson determines a grantee is not conducting a demonstration project in accordance with the approved application and the requirements of this section, and has failed to undertake corrective action satisfactory to the Administrator/Chairperson, the Administrator/Chairperson may revoke the approval to conduct the project. A determination by the Administrator/Chairperson to revoke the approval for a demonstration project shall not be subject to review by any court.

(2) **ACTIONS REQUIRED UPON REVOCATION.**—

(A) If the Administrator/Chairperson revokes approval to conduct a demonstration project pursuant to paragraph (1), the Administrator/Chairperson—

(i) shall suspend the project;

(ii) shall take control of the reserve fund established pursuant to subsection (f) with respect to such project; and

(iii) shall solicit applications from entities described in subsection (a) to conduct the suspended project in accordance with the approved application (or under such terms and conditions as the Administrator may prescribe) and the requirements of this section.

(B) If the Administrator/Chairperson approves an application to conduct the suspended project, the Administrator/Chairperson shall transfer to the new grantee control of the reserve fund established pursuant to subsection (f) for the project, and such grantee shall be considered to be the original grantee for purposes of this section. The date the Administrator/Chairperson approved the application of the new grantee to conduct the suspended project shall apply for purposes of the annual reports required by subsection (j).

(C) If the Administrator/Chairperson has not approved an application to conduct a project by the date that is one year after approval to conduct the project was revoked, the Administrator/Chairperson shall—

(i) terminate the project; and

(ii) distribute remaining amounts in the reserve fund for such project and investments made from amounts in the reserve fund in accordance with the provisions of subsection (f)(6).

(*l*) **PROJECT EVALUATIONS.**—

(1) **IN GENERAL.**—Not later than six months after the date of enactment of this Act, the Administrator/Chairperson, in consultation with the Secretary of the

Treasury and the Secretary of the Department of Health and Human Services, shall enter into a contract with an independent organization (hereinafter "evaluator") for the evaluation of individual demonstration projects conducted pursuant to this section and the effectiveness of assistance provided to eligible persons pursuant to this section.

(2) **EVALUATIONS.**—In entering into the contract provided for in paragraph (1), the Administrator/Chairperson should consider providing for evaluation of—

(A) the types of information and public education efforts that attract project participants;

(B) the accessibility of the demonstration project by participants and the ease of participation;

(C) the level of financial assistance required to stimulate participation in the demonstration project, and whether such level varies among different demographic populations;

(D) whether project features utilized in conjunction with individual development accounts (such as peer support, structured planning exercises, mentoring, and case management) contribute to participation in the project;

(E) the level of self-sufficiency achieved by project participants as measured by employment or self-employment rates, earned and investment income, exit rates, poverty rates, and recidivism rates, particularly for program participants eligible for food stamp benefits and AFDC;

(F) the reduction in the level of public expenditure on project participants as measured by changes in overall support payments including AFDC, food stamp benefits, Federal child care assistance, Federal housing assistance, JOBS, and other benefits, taking into account costs incurred by the Federal Government in support of demonstration projects;

(G) the level of asset accumulation by project participants as measured by savings rates, net worth, business start-ups, human capital investments, new homes, number of loans to low-income and AFDC eligible families, and whether asset accumulation continued after a subsidy or other assistance;

(H) the economic, psychological, and social effects of asset accumulation; and

(I) the circumstances concerning and the extent to which asset accumulation by project participants contributes to—

(i) a greater sense of security and control and positive outlook;

(ii) greater household stability;

(iii) increased long-term planning;

(iv) increased efforts to maintain and develop assets;

(v) greater knowledge about savings, investments, and other financial matters;

(vi) increased effort and success in educational achievement within the household;

(vii) increased specialization in career development;

(viii) improved social status;

(ix) increased political participation;

(x) increased community involvement;

(xi) increased earned income;

(xii) decreased reliance on traditional forms of public assistance, with particular emphasis on food stamp benefits and AFDC; and

(xiii) increased tendency to save during and after the period of project participation.

(3) **METHODOLOGICAL REQUIREMENTS.**—In evaluating any demonstration project conducted under this section, the evaluator should obtain such quantitative data before, during, and after the project, as is necessary to evaluate the project.

