

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 456

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1993

Mr. HALL of Ohio (for himself and Mr. EMERSON) introduced the following bill; which was referred jointly to the Committees on Ways and Means and Education and Labor

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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.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Individual Develop-  
3 ment Account Demonstration Act”.

4 **SEC. 2. FINDINGS.**

5 The Congress finds that—

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

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

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

17 (4) in addition to the social costs of poverty,  
18 the economic costs to the Federal Government to  
19 provide basic necessities to the poor exceeds  
20 \$120,000,000,000 each year;

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

23 (6) poverty rates remain high and welfare de-  
24 pendency continues, in part, because welfare theory  
25 has taken for granted that a certain level of income  
26 or consumption is necessary for one’s economic well-

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

3 (7) economic well-being does not come primarily  
4 through income, spending, and consumption, but is  
5 instead achieved through savings, investment, and  
6 accumulation of assets, since assets can improve eco-  
7 nomic stability, connect people with a viable and  
8 hopeful future, stimulate development of human and  
9 other capital, enable people to focus and specialize,  
10 yield personal, social, and political dividends, and en-  
11 hance the welfare of offspring;

12 (8) income-based welfare policy should be com-  
13 plemented with asset-based welfare policy, because  
14 while income-based policies ensure that present con-  
15 sumption needs (such as food, child care, rent, cloth-  
16 ing, and health care) are met, asset-based policies  
17 can provide the means to achieve economic self-suffi-  
18 ciency and, accordingly, to leave public assistance;

19 (9) the Federal Government spends more than  
20 \$100,000,000,000 each year to provide middle- and  
21 upper-income persons with many incentives to accu-  
22 mulate savings and assets (especially tax subsidies  
23 for home equity accumulation and retirement pen-  
24 sion accounts), but such benefits are beyond the  
25 reach of most low-income persons;

1           (10) under current welfare policies, poor fami-  
2           lies must deplete most of their assets before qualify-  
3           ing for public assistance;

4           (11) the Federal Government should develop  
5           policies that promote higher rates of personal sav-  
6           ings and net private domestic investment, both of  
7           which fall behind the levels attained in other highly  
8           developed industrial nations; and

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

16 **SEC. 3. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

17          (a) IN GENERAL.—Part VII of subchapter B of chap-  
18          ter 1 of the Internal Revenue Code of 1986 (relating to  
19          additional itemized deductions for individuals) is amended  
20          by redesignating section 220 as section 221 and by insert-  
21          ing after section 219 the following new section:

22 **“SEC. 220. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

23          “(a) DEDUCTION ALLOWED.—In the case of an eligi-  
24          ble individual, there shall be allowed as a deduction the  
25          sum of amounts paid in cash (other than assistance pro-

1 vided under section 4(g) of the Individual Development  
2 Account Demonstration Act) during the taxable year by  
3 or on behalf of such individual to an individual develop-  
4 ment account established for the purpose of accumulating  
5 funds to pay the qualified expenses of such individual.

6 “(b) LIMITATIONS.—

7 “(1) ACCOUNT MAY NOT BE ESTABLISHED FOR  
8 BENEFIT OF MORE THAN 1 INDIVIDUAL.—An indi-  
9 vidual development account may not be established  
10 for the benefit of more than 1 individual.

11 “(2) ELIGIBLE INDIVIDUAL TREATED AS ELIGI-  
12 BLE INDIVIDUAL ONLY WITH RESPECT TO 1 AC-  
13 COUNT.—If, at any time during a calendar year, 2  
14 or more individual development accounts are main-  
15 tained for the benefit of an eligible individual, such  
16 individual shall be treated as an eligible individual  
17 for the calendar year only with respect to the 1st of  
18 such accounts.

19 “(3) MAXIMUM DEDUCTION PER ACCOUNT.—  
20 The amount allowable as a deduction under sub-  
21 section (a) to an eligible individual for amounts paid  
22 to an individual development account for any taxable  
23 year shall not exceed \$2,000.

24 “(4) ADJUSTMENT OF DOLLAR AMOUNT LIMI-  
25 TATIONS FOR INFLATION.—

1           “(A) IN GENERAL.—If this paragraph ap-  
2           plies to any calendar year, then each applicable  
3           dollar amount for any taxable year beginning in  
4           the adjustment period for such calendar year  
5           shall be equal to the sum of—

6                   “(i) such applicable dollar amount for  
7                   taxable years beginning in such calendar  
8                   year, plus

9                   “(ii) \$500.

10           “(B) YEARS TO WHICH APPLICABLE.—  
11           This paragraph shall apply to any calendar year  
12           if the excess (if any) of—

13                   “(i) \$2,000, increased by the cost-of-  
14                   living adjustment for such calendar year,  
15                   over

16                   “(ii) the applicable dollar amount in  
17                   effect for such calendar year,  
18           is equal to or greater than \$500.

19           “(C) COST-OF-LIVING ADJUSTMENT.—For  
20           purposes of this paragraph—

21                   “(i) IN GENERAL.—The cost-of-living  
22                   adjustment for any calendar year is the  
23                   percentage (if any) by which—

24                   “(I) the CPI for such calendar  
25                   year, exceeds

1 “(II) the CPI for 1991.

2 “(ii) CPI FOR ANY CALENDAR  
3 YEAR.—The CPI for any calendar year  
4 shall be determined in the same manner as  
5 under section 1(f)(4).

6 “(D) APPLICABLE DOLLAR AMOUNT.—For  
7 purposes of this paragraph, the term ‘applicable  
8 dollar amount’ means the dollar amount in ef-  
9 fect under paragraph (3) and subsection  
10 (c)(3)(A).

11 “(E) ADJUSTMENT PERIOD.—For pur-  
12 poses of this paragraph, the term ‘adjustment  
13 period’ means, with respect to any calendar  
14 year to which this subsection applies, the pe-  
15 riod—

16 “(i) beginning on the 1st day of the  
17 calendar year following such calendar year,  
18 and

19 “(ii) ending on the last day of the  
20 next calendar year to which this paragraph  
21 applies.

22 “(5) DENIAL OF DEDUCTION FOR AMOUNTS  
23 TRANSFERRED FROM ANOTHER IDA.—No deduction  
24 shall be allowed under this section with respect to

1 any amount paid into an individual development ac-  
2 count pursuant to subsection (c)(1)(E).