(m) **DEFINITIONS.**—As used in this section:

(1) **HOUSEHOLD.**—The term "household" means all individuals who share use of a dwelling unit as primary quarters for living and eating separately from other individuals.

(3) **NET WORTH.**—

(A) **IN GENERAL.**—Except as provided in subparagraph (B), the term "net worth" means, with respect to a household, the aggregate fair market value of all assets that are owned in whole or in part by any member of the household, less the obligations or debts of any member of the household.

(B) **ASSETS EXCLUDED.**—Net worth shall be determined without taking into account the fair market value and the obligations or debts of—

(i) the primary dwelling unit of the household;

(ii) the motor vehicle having the greatest equity value; and

(iii) items essential for daily living, such as clothes, furniture, and similar items of limited value.

(4) **INDIVIDUAL DEVELOPMENT ACCOUNT.**—The term "individual development account" shall have the same meaning given such term in section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529).

(5) **PROJECT YEAR.**—The term "project year" means with respect to a demonstration project, any of the five consecutive 12-month periods beginning on the date the project is approved by the Administrator.

(6) **QUALIFIED ORGANIZATION.**—The term "qualified organization" means a community development financial institution as defined in section ___ of the Community Development

Banking and Financial Institutions Act of 1994.

(7) **ELIGIBLE PERSON DEFINED.**—The term "eligible person" means any person who is a member of a household that meets all of the following requirements:

(A) **EITC TEST.**—The household has at least one individual who is an eligible individual within the meaning of section 32(c)(1) of the Internal Revenue Code of 1986 for purposes of the earned income tax credit.

(B) **INCOME TEST.**—The household did not have adjusted gross income (as determined pursuant to the Internal Revenue Code of 1986) in the immediately preceding calendar year in excess of $18,000.

(C) **NET WORTH TEST.**—The net worth of the household, as of the close of the immediately preceding calendar year, did not exceed $20,000.

(8) **QUALIFIED EXPENSES.**—The term "qualified expenses" shall have the same meaning as provided in section 529(c)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 529(c)(1)).

(n) **AUTHORIZATION OF APPROPRIATIONS.**—To carry out the purposes of this section there are authorized to be appropriated to the Administrator/Chairperson for each of the fiscal years 1996, 1997, 1998, 1999, and 2000, $__,000,000.

SEC. __4. INDIVIDUAL DEVELOPMENT ACCOUNTS

(a) **IN GENERAL.**—Subchapter F of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by adding at the end of the following new part:

"PART VIII—INDIVIDUAL DEVELOPMENT ACCOUNTS

"SEC. 529. INDIVIDUAL DEVELOPMENT ACCOUNTS

"(a) **ESTABLISHMENT OF ACCOUNTS.**—

"(1) **IN GENERAL.**—An individual development account may be established by or on behalf of an eligible individual for the purpose of accumulating funds to pay the qualified expenses of such individual.

"(2) **ELIGIBLE INDIVIDUAL.**—The term 'eligible individual' means an individual—

"(A) for whom assistance is provided under section 3(h) of the Individual Development Account Demonstration Act;

"(B) receiving assistance under 42 U.S.C. 601 <u>et seq</u>.; or

"(C) receiving assistance under 7 U.S.C. 2011 <u>et seq</u>.

"(b) **LIMITATIONS.**—

"(1) **ACCOUNT TO BENEFIT ONE INDIVIDUAL.**—An individual development account may not be established for the benefit of more than one individual.

"(2) **MULTIPLE ACCOUNTS.**—If, at any time during a calendar year, two or more individual development accounts are maintained for the benefit of an eligible individual, such individual shall be treated as an eligible individual for such year only with respect to the account first established.

"(3) **ANNUAL LIMIT.**—Contributions to an individual development account by an eligible individual for any taxable year shall not exceed the lesser of $2,000 or 100% of earned income within the meaning of section 32(c)(2). No contribution to the account under section 3(h) of the Individual Development Account Demonstration Act shall be taken into account for the purposes of this paragraph.

"(c) **DEFINITIONS AND SPECIAL RULES.**—For the purposes of this section—

"(1) **QUALIFIED EXPENSES.**—The term `qualified expenses' means one or more of the following, as provided by the entity providing assistance to the eligible individual under section 3(h) of the Individual Development Account Demonstration Act:

"(A) **POST-SECONDARY EDUCATION EXPENSES.**—Post-secondary educational expenses paid from an individual development account directly to an eligible educational institution. For the purposes of this subparagraph—

"(i) the term `post-secondary educational expenses' means—

"(I) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution;

"(II) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution; and

"(III) a reasonable allowance for meals, lodging, transportation, and child care, while attending an eligible educational institution; and

"(ii) the term `eligible educational institution' means—

"(I) an institution described in section 481(a)(1) or 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of the enactment of this section; and

"(II) an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Act (20 U.S.C. 2471 (4))) in any State (as defined in section 521(33) of such Act), as such section is in effect on the date of the enactment of this section.

"(B) **FIRST-HOME PURCHASE.**—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 amounts are due. For purposes of this subparagraph—

"(i) the term `qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence, and includes any usual or reasonable settlement, financing, or other closing costs;

"(ii) the term `qualified principal residence' means a principal residence (within the meaning of section 1034), the qualified acquisition costs of which do not exceed 80 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e));

"(iii) the term `qualified first-time homebuyer' means a taxpayer (and, if married, the taxpayer's spouse) who has no present ownership interest in a principal residence during the three-year period ending on the date on which a binding contract was entered into to acquire, construct, or reconstruct the principal residence to which this subparagraph applies.

"(C) **BUSINESS CAPITALIZATION.**—Amounts paid from an individual development account directly into a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses. For purposes of this subparagraph—

"(i) the term `qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan;

"(ii) the term `qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses;

"(iii) the term `qualified business' means any business that does not contravene any law or public policy (as determined by the Administrator of the Community Development Bank and Financial Institutions Fund);

"(iv) the term `qualified plan' means a business plan—

"(I) that is approved by a financial institution, or any other institution designated as a community development financial institution, having demonstrated fiduciary integrity;

"(II) that includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and

"(III) that may require the eligible individual to obtain assistance of an experienced entrepreneurial advisor.

"(D) **TRANSFERS TO IDAs OF FAMILY MEMBERS.**—Amounts in an individual development account may be paid or transferred directly into another such account established for the benefit of an eligible individual who is—

"(i) the taxpayer's spouse; or

"(ii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151.

"(2) **INDIVIDUAL DEVELOPMENT ACCOUNT.**—The term `individual development account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an eligible individual, but only if the written instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted unless it is in cash or check.

"(B) The trustee is a financial institution insured by an instrumentality of the Federal Government.

"(C) The assets of the account will be invested only in federally insured deposits and/or stock of a regulated investment company within the meaning of section 851(a), in accordance with the direction of the eligible individual.

"(D) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(E) Except as provided in subparagraph (F), any amount in the account which is attributable to assistance provided under section 3(h) of the Individual Development Account Demonstration Act may be paid or distributed out of the account only for the purpose of paying the qualified expenses of the eligible individual.

"(F) (i) Any balance in the account on the day after the date on which the individual for whose benefit the trust is established dies will be transferred within 60 days of such date as directed by such individual to another individual development account established for the benefit of an individual who is a family member described in subsection (c)(1)(D) and who is an eligible individual, or who was an eligible individual on the day immediately preceding the date on which the individual for whose benefit the trust is established dies.

"(ii) In any case where clause (i) does not apply, the portion of the account attributable to contributions other than those provided under section 3(h) of the Individual Development Account Demonstration Act shall be paid out within five years of the date of death to the beneficiaries of the individual for whose benefit the account was established, and the balance shall be transferred within 60 days of the day after the date of death to another individual development account established for the benefit of an eligible individual who may be designated by the individual for whose benefit the account was established.