3 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-  
4 poses of this section—

5 “(1) QUALIFIED EXPENSES.—The term ‘quali-  
6 fied expenses’ means 1 or more of the following, as  
7 provided by the organization providing assistance to  
8 the individual under section 4(g) of the Individual  
9 Development Account Demonstration Act:

10 “(A) POST-SECONDARY EDUCATION EX-  
11 PENSES.—Post-secondary educational expenses  
12 paid from an individual development account di-  
13 rectly to an eligible educational institution. For  
14 purposes of this subparagraph—

15 “(i) IN GENERAL.—The term ‘post-  
16 secondary educational expenses’ means—

17 “(I) tuition and fees required for  
18 the enrollment or attendance of a stu-  
19 dent at an eligible educational institu-  
20 tion,

21 “(II) fees, books, supplies, and  
22 equipment required for courses of in-  
23 struction at an eligible educational in-  
24 stitution, and

1           “(III) a reasonable allowance for  
2           meals, lodging, transportation, and  
3           child care, while attending an eligible  
4           educational institution.

5           “(ii) ELIGIBLE EDUCATIONAL INSTI-  
6           TUTION.—The term ‘eligible educational  
7           institution’ means the following:

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

15                  “(II) POSTSECONDARY VOCA-  
16                  TIONAL EDUCATION SCHOOL.—An  
17                  area vocational education school (as  
18                  defined in subparagraph (C) or (D) of  
19                  section 521(4) of the Carl D. Perkins  
20                  Vocational and Applied Technology  
21                  Education Act (20 U.S.C. 2471(4)))  
22                  which is in any State (as defined in  
23                  section 521(33) of such Act), as such  
24                  sections are in effect on the date of  
25                  the enactment of this section.

1           “(B) FIRST-HOME PURCHASE.—Qualified  
2 acquisition costs with respect to a qualified  
3 principal residence for a qualified first-time  
4 homebuyer, if paid from an individual develop-  
5 ment account directly to the persons to whom  
6 the amounts are due. For purposes of this sub-  
7 paragraph—

8           “(i) QUALIFIED ACQUISITION  
9 COSTS.—The term ‘qualified acquisition  
10 costs’ means the costs of acquiring, con-  
11 structing, or reconstructing a residence.  
12 The term includes any usual or reasonable  
13 settlement, financing, or other closing  
14 costs.

15           “(ii) QUALIFIED PRINCIPAL RESI-  
16 DENCE.—The term ‘qualified principal res-  
17 idence’ means a principal residence (within  
18 the meaning of section 1034), the qualified  
19 acquisition costs of which do not exceed  
20 110 percent of the average area purchase  
21 price applicable to such residence (deter-  
22 mined in accordance with paragraphs (2)  
23 and (3) of section 143(e)).

24           “(iii) QUALIFIED FIRST-TIME HOME-  
25 BUYER.—

1           “(I) IN GENERAL.—The term  
2           ‘qualified first-time homebuyer’ means  
3           a taxpayer (and, if married, the tax-  
4           payer’s spouse) who has no present  
5           ownership interest in a principal resi-  
6           dence during the 3-year period ending  
7           on the date of acquisition of the prin-  
8           cipal residence to which this subpara-  
9           graph applies.

10           “(II) DATE OF ACQUISITION.—  
11           The term ‘date of acquisition’ means  
12           the date on which a binding contract  
13           to acquire, construct, or reconstruct  
14           the principal residence to which this  
15           subparagraph applies is entered into.

16           “(C) BUSINESS CAPITALIZATION.—  
17           Amounts paid from an individual development  
18           account directly to a business capitalization ac-  
19           count which is established in a federally insured  
20           financial institution and is restricted to use  
21           solely for business capitalization expenses. For  
22           purposes of this subparagraph—

23           “(i) QUALIFIED BUSINESS CAPITAL-  
24           IZATION EXPENSES.—The term ‘qualified  
25           business capitalization expenses’ means

1 qualified expenses for the capitalization of  
2 a qualified business pursuant to a qualified  
3 plan.

4 “(ii) QUALIFIED EXPENSES.—The  
5 term ‘qualified expenses’ means expenses  
6 included in a qualified plan, including cap-  
7 ital plant, equipment, working capital, and  
8 inventory expenses.

9 “(iii) QUALIFIED BUSINESS.—The  
10 term ‘qualified business’ means any busi-  
11 ness that does not contravene any law or  
12 public policy (as determined by the Sec-  
13 retary).

14 “(iv) QUALIFIED PLAN.—The term  
15 ‘qualified plan’ means a business plan  
16 which—

17 “(I) is approved by a financial in-  
18 stitution, or by a nonprofit loan fund  
19 having demonstrated fiduciary integ-  
20 rity,

21 “(II) includes a description of  
22 services or goods to be sold, a market-  
23 ing plan, and projected financial  
24 statements, and

1                   “(III) may require the eligible in-  
2                   dividual to obtain the assistance of an  
3                   experienced entrepreneurial advisor.

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

9                   “(E) TRANSFERS TO IDA’S OF FAMILY  
10                  MEMBERS.—Amounts paid from an individual  
11                  development account directly into another such  
12                  account established for the benefit of an eligible  
13                  individual who is—

14                         “(i) the taxpayers spouse, or

15                         “(ii) any dependent of the taxpayer  
16                         with respect to whom the taxpayer is al-  
17                         lowed a deduction under section 151.

18                  “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
19                  individual’ means an individual for whom assistance  
20                  is (or at any prior time was) provided under section  
21                  4(g) of the Individual Development Account Dem-  
22                  onstration Act.

23                  “(3) INDIVIDUAL DEVELOPMENT ACCOUNT.—  
24                  The term ‘individual development account’ means a  
25                  trust created or organized in the United States ex-

1       clusively for the purpose of paying the qualified ex-  
2       penses of an eligible individual, but only if the writ-  
3       ten governing instrument creating the trust meets  
4       the following requirements:

5               “(A) No contribution will be accepted un-  
6       less it is in cash.

7               “(B) The trustee is a federally insured fi-  
8       nancial institution.