"(3) **TIME WHEN CONTRIBUTIONS DEEMED MADE.**—A taxpayer shall be deemed to have made a contribution to an individual development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(d) **TAX TREATMENT OF DISTRIBUTIONS.**—

"(1) **IN GENERAL.**—Except as otherwise provided in this subsection, any amount paid or distributed out of an individual development account shall be included in gross income of the payee or distributee for the taxable year in the manner provided in section 72.

"(2) **TREATMENT OF ASSISTANCE CONTRIBUTIONS.**—

"(A) **DISTRIBUTIONS USED TO PAY QUALIFIED EXPENSES.**—If a distribution or payment from an individual development account is used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 3(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as contributions made by the eligible individual.

"(B) **DISTRIBUTIONS NOT USED TO PAY QUALIFIED EXPENSES.**—If a distribution or payment from an individual development account is not used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 3(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as earnings on the account.

"(e) **TAX TREATMENT OF ACCOUNTS.**—

"(1) **EXEMPTION FROM TAX.**—An individual development account is exempt from taxation under this subtitle unless such account has ceased to be an individual development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"(2) **LOSS OF EXEMPTION OF ACCOUNT WHERE INDIVIDUAL

ENGAGES IN PROHIBITED TRANSACTION.—

"(A) **IN GENERAL.**—If the individual for whose benefit an individual development account is established or any individual who contributes to such account engages in any transaction prohibited by section 4975 with respect to the account, the account shall cease to be an individual development account as of the first day of the taxable year (of the individual so engaging in such transaction) during which such transaction occurs.

"(B) **ACCOUNT TREATED AS DISTRIBUTING ALL ITS ASSETS.**—In any case in which any account ceases to be an individual development account by reason of subparagraph (A) as of the first day of any taxable year—

"(i) all assets in the account on such first day that are attributable to assistance provided under section 3(h)(1) and (2) of the Individual Development Account Demonstration Act shall be paid as provided in section 3(h)(5) of such Act; and

"(ii) the provisions of subsection (d)(1) shall apply as if there was a distribution on such first day in an amount equal to the fair market value of all other assets in the account on such first day.

"(3) **EFFECT OF PLEDGING ACCOUNT AS SECURITY.**—If, during any taxable year, the individual for whose benefit an individual development account is established, or any individual who contributes to such account, uses the account or any portion thereof as security for a loan—

"(A) an amount equal to the part of the portion so used which is attributable to assistance provided under section 3(h)(1) and (2) of the Individual Account Demonstration Act shall be paid as provided in section 3(h)(5) of such Act; and

"(B) the remaining part of the portion so used shall be treated as distributed under the provisions of subsection (d)(1) to the individual so using such portion.

"(f) **ADDITIONAL TAX ON CERTAIN AMOUNTS INCLUDED IN GROSS INCOME.**—

"(1) **DISTRIBUTION NOT USED FOR QUALIFIED EXPENSES.**—In the case of any payment or distribution that is not used exclusively to pay qualified expenses incurred by the eligible individual for whose benefit the account is established, the tax liability of each payee or distributee under this chapter for the taxable year in which the payment or distribution is received shall be increased by an amount equal to 10 percent of the amount of the distribution that is included in the gross income of such payee or distributee for such taxable year.

"(2) **DISQUALIFICATION CASES.**—If any amount includible in the gross income of an individual for a taxable year because such amount is required to be treated as a distribution under paragraph (2) or (3) of subsection (e), the tax liability of such individual under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount required to be treated as a distribution and included in the gross income of such individual.

"(3) **DISABILITY OR DEATH CASES.**—Paragraphs (1) and (2) shall not apply if the payment or distribution is made after the individual for whose benefit the individual development account becomes disabled within the meaning of section 72(m)(7) or dies.

"(g) **COMMUNITY PROPERTY LAWS.**—This section shall be applied without regard to any community property laws.