9               “(C) The assets of the account will be in-  
10       vested in accordance with the direction of the  
11       eligible individual, within the guidelines estab-  
12       lished pursuant to section 4(j)(1)(A)(ii) of the  
13       Individual Development Account Demonstration  
14       Act.

15              “(D) The assets of the trust will not be  
16       commingled with other property except in a  
17       common trust fund or common investment  
18       fund.

19              “(E) Except as provided in subparagraph  
20       (F), any amount in the account which is attrib-  
21       utable to assistance provided under section 4(g)  
22       of the Individual Development Account Dem-  
23       onstration Act may be paid or distributed out  
24       of the account only for the purpose of paying  
25       the qualified expenses of the eligible individual.

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

8           “(4) TIME WHEN CONTRIBUTIONS DEEMED  
9           MADE.—A taxpayer shall be deemed to have made a  
10          contribution on the last day of the preceding taxable  
11          year if the contribution is made on account of such  
12          taxable year and is made not later than the time  
13          prescribed by law for filing the return for such tax-  
14          able year (including extensions thereof).

15          “(d) TAX TREATMENT OF DISTRIBUTIONS.—

16                 “(1) IN GENERAL.—Except as otherwise pro-  
17                 vided in this subsection, any amount paid or distrib-  
18                 uted out of an individual development account shall  
19                 be included in gross income of the payee or distribu-  
20                 tee for the taxable year in which the payment or dis-  
21                 tribution is received to the extent such amount is  
22                 not the return of a contribution for which no deduc-  
23                 tion was allowed under subsection (a).

24                 “(2) DISTRIBUTION USED TO PAY QUALIFIED  
25                 EXPENSES.—Paragraph (1) shall not apply to any

1 payment or distribution out of an individual develop-  
2 ment account to the extent such payment or dis-  
3 tribution is used exclusively to pay the qualified ex-  
4 penses incurred by the eligible individual for whose  
5 benefit the account is established.

6 “(e) TAX TREATMENT OF ACCOUNTS.—

7 “(1) EXEMPTION FROM TAX.—An individual  
8 development account is exempt from taxation under  
9 this subtitle unless such account has ceased to be an  
10 individual development account by reason of para-  
11 graph (2). Notwithstanding the preceding sentence,  
12 any such account is subject to the taxes imposed by  
13 section 511 (relating to imposition of tax on unre-  
14 lated business income of charitable, etc. organiza-  
15 tions).

16 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE  
17 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-  
18 ACTION.—

19 “(A) IN GENERAL.—If the individual for  
20 whose benefit an individual development ac-  
21 count is established or any individual who con-  
22 tributes to such account engages in any trans-  
23 action prohibited by section 4975 with respect  
24 to the account, the account shall cease to be an  
25 individual development account as of the 1st

1 day of the taxable year (of the individual so en-  
2 gaging in such transaction) during which such  
3 transaction occurs.

4 “(B) ACCOUNT TREATED AS DISTRIBUTING  
5 ALL ITS ASSETS.—In any case in which any ac-  
6 count ceases to be an individual development  
7 account by reason of subparagraph (A) as of  
8 the 1st day of any taxable year—

9 “(i) all assets in the account on such  
10 1st day which are attributable to assist-  
11 ance provided under section 4(g) of the In-  
12 dividual Development Account Demonstra-  
13 tion Act shall be paid into the general fund  
14 of the Treasury of the United States, and

15 “(ii) paragraph (1) of subsection (d)  
16 shall apply as if there was a distribution  
17 on such 1st day in an amount equal to the  
18 fair market value of all other assets in the  
19 account on such 1st day.

20 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-  
21 RITY.—If, during any taxable year, the individual for  
22 whose benefit an individual development account is  
23 established, or any individual who contributes to  
24 such account, uses the account or any portion there-  
25 of as security for a loan—

1           “(A) an amount equal to the part of the  
2           portion so used which is attributable to assist-  
3           ance provided under section 4(g) of the Individ-  
4           ual Development Account Demonstration Act  
5           shall be paid into the general fund of the Treas-  
6           ury of the United States, and

7           “(B) the remaining part of the portion so  
8           used shall be treated as distributed to the indi-  
9           vidual so using such portion.

10          “(f) ADDITIONAL TAX ON CERTAIN AMOUNTS IN-  
11          CLUDED IN GROSS INCOME.—

12           “(1) DISTRIBUTION NOT USED FOR QUALIFIED  
13          EXPENSES.—In the case of any payment or distribu-  
14          tion to which subsection (d)(1) applies, the tax li-  
15          ability of each payee or distributee under this chap-  
16          ter for the taxable year in which the payment or dis-  
17          tribution is received shall be increased by an amount  
18          equal to 10 percent of the amount of the distribution  
19          which is includible in the gross income of such payee  
20          or distributee for such taxable year.

21           “(2) DISQUALIFICATION CASES.—If an amount  
22          is includible in the gross income of an individual for  
23          a taxable year because such amount is required to  
24          be treated as a distribution under paragraph (2) or  
25          (3) of subsection (e), such individual’s tax liability

1 under this chapter for such taxable year shall be in-  
2 creased by an amount equal to 10 percent of such  
3 amount required to be treated as a distribution and  
4 included in such individual's gross income.

5 “(3) DISABILITY OR DEATH CASES.—Para-  
6 graphs (1) and (2) shall not apply if the payment  
7 or distribution is made after the individual for whose  
8 benefit the individual development account becomes  
9 disabled within the meaning of section 72(m)(7) or  
10 dies.

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

14 “(h) CUSTODIAL ACCOUNTS.—For purposes of this  
15 section, a custodial account shall be treated as a trust if  
16 the assets of such account are held by a bank (as defined  
17 in section 408(n)) or another person who demonstrates,  
18 to the satisfaction of the Secretary, that the manner in  
19 which he will administer the account will be consistent  
20 with the requirements of this section, and if the custodial  
21 account would, except for the fact that it is not a trust,  
22 constitute an individual development account described in  
23 subsection (c)(2). For purposes of this title, in the case  
24 of a custodial account treated as a trust by reason of the

1 preceding sentence, the custodian of such account shall be  
2 treated as the trustee thereof.