"(h) **CUSTODIAL ACCOUNTS.**—For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Administrator of the Community Development Bank and Financial Institutions Fund, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subsection (c)(2). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) **REPORTS.**—The trustee of an individual development account shall—

"(1) prepare reports regarding the account with respect to contributions, distributions, and any other matter required by the Administrator of the Community Development Bank and Financial Institutions Fund under regulations; and

"(2) submit such reports, at the time and in the manner prescribed by the Administrator of the Community Development Bank and Financial Institutions Fund in regulations, to—

"(A) the individual for whose benefit the account is maintained;

"(B) the organization providing assistance to the individual under section 3(h) of the Individual Account Demonstration Act; and

"(C) the Administrator of the Community Development Bank and Financial Institutions Fund.".

(b) **CONTRIBUTION NOT SUBJECT TO THE GIFT TAX.**—Section 2503 of the Internal Revenue Code of 1986 (26 U.S.C. 2503) (relating to taxable gifts) is amended by adding at the end thereof the following new subsection:

"(h) **INDIVIDUAL DEVELOPMENT ACCOUNTS.**—Any contribution made by an individual to an individual development account described in section 529(c)(2) shall not be treated as a transfer of property by gift for purposes of this chapter.".

(c) **TAX ON PROHIBITED TRANSACTIONS.**—Section 4975 of the Internal Revenue Code of 1986 (26 U.S.C. 4975) (relating to prohibited transactions) is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

"(4) **SPECIAL RULE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.**—An individual for whose benefit an individual development account is established and any contributor to such account shall be exempt from tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be an individual development account by reason of section 529(e)(2)(A) to such account."; and

(2) in subsection (e)(1), by inserting ", an individual development account described in section 529(c)(2)" after "section 408(a)".

(d) **FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.**—Section 6693 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

(1) in the heading of such section, by inserting "**OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS**" after "**ANNUITIES**"; and

(2) by adding at the end of subsection (a) the following new sentence: "The person required by section 529(i) to

file a report regarding an individual development account at the time and in the manner required by such section shall pay a penalty of $50 for each failure, unless it is shown that such failure is due to reasonable cause.".

(e) **SPECIAL RULE FOR DETERMINING AMOUNTS OF SUPPORT FOR DEPENDENT.**—Section 152(b) of the Internal Revenue Code of 1986 (26 U.S.C. 152(b)) (relating to definition of dependent) is amended by adding at the end the following new paragraph:

"(6) A distribution from an individual development account described in section 529(c)(2) used exclusively to pay qualified expenses described in section 529(c)(1) of the individual for whose benefit the account is established shall not be taken into account in determining support for such individual for purposes of this section.".

(f) **CLERICAL AMENDMENTS.**—

(1) The table of parts for subchapter F of chapter 1 of such Code is amended by inserting at the end the following new item:

"Part VIII. Individual Development Accounts.".

(2) The table of sections for subchapter B of chapter 68 of such Code is amended by amending the item relating to section 6693 to read as follows:

"Sec. 6693. Failure to provide reports on individual development accounts or annuities or on individual development accounts.".

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after the enactment of the Act.

SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATION
Legislative Language

SEC. ___. DEMONSTRATION PROGRAM TO PROVIDE SELF-EMPLOYMENT OPPORTUNITIES TO WELFARE RECIPIENTS AND LOW-INCOME INDIVIDUALS.

(a) **IN GENERAL.**--The Secretary of Health and Human Services (hereinafter in this section referred to as the "Secretary") and the Administrator of the Small Business Administration (hereinafter in this section referred to as the "Administrator"), shall jointly develop a self-employment/microenterprise demonstration program for at least five years in length that will build on the experience of microenterprise and self-employment programs previously carried out by the Federal Government and other entities. The program shall be designed--

(1) to identify regulatory and other barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-employment and microenterprise development, and to identify and test effective means to eliminate such barriers;

(2) to develop and evaluate promising program models, based upon existing effective practices, which have the potential to (A) increase the number of welfare recipients and low-income individuals who become self-sufficient or increase self-sufficiency through self-employment and microenterprise development and (B) reduce Federal spending on transfer payments and services to welfare recipients and low-income individuals; and

(3) to demonstrate the potential for expanding the capacity of local organizations to provide services, technical assistance and loans which help welfare recipients and low-income individuals start or expand self-employment or microenterprises.