3 “(i) REPORTS.—The trustee of an individual develop-  
4 ment account shall—

5 “(1) prepare reports regarding the account with  
6 respect to contributions, distributions, and any other  
7 matter required by the Secretary under regulations,  
8 and

9 “(2) submit such reports, at the time and in  
10 the manner prescribed by the Secretary in regula-  
11 tions, to—

12 “(A) the individual for whose benefit the  
13 account is maintained,

14 “(B) the organization providing assistance  
15 to the individual under section 4(g) of the Indi-  
16 vidual Development Account Demonstration  
17 Act, and

18 “(C) the Secretary.”

19 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-  
20 JUSTED GROSS INCOME.—Paragraph (7) of section 62(a)  
21 of such Code (relating to retirement savings) is amend-  
22 ed—

23 (1) by inserting “OR INDIVIDUAL DEVELOP-  
24 MENT” after “RETIREMENT” in the heading of such  
25 paragraph, and

1           (2) by inserting before the period at the end the  
2 following: “and the deduction allowed by section 220  
3 (relating to individual development accounts)”.

4           (c) CONTRIBUTION NOT SUBJECT TO GIFT TAX.—  
5 Section 2503 of such Code (relating to taxable gifts) is  
6 amended by adding at the end the following new sub-  
7 section:

8           “(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any  
9 contribution made by an individual to an individual devel-  
10 opment account described in section 220(c)(3) which is al-  
11 lowable as a deduction under section 220 shall not be  
12 treated as a transfer of property by gift for purposes of  
13 this chapter.”

14           (d) TAX ON PROHIBITED TRANSACTIONS.—Section  
15 4975 of such Code (relating to prohibited transactions)  
16 is amended—

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

19           “(4) SPECIAL RULE FOR INDIVIDUAL DEVELOP-  
20 MENT ACCOUNTS.—An individual for whose benefit  
21 an individual development account is established and  
22 any contributor to such account shall be exempt  
23 from the tax imposed by this section with respect to  
24 any transaction concerning such account (which  
25 would otherwise be taxable under this section) if,

1 with respect to such transaction, the account ceases  
2 to be an individual development account by reason  
3 of the application of section 220(e)(2)(A) to such ac-  
4 count.”, and

5 (2) by inserting “, an individual development  
6 account described in section 220(c)(3),” in sub-  
7 section (e)(1) after “described in section 408(a)”.

8 (e) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL  
9 DEVELOPMENT ACCOUNTS.—Section 6693 of such Code  
10 (relating to failure to provide reports on individual retire-  
11 ment accounts or annuities) is amended—

12 (1) by inserting “**OR ON INDIVIDUAL DEVEL-**  
13 **OPMENT ACCOUNTS**” after “**ANNUITIES**” in the  
14 heading of such section, and

15 (2) by adding at the end of subsection (a) the  
16 following new sentence: “The person required by sec-  
17 tion 220(i) to file a report regarding an individual  
18 development account at the time and in the manner  
19 required by such section shall pay a penalty of \$50  
20 for each failure, unless it is shown that such failure  
21 is due to reasonable cause.”

22 (f) SPECIAL RULE FOR DETERMINING AMOUNTS OF  
23 SUPPORT FOR DEPENDENT.—Subsection (b) of section  
24 152 of such Code (relating to definition of dependent) is

1 amended by adding at the end the following new para-  
2 graph:

3           “(6) A distribution from an individual develop-  
4 ment account described in section 220(c)(3) to the  
5 individual for whose benefit such account has been  
6 established shall not be taken into account in deter-  
7 mining support for purposes of this section to the  
8 extent such distribution is excluded from gross in-  
9 come of such individual under section 220(d)(2).”

10 (g) CLERICAL AMENDMENTS.—

11           (1) The table of sections for part VII of sub-  
12 chapter B of chapter 1 of such Code is amended by  
13 striking the item relating to section 220 and insert-  
14 ing the following new items:

                  “Sec. 220. Individual development accounts.

                  “Sec. 221. Cross references.”

15           (2) The table of sections for subchapter B of  
16 chapter 68 of such Code is amended by striking the  
17 item relating to section 6693 and inserting the fol-  
18 lowing new item:

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

19           (h) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to contributions made after June  
21 30, 1992.

1 **SEC. 4. INDIVIDUAL DEVELOPMENT ACCOUNT DEM-**  
2 **ONSTRATION PROJECTS.**

3 (a) PURPOSE.—The purpose of this section is to pro-  
4 vide for the establishment of demonstration projects de-  
5 signed to determine—

6 (1) the social, psychological, and economic ef-  
7 fects of providing to individuals with limited means  
8 an opportunity to accumulate assets; and

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

12 (b) APPLICATIONS.—

13 (1) SUBMISSION.—Not later than April 1,  
14 1992, any organization may submit to the Secretary  
15 of the Treasury (in this section referred to as the  
16 “Secretary”) an application to conduct a demonstra-  
17 tion project under this section.

18 (2) CONTENTS.—The application shall con-  
19 tain—

20 (A) a description of the demonstration  
21 project;

22 (B) information about the ability of the or-  
23 ganization to—

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

1 (ii) administer the project;

2 (C) a commitment made to the organiza-  
3 tion by the State in which the project is to be  
4 conducted that the State will provide a specified  
5 amount of funds to the organization for the  
6 project, and any similar commitment made to  
7 the organization by any other non-Federal pub-  
8 lic entity or by any private entity; and

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

13 (3) CRITERIA.—In considering whether or not  
14 to approve any application to conduct a demonstra-  
15 tion project under this section, the Secretary shall  
16 assess the following:

17 (A) SUFFICIENCY OF PROJECT.—The de-  
18 gree to which the project described in the appli-  
19 cation appears likely to aid project participants  
20 in achieving economic self-sufficiency through  
21 activities requiring qualified expenses (as de-  
22 fined in section 220(c)(1) of the Internal Reve-  
23 nue Code of 1986). In making such assessment,  
24 the Secretary shall consider the overall quality  
25 of project activities and shall not consider aid

1 in making any particular kind or combination  
2 of qualified expenses (as so defined) to be an  
3 essential feature of any project.

4 (B) ADMINISTRATIVE ABILITY.—The abil-  
5 ity of the applicant to responsibly administer  
6 the project.

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

11 (D) ADEQUACY OF PLAN FOR PROVIDING  
12 INFORMATION FOR EVALUATION.—The ade-  
13 quacy of the plan for providing information rel-  
14 evant to an evaluation of the project.

15 (4) APPROVAL.—Not later than June 1, 1994,  
16 the Secretary shall, on a competitive basis, approve  
17 such applications to conduct demonstration projects  
18 under this section as the Secretary deems appro-  
19 priate, taking into account the assessment required  
20 by paragraph (3).

21 (c) DEMONSTRATION AUTHORITY; ANNUAL  
22 GRANTS.—

23 (1) DEMONSTRATION AUTHORITY.—If the Sec-  
24 retary approves an application to conduct a dem-  
25 onstration project under this section, the Secretary

1 shall, not later than July 1, 1994, authorize the ap-  
2 plicant to conduct the project for 5 project years in  
3 accordance with the approved application therefor  
4 and this section.

5 (2) GRANT AUTHORITY.—For each project year  
6 of a demonstration project conducted under this sec-  
7 tion, the Secretary shall make a grant to the organi-  
8 zation authorized to conduct the project, on the first  
9 day of the project year.

10 (3) LIMITATIONS ON GRANT AMOUNTS.—

11 (A) MAXIMUM.—The amount of each grant  
12 under paragraph (2) shall be not more than  
13 \$20,000,000.

14 (B) FIRST YEAR GRANT LEVEL AS-  
15 SURED.—The amount of each grant to an orga-  
16 nization under paragraph (2) after the first  
17 such grant shall be not less than the amount of  
18 such first grant.

19 (C) GRANTS REDUCED, IF NECESSARY, IN  
20 PROPORTION TO ANY REDUCTIONS IN APPRO-  
21 PRIATIONS AFTER FIRST YEAR.—If the amount  
22 appropriated to carry out this section for any  
23 particular fiscal year after fiscal year 1994 is  
24 less than the amount so appropriated for fiscal  
25 year 1994, then the limitations of subpara-

1 graphs (A) and (B) shall each be reduced for  
2 the particular fiscal year in equal proportion to  
3 the reduction of such appropriations, but only  
4 to the extent that the reduction of such limita-  
5 tions is made necessary by the reduction in  
6 such appropriations.

7 (d) RESERVE FUND.—

8 (1) ESTABLISHMENT.—Each organization au-  
9 thORIZED to conduct a demonstration project under  
10 this section shall establish a Reserve Fund which  
11 shall be used in accordance with this subsection.

12 (2) AMOUNTS IN RESERVE FUND.—

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

16 (1)—

17 (i) all funds provided to the organiza-  
18 tion by any public or private entity to con-  
19 duct the demonstration project;

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

22 (B) INDIVIDUAL DEVELOPMENT ACCOUNT  
23 PENALTIES.—

24 (i) PENALTY AMOUNTS AUTHORIZED  
25 TO BE APPROPRIATED FOR PAYMENT TO

1 THE RESERVE FUND.—For payment to the  
2 Reserve Fund established by an organiza-  
3 tion that provides financial assistance  
4 under subsection (g) of this section to any  
5 individual who pays, or from whose individ-  
6 ual development account is paid, a penalty  
7 amount, there is authorized to be appro-  
8 priated to the Secretary, without fiscal  
9 year limitation, an amount equal to the  
10 penalty amount.

11 (ii) PAYMENT TO RESERVE FUND OF  
12 PENALTY AMOUNTS APPROPRIATED  
13 THEREFOR.—The Secretary shall imme-  
14 diately pay to the Reserve Fund any  
15 amount appropriated pursuant to clause (i)  
16 for payment to the Reserve Fund.

17 (C) UNIFORM ACCOUNTING REGULA-  
18 TIONS.—The Secretary shall prescribe regula-  
19 tions with respect to accounting for amounts in  
20 Reserve Funds.

21 (3) USE OF RESERVE FUND.—

22 (A) IN GENERAL.—The organization shall  
23 use the amounts in the Reserve Fund estab-  
24 lished under paragraph (1) to—

1 (i) assist participants in the dem-  
2 onstration project in obtaining the skills  
3 and information necessary to achieve eco-  
4 nomic self-sufficiency through activities re-  
5 quiring qualified expenses (as defined in  
6 section 220(c)(1) of the Internal Revenue  
7 Code of 1986);

8 (ii) provide financial assistance in ac-  
9 cordance with subsection (g) to individuals  
10 selected by the organization to participate  
11 in the project;

12 (iii) administer the project; and

13 (iv) provide the organization evaluat-  
14 ing the project under a contract entered  
15 into under subsection (m) with such infor-  
16 mation with respect to the project as may  
17 be required for the evaluation.

18 (B) AUTHORITY TO INVEST FUNDS.—The  
19 organization shall invest such amounts in the  
20 Reserve Fund as are not immediately needed to  
21 carry out subparagraph (A) of this paragraph,  
22 in accordance with guidelines which shall—

23 (i) be developed by the panel estab-  
24 lished pursuant to subsection (k); and

1 (ii) require such investments to be  
2 highly liquid and of low risk.

3 (C) LIMITATION ON ADMINISTRATIVE EX-  
4 PENSES.—Not more than 10 percent of the  
5 amounts provided to the organization under  
6 subsection (c)(2) may be used to administer, or  
7 notify the public about, the demonstration  
8 project, without the approval of the panel estab-  
9 lished pursuant to subsection (k).

10 (4) UNUSED FEDERAL GRANT FUNDS TRANS-  
11 FERRED TO THE SECRETARY WHEN PROJECT TERMI-  
12 NATES.—Notwithstanding paragraph (3), upon the  
13 termination of any demonstration project authorized  
14 under this section, the organization conducting the  
15 project shall transfer to the Secretary an amount  
16 equal to—

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

19 (B) a percentage equal to—

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

23 (ii) the aggregate of the amounts pro-  
24 vided to the organization by all entities to  
25 conduct the project.

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

5 (1) INCOME TEST.—The income of the house-  
6 hold for the immediately preceding calendar year is  
7 not more than 200 percent of the poverty threshold  
8 for such period.

9 (2) NET WORTH TEST.—The net worth of the  
10 household, as of the close of such immediately pre-  
11 ceding calendar year, is not more than \$20,000.