(b) **USE OF INTERMEDIARIES.**--To carry out such program, the Secretary and Administrator shall jointly enter into agreements with local intermediaries that--

(1) apply to participate in such program, and

(2) demonstrate that they are capable of implementing the provisions of the agreement.

(c) **PROGRAM DESIGN.**--In order to facilitate a randomized evaluation, as provided for in subsection (i)(1) below, the Secretary and Administrator shall identify those predominate and effective program models currently used by existing intermediaries to provide self-employment and related services to low-income individuals, and shall design the demonstration program in order to evaluate at least two distinct types of program models with contrasting levels of technical assistance. In designing the demonstration program, the Secretary and Administrator shall consult with appropriate parties, such as--

(1) state and local agencies and private, nonprofit organizations with experience in administering self-employment programs that serve low-income individuals; and

(2) other persons with recognized expertise in conducting randomized evaluations of self-employment programs or other related programs.

(d) **ASSISTANCE TO INTERMEDIARIES.**--

(1) **IN GENERAL.**--To carry out the program, the Secretary and Administrator may provide the following assistance to intermediaries selected to participate in the program--

(A) grants for providing technical assistance to eligible individuals, for operating costs and for costs associated with participating in the evaluation provided for in subsection (i)(1) below;

(B) loans guarantees; and

(C) loans.

(2) **TECHNICAL ASSISTANCE TO INTERMEDIARIES.**--The Secretary and Administrator may provide grants to intermediaries or third-party technical assistance providers for the provision of technical assistance to intermediaries selected to participate in this program.

(3) **TERMINATION OF ASSISTANCE.**--Assistance awarded pursuant to this section may fully fund project periods of up to five years. The Secretary and Administrator may revoke, terminate or reduce assistance to an intermediary if the intermediary fails to comply with the terms of any agreement it enters into with the Secretary and Administrator.

(e) **SELECTION OF INTERMEDIARIES.**--

(1) **IN GENERAL.**--In determining whether to enter into an agreement with an intermediary under this section, the Secretary and Administrator shall take into consideration--

(A) the intermediary's record of success in serving low-income individuals;

(B) the intermediary's record of success in providing technical assistance or loans to low-income individuals for the purpose of self-employment;

(C) the nature, types, and costs of technical assistance and/or lending methods the intermediary will employ in serving the target population;

(D) the intermediary's ability to obtain matching funds from private sources; and

(E) such other matters as the Secretary and Administrator deem appropriate.

(2) **ADDITIONAL PROGRAMS.**--In addition to the demonstration program provided for in subsection (c) above, the Secretary and Administrator may select up to five intermediaries that would employ program models that would operate independently of the randomized evaluation provided for in subsection (i)(1) below, where such program models demonstrate promising, innovative strategies that could not readily be evaluated by a randomized experimental design.

(f) **ELIGIBLE INDIVIDUALS.**--An individual eligible to participate in a program conducted under this section is any low-income individual or welfare recipient. The Secretary and Administrator shall ensure that an appropriate minimum percentage of welfare recipients will participate in each demonstration program funded under this section.

(g) **PROVISIONS OF AGREEMENTS.**--Any agreement entered into with an intermediary under this section shall provide that--

(1) the intermediary has or will have an agreement with the local agency responsible for administering the job opportunities and basic skills training program (as provided for under title IV of the Social Security Act) (hereinafter in this section referred to as the "JOBS" programs) and the Work Program (as provided for under title ____ of this Act) such that JOBS and Work program funds will be used to provide support services, including training and technical assistance, to participants in the demonstration programs funded under this section;

(2) the intermediary will implement a program that is approved by the Secretary and Administrator;

(3) the intermediary will cooperate with any independent evaluator(s) selected pursuant to subsection (i); and

(4) the intermediary will meet any other obligations required by the Secretary and Administrator, including any fund matching requirements.

(h) **PROGRAM ADMINISTRATION.--**

(1) **IN GENERAL.--**The Secretary and Administrator shall enter into a memorandum of understanding for the joint administration of the demonstration programs provided for by this section. The designation of intermediaries to participate in the program shall be completed no later than 12 months after the date of appropriation of funds for this Act.

(2) **COORDINATION WITH OTHER AGENCIES.--**The Secretary and Administrator shall also coordinate and consult with the Secretaries of the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Labor, on regulatory or other reforms or coordinated efforts by such agencies that may further eliminate barriers to self-employment and legitimize microenterprise development by low-income individuals and welfare recipients.

(i) **EVALUATION AND REPORT.--**

(1) **IN GENERAL.--**The Secretary, in consultation with the Administrator, shall conduct or provide for an evaluation of the effectiveness of the demonstration program provided for in subsection (c) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries and a final report no later than seven years following such designation, together with

such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate. Such evaluation shall be based on an experimental design with random assignment between a treatment group and a control group. In designing the evaluation, the Secretary shall consider testing for--

(A) greater self-sufficiency as measured by employment and self-employment rates, amount of earned income, poverty rates, and exit and recidivism rates for Aid to Families With Dependent Children (hereinafter in this section referred to as "AFDC"), Food Stamps and other public assistance programs;

(B) reduced costs of public support as measured by changes in overall support payments for items such as income maintenance, food, child care, health care, housing, job training and other benefits;

(C) number of businesses and jobs created, number of loans to welfare recipients and low-income individuals, repayment rates for loans, and business performance after welfare or other public assistance ends;

(D) the relative effectiveness, cost-to-benefit ratio, and degree of financial self-sufficiency of the different program models employed by the intermediaries participating in the demonstration program;

(E) the program's impact and effectiveness in serving participants in a time-limited welfare system, as compared to other low-income individuals; and

(F) the effectiveness and cost-to-benefit ratio of any modifications effected under section(s) __ of this Act **[liberalizations of the income, resource or business asset disregard rules relevant to microenterprise]** in helping welfare recipients and low-income individuals in both the control and treatment groups become self-employed.

(2) **EVALUATION OF ADDITIONAL PROGRAMS.**--The Secretary, in consultation with the Administrator, shall also conduct or provide for an independent evaluation of the effectiveness of any program models selected pursuant to subsection (e)(2) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries, and a final report no later than five years following such designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate.

(3) **PRELIMINARY REPORTS TO CONGRESS.**--The preliminary reports provided for in paragraphs (1) and (2) of this subsection shall include an analysis of any regulatory or other barriers that prevent welfare recipients and low-

income individuals from becoming self-sufficient through self-employment and microenterprise development.

(4) **REQUIRED INFORMATION.**--The Secretary may require each intermediary selected pursuant to this section to provide the Secretary with such information as the Secretary determines is necessary to carrying out the duties of this subsection.

(5) **EARLY AND REGULAR INFORMATION SHARING WITH INTERMEDIARIES.**--The Secretary, in consultation with the Administrator, shall provide early and regular feedback and summaries to intermediaries selected to participate pursuant to this section of the progress of the evaluation, the data collected during the evaluation, preliminary findings and such other information as the Secretary deems appropriate. The Secretary shall provide such feedback and summaries at least once a year for the life of the demonstration.

(j) **AUTHORIZATION OF APPROPRIATIONS.**--To carry out the purposes of this section there are authorized to be appropriated to the Secretary and Administrator $__,000,000 for each of the fiscal years 1995, 1996, 1997, 1998, and 1999.

(k) **DEFINITIONS.**--For the purposes of this section--

(1) the term "intermediary" means an organization,

partnership, or consortium of organizations that acts as a lender and/or as a technical assistance provider to individuals who wish to start or expand a microenterprise;

(2) the term "low-income individual" means an individual whose income level does not exceed 130 percent of the official poverty line as defined by the Office of Management and Budget;

(3) the term "microenterprise" generally means a business that has a net worth of less than $15,000;

(4) the term "technical assistance" as it relates to assisting a welfare recipient or low-income individual to become self-employed includes business technical assistance, entrepreneurial training, and/or personal development services; and

(5) the term "welfare recipient" means a participant in a time-limited welfare program who is also participating in the JOBS or Work program or a person who is receiving assistance from AFDC.