12 (f) SELECTION OF INDIVIDUALS TO RECEIVE ASSIST-  
13 ANCE.—From among the individuals eligible for assistance  
14 under a demonstration project conducted under this sec-  
15 tion, the organization authorized to conduct the project  
16 shall select the individuals—

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

19 (2) to whom the organization will provide finan-  
20 cial assistance in accordance with subsection (g).

21 (g) PROVISION OF FINANCIAL ASSISTANCE.—Each  
22 organization to which a grant is made under subsection  
23 (c)(2) of this section for a project year shall, during the  
24 project year, deposit directly into the individual develop-  
25 ment account of any individual selected by the organiza-

1 tion under subsection (f) of this section an amount deter-  
 2 mined 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 50 percent ....	900	or ....	\$1,800
More than 50 percent but not more than 85 percent.	500	or ....	\$1,650
More than 85 percent but not more than 125 percent.	200	or ....	\$1,400
More than 125 percent but not more than 160 percent.	50	or ....	\$700
More than 160 percent but not more than 200 percent.	20	or ....	\$350.

3 (h) LOCAL CONTROL OVER DEMONSTRATION  
 4 PROJECTS.—Each organization authorized to conduct a  
 5 demonstration project under this section shall, subject to  
 6 subsections (j) and (l), have sole authority over the admin-  
 7 istration of the project. The Secretary may prescribe only  
 8 such regulations with respect to demonstration projects  
 9 under this section as are necessary to ensure compliance  
 10 with the approved applications therefor and this section.

11 (i) SEMIANNUAL PROGRESS REPORTS.—

12 (1) IN GENERAL.—Each organization author-  
 13 ized to conduct a demonstration project under this  
 14 section shall prepare 10 semiannual reports on the  
 15 progress of the project, including—

16 (A) information on participation of individ-  
 17 uals in the project;

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

3 (C) information on amounts in the individ-  
4 ual development accounts of the individuals to  
5 whom assistance is provided under the project;  
6 and

7 (D) such other information as the panel  
8 established pursuant to subsection (k) may re-  
9 quire to assess the project.

10 (2) SUBMISSION OF REPORTS.—The organiza-  
11 tion shall submit each report required to be prepared  
12 under paragraph (1) with respect to a demonstration  
13 project to—

14 (A) the panel established pursuant to sub-  
15 section (k);

16 (B) the Secretary; and

17 (C) the Treasurer (or equivalent official) of  
18 the State in which the project is conducted.

19 (3) TIMING.—The first report required by para-  
20 graph (1) shall be submitted at the end of the 6-  
21 month period beginning on the date the Secretary  
22 authorized the organization to conduct the dem-  
23 onstration project, and subsequent reports shall be  
24 submitted 6 months apart.

25 (j) OVERSIGHT.—

1           (1) ESTABLISHMENT OF PANEL.—The Sec-  
2       retary shall establish a panel pursuant to subsection  
3       (k) of this section to—

4           (A) develop guidelines governing the in-  
5       vestment of—

6           (i) funds in the Reserve Funds estab-  
7       lished under subsection (d) of this section;  
8       and

9           (ii) funds in individual development  
10       accounts established under section 220 of  
11       the Internal Revenue Code of 1986;

12       (B) monitor the progress of the projects;

13       (C) make recommendations with respect to  
14       projects that do not progress adequately or are  
15       not conducted in substantial compliance with  
16       the approved application therefor and this sec-  
17       tion; and

18       (D) determine the percentage of the  
19       amounts appropriated to carry out this section  
20       that are to be used for evaluations under sub-  
21       section (m) of this section, subject to the re-  
22       quirement that such percentage shall be not less  
23       than 3 percent nor more than 8 percent.

24       (2) RECOMMENDATIONS BY PANEL.—The panel  
25       shall make recommendations to any organization

1 conducting a demonstration project under this sec-  
2 tion on measures to be taken to ensure that the  
3 project progresses adequately and is conducted in  
4 substantial compliance with the approved application  
5 therefor and this section. The panel shall transmit  
6 copies of such recommendations to the Secretary  
7 and the Treasurer (or equivalent official) of the  
8 State in which the project is conducted.

9 (3) PANEL TO REVIEW IMPLEMENTATION OF  
10 RECOMMENDATIONS.—After a reasonable time has  
11 elapsed since the organization conducting a dem-  
12 onstration project under this section has been pro-  
13 vided recommendations made by the panel, the panel  
14 shall—

15 (A) determine whether or not the organiza-  
16 tion has implemented the recommendations;  
17 and

18 (B) if the panel finds that the organization  
19 has failed to implement the recommendations,  
20 immediately notify the Secretary of such fail-  
21 ure.

22 (k) OVERSIGHT PANEL.—

23 (1) MEMBERSHIP.—

24 (A) IN GENERAL.—

1 (i) 8 FEDERAL MEMBERS.—The Sec-  
2 retary shall appoint to the panel 8 mem-  
3 bers who shall be officers or employees of  
4 the Federal Government. Such members  
5 may vote on any matter before the panel.

6 (ii) 2 ROTATING STATE MEMBERS.—  
7 The Secretary, in consultation with the  
8 Treasurer (or equivalent official) of each  
9 State in which a demonstration project is  
10 conducted under this section, shall appoint  
11 to the panel 2 members from each such  
12 State who are representatives of the gov-  
13 ernment of the State. The members ap-  
14 pointed under this clause from a State may  
15 vote only on the matters before the panel  
16 relating to demonstration projects con-  
17 ducted under this section in the State.

18 (iii) 5 PRIVATE MEMBERS.—The Sec-  
19 retary shall appoint to the panel 5 mem-  
20 bers who shall be business leaders and wel-  
21 fare and social policy innovators. Such  
22 members may vote on any matter before  
23 the panel.

24 (B) QUALIFICATIONS.—Each member of  
25 the panel shall be qualified to review the con-

1 duct of demonstration projects conducted under  
2 this section by virtue of the education, training,  
3 or experience of the member.

4 (C) POLITICAL AFFILIATION.—Not more  
5 than 50 percent of the members of the panel  
6 may be of the same political party.

7 (2) TERMS.—

8 (A) GENERAL RULE.—Except as provided  
9 in subparagraph (B), each member of the panel  
10 shall be appointed for the life of the panel.

11 (B) SPECIAL RULE.—Any individual who is  
12 appointed to the panel because of the status of  
13 the individual as an officer or employee of a  
14 government or because of the status of the indi-  
15 vidual as not an officer or employee of any gov-  
16 ernment, and whose status changes, may not  
17 continue as a member of the panel.

18 (C) VACANCIES.—A vacancy in the panel  
19 shall be filled in the manner in which the origi-  
20 nal appointment was made.

21 (3) COMPENSATION.—

22 (A) BASIC PAY.—

23 (i) GENERAL RULE.—Except as pro-  
24 vided in clause (ii), each member of the  
25 panel shall be entitled to receive not more

1 than the daily equivalent of the maximum  
2 annual rate of basic pay payable for grade  
3 GS-18 of the General Schedule for each  
4 day (including travel time) during which  
5 the member is engaged in the actual per-  
6 formance of duties of the panel.

7 (ii) PROHIBITION AGAINST COMPENSA-  
8 TION OF FEDERAL OFFICERS OR EMPLOY-  
9 EES.—Members of the panel who are full-  
10 time officers or employees of the United  
11 States may not receive additional pay, al-  
12 lowances, or benefits by reason of their  
13 service on the panel.

14 (B) TRAVEL EXPENSES.—Each member of  
15 the panel shall receive travel expenses, including  
16 per diem in lieu of subsistence, in accordance  
17 with sections 5702 and 5703 of title 5, United  
18 States Code.

19 (4) PROCEDURE.—

20 (A) QUORUM.—51 percent of the members  
21 of the panel who may vote on a matter shall  
22 constitute a quorum with respect to the matter  
23 but a lesser number may hold hearings.

1 (B) CHAIRPERSON.—The Chairperson of  
2 the panel shall be elected by the members of the  
3 panel appointed under paragraph (1)(A)(i).

4 (C) MEETINGS.—

5 (i) HOW CALLED.—The panel shall  
6 meet on a matter relating to a demonstra-  
7 tion project conducted under this section in  
8 a State, at the call of the Chairperson or  
9 of a majority of the members of the panel  
10 who may vote on the matter.

11 (ii) FREQUENCY.—

12 (I) GENERAL OVERSIGHT.—The  
13 panel shall meet not less frequently  
14 than twice yearly with respect to the  
15 monitoring of the progress of dem-  
16 onstration projects conducted under  
17 this section.

18 (II) REVIEW OF PROBLEM  
19 PROJECTS.—The panel shall meet as  
20 necessary with respect to projects that  
21 do not progress adequately or are not  
22 conducted in substantial compliance  
23 with the approved application therefor  
24 and this section.

25 (5) POWERS.—

1           (A) HEARINGS AND SESSIONS.—The panel  
2           may, for the purpose of carrying out this sub-  
3           section, hold hearings, sit and act at times and  
4           places, take testimony, and receive evidence as  
5           the panel considers appropriate. The panel may  
6           administer oaths or affirmations to witnesses  
7           appearing before it.

8           (B) POWERS OF MEMBERS AND AGENTS.—  
9           Any member or agent of the panel who is not  
10          an officer or employee of a State government  
11          may, if authorized by the panel, take any action  
12          which the panel is authorized to take by this  
13          section.

14          (C) OBTAINING OFFICIAL DATA.—Subject  
15          to other law, the panel may secure directly from  
16          any department or agency of the United States  
17          information necessary to enable it to carry out  
18          any duty of the panel under this section. Upon  
19          request of the Chairperson of the panel, the  
20          head of that department or agency shall furnish  
21          that information to the panel.

22          (D) MAIL.—The panel may use the United  
23          States mail in the same manner and under the  
24          same conditions as other departments and  
25          agencies of the United States.

1           (6) ADMINISTRATIVE SUPPORT.—Upon request  
2 of the panel, the Secretary may detail any of the  
3 personnel of the Department of the Treasury to the  
4 panel to assist it in carrying out its duties under  
5 this section.

6           (7) TERMINATION.—The panel shall terminate  
7 on a date designated by the Secretary.

8           (l) SANCTIONS.—

9           (1) AUTHORITY TO REVOKE DEMONSTRATION  
10 AUTHORITY.—If the Secretary receives a notice  
11 under subsection (j)(3)(B) with respect to a dem-  
12 onstration project, the Secretary may revoke the  
13 original authorization to conduct the project.

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

17                   (A) shall suspend the project;

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

21                   (C) shall make every effort to find another  
22 organization willing and able to conduct the  
23 project in accordance with the approved appli-  
24 cation therefor (as modified, if necessary, to

1 incorporate the recommendations) and this  
2 section;

3 (D) may obtain the assistance of the panel  
4 to find such an organization;

5 (E) if the Secretary finds such an organi-  
6 zation, shall—

7 (i) authorize the organization to con-  
8 duct the project in accordance with the ap-  
9 proved application therefor (as modified, if  
10 necessary, to incorporate the recommenda-  
11 tions) and this section;

12 (ii) transfer to the organization con-  
13 trol over the Reserve Fund established  
14 pursuant to subsection (d) as part of the  
15 project; and

16 (iii) for purposes of this section, con-  
17 sider—

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

21 (II) the date of such authoriza-  
22 tion to be the date of the original au-  
23 thorization; and

24 (F) if, by the end of the 1-year period be-  
25 ginning on the date of such revocation, the Sec-

1           retary has not found such an organization,  
2           shall—

3                   (i) terminate the project; and

4                   (ii) from the Reserve Fund estab-  
5                   lished as part of the project, remit to each  
6                   entity that has provided amounts to the or-  
7                   ganization originally authorized to conduct  
8                   the project, an amount equal to that per-  
9                   centage of the aggregate of the amounts so  
10                  provided by all entities that is represented  
11                  by the amount so provided by such entity.

12           (m) EVALUATIONS.—

13                   (1) IN GENERAL.—Not later than July 1, 1994,  
14                   the panel established pursuant to subsection (k)  
15                   shall enter into a contract with an independent re-  
16                   search organization that requires the organization,  
17                   in accordance with this subsection, to evaluate the  
18                   demonstration projects conducted under this section,  
19                   individually and as a group.

20                   (2) RESEARCH QUESTIONS.—In evaluating any  
21                   demonstration project conducted under this section,  
22                   the research organization shall address the following  
23                   questions:

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

4 (B) How can participation in the dem-  
5 onstration project be made as easy and acces-  
6 sible as possible for participants?

7 (C) What level of financial incentives is re-  
8 quired to stimulate participation in the dem-  
9 onstration project, and does this vary among  
10 different populations?

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

17 (E) What are the economic, psychological,  
18 and social effects of asset accumulation, and for  
19 whom? To what extent, under what cir-  
20 cumstances, and for whom does asset accumula-  
21 tion under the demonstration project lead to  
22 any or all of the following:

23 (i) A greater sense of security and  
24 control?

25 (ii) Greater stability in the household?

- 1 (iii) A more positive future outlook?
- 2 (iv) More long-term planning?
- 3 (v) Increased efforts to maintain and  
4 develop assets?
- 5 (vi) Greater knowledge about savings,  
6 investments, and other financial matters?
- 7 (vii) Increased effort and success in  
8 educational achievement (including those  
9 of parents working to provide for the edu-  
10 cation of their children)?
- 11 (viii) Increased specialization in career  
12 development?
- 13 (ix) Greater self-esteem and personal  
14 efficacy?
- 15 (x) Improved social status?
- 16 (xi) Increased political participation?
- 17 (xii) Increased community involve-  
18 ment?
- 19 (xiii) Increased labor earnings in the  
20 long term?
- 21 (xiv) Decreased reliance on traditional  
22 forms of public assistance in the long  
23 term?

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

4           (A) use control groups to compare partici-  
5 pants with nonparticipants as much as possible;

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

9           (C) develop a qualitative assessment, de-  
10 rived from sources such as in depth interviews,  
11 of how asset accumulation affects individuals  
12 and families.

13          (4) STAFFING REQUIREMENTS.—In evaluating  
14 any demonstration project conducted under this sec-  
15 tion, the research organization shall use skilled, pro-  
16 fessional, and independent staff.

17          (n) DEFINITIONS.—As used in this section:

18           (1) APPLICABLE PERIOD.—The term “applica-  
19 ble period” means, with respect to amounts to be  
20 paid from a grant made for a project year, the cal-  
21 endar year immediately preceding the calendar year  
22 in which the grant is made.

23           (2) HOUSEHOLD.—The term “household”  
24 means all individuals who share use of a dwelling

1 unit as primary quarters for living and eating sepa-  
2 rate from other individuals.

3 (3) HOUSEHOLD NET WORTH.—

4 (A) IN GENERAL.—The term “net worth”  
5 means, with respect to a household, the aggre-  
6 gate market value of all assets not excluded  
7 under subparagraph (B) that are owned in  
8 whole or in part by any member of the house-  
9 hold, minus the obligations or debts of any  
10 member of the household.

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

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

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

20 (II) \$35,000.

21 (ii) MOTOR VEHICLE.—The most val-  
22 uable motor vehicle owned by any member  
23 of the household.

24 (iii) FURNITURE; APPLIANCES;  
25 CLOTHING.—All furniture, appliances, and

1 clothing used by any member of the house-  
2 hold in the course of daily living.

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

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

8 (4) INDIVIDUAL DEVELOPMENT ACCOUNT.—  
9 The term “individual development account” has the  
10 same meaning given such term in section 220 of the  
11 Internal Revenue Code of 1986.

12 (5) PENALTY AMOUNT.—The term “penalty  
13 amount” means any of the following:

14 (A) FINANCIAL ASSISTANCE FORFEITED.—  
15 Any amount paid into the general fund of the  
16 Treasury of the United States under section  
17 220(e) of the Internal Revenue Code of 1986.

18 (B) 10 PERCENT ADDITION TO TAX.—Any  
19 additional tax imposed by section 220(f) of the  
20 Internal Revenue Code of 1986.

21 (C) OTHER PENALTY TAXES.—Any tax im-  
22 posed with respect to an individual development  
23 account by section 4973, 4975, or 6693 of the  
24 Internal Revenue Code of 1986.

1           (6) POVERTY THRESHOLD.—The term “poverty  
2 threshold” means, with respect to a calendar year,  
3 the Federal poverty line for the calendar year for the  
4 relevant family size, as defined annually by the Bu-  
5 reau of the Census.

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

11           (8) QUALIFIED SAVINGS OF THE INDIVIDUAL  
12 FOR THE PERIOD.—The term “qualified savings of  
13 the individual for the period” means the aggregate  
14 of the amounts contributed by the individual to the  
15 individual development account of the individual  
16 during the period.

17           (o) LIMITATIONS ON AUTHORIZATION OF APPRO-  
18 PRIATIONS.—

19           (1) IN GENERAL.—To carry out this section,  
20 there are authorized to be appropriated to the Sec-  
21 retary of the Treasury not to exceed \$100,000,000  
22 for each of fiscal years 1994, 1995, 1996, 1997, and  
23 1998.

24           (2) CERTAIN AMOUNTS TO BE USED FOR EVAL-  
25 UATIONS.—To obtain evaluations of the projects in

1 accordance with subsection (m), the Secretary shall  
2 expend an amount equal to the amounts appro-  
3 priated pursuant to paragraph (1) of this subsection  
4 for any fiscal year, multiplied by the percentage de-  
5 termined by the panel established pursuant to sub-  
6 section (k).

7 **SEC. 5. FUNDS IN INDIVIDUAL DEVELOPMENT ACCOUNTS**  
8 **OF DEMONSTRATION PROJECT PARTICI-**  
9 **PANTS DISREGARDED FOR PURPOSES OF ALL**  
10 **MEANS-TESTED FEDERAL PROGRAMS.**

11 Notwithstanding any Federal law (other than the In-  
12 ternal Revenue Code of 1986) that requires consideration  
13 of 1 or more financial circumstances of an individual, for  
14 the purpose of determining eligibility to receive, or the  
15 amount of, any assistance or benefit authorized by such  
16 law to be provided to or for the benefit of such individual,  
17 funds (including interest accruing) in an individual devel-  
18 opment account (as defined in section 220 of the Internal  
19 Revenue Code of 1986) shall be disregarded for such pur-  
20 pose with respect to any period during which such individ-  
21 ual participates in a demonstration project conducted  
22 under section 4 of this Act (or would be participating in  
23 such a project but for the suspension of the project).

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