

INDIVIDUAL DEVELOPMENT ACCOUNTS

541A.1 Definitions.

For the purposes of this chapter, unless the context otherwise requires:

1. *"Account holder"* means an individual who is the owner of an individual development account.
2. *"Administrator"* means the department of human services.
3. *"Charitable contributor"* means a nonprofit association described in section 501(c)(3) of the Internal Revenue Code which makes a deposit to an individual development account and which is exempt from taxation under section 501(a) of the Internal Revenue Code.
4. *"Federal poverty level"* means the first poverty income guidelines published in the calendar year by the United States department of health and human services.
5. *"Financial institution"* means a financial institution approved by the administrator as an investment mechanism for individual development accounts.
6. *"Individual contributor"* means an individual who makes a deposit to an individual development account and is not the account holder or a charitable contributor.
7. *"Individual development account"* means either of the following:
 - a. A financial instrument that is certified to have the characteristics described in section 541A.2 by the operating organization.
 - b. A financial instrument that is certified by the operating organization to have the characteristics described in and funded by a federal individual development account program under which federal and state funding contributed to match account holder deposits is deposited by an operating organization in accordance with federal law and regulations, and which includes but is not limited to any of the programs implemented under the following federal laws:
 - (1) The federal Personal Responsibility and Work Opportunity Act of 1996, 42 U.S.C. § 604(h).
 - (2) The federal Assets for Independence Act, Pub. L. No. 105-285, Title IV.
8. *"Operating organization"* means an agency selected by the administrator for involvement in operating individual development accounts directed to a specific target population.
9. *"Reserve pool"* means the state human investment reserve pool under the authority of the administrator created in section 541A.4.
10. *"Source of principal"* means any of the sources of a deposit to an individual development account under section 541A.2, subsection 2.

93 Acts, ch 97, §16; 94 Acts, ch 1114, §23; 2002 Acts, ch 1175, §38

541A.2 Individual development accounts.

A financial instrument known as an individual development account is established. An individual development account shall have all of the following characteristics:

1. The account is kept in the name of an individual account holder.
2. Deposits made to an individual development account shall be made in any of the following manners and are subject to the indicated conditions:
 - a. Deposits made by the account holder.
 - b. Deposits of a savings refund authorized under section 541A.3, subsection 1, due the account holder because of the account holder's deposits in the account holder's account.
 - c. Deposits of individual development account moneys which are transferred from another individual account holder.
 - d. A deposit made on behalf of the account holder by an individual or a charitable contributor. This type of deposit may include but is not limited to moneys to match the account holder's deposits.
3. The account earns income.
4. During a calendar year, an account holder may withdraw from the account holder's account the sum of the following:
 - a. With the approval of the operating organization, amounts withdrawn for any of the following approved purposes:
 - (1) Educational costs at an accredited institution of higher education.
 - (2) Training costs for an accredited or licensed training program.
 - (3) Purchase of a primary residence.
 - (4) Capitalization of a small business start-up.
 - (5) An improvement to a primary residence which increases the tax basis of the property.
 - (6) Emergency medical costs for the account holder or for a member of the account holder's family. However, a withdrawal for this purpose is limited to once during the life of the account and the amount of the withdrawal shall not exceed ten percent of the account balance at the time of the withdrawal.
 - b. At the account holder's discretion, if the account holder is at least fifty-nine and one-half years of age, any amount.
5. An account holder shall not withdraw moneys from the holder's account unless the withdrawal is authorized under subsection 4.
6. An adult account holder may transfer all or part of the assets in the account to any other account holder's account. An account holder who is less than eighteen years of age is prohibited from transferring account assets to any other account holder.
7. An individual development account closed in accordance with this subsection is not subject to the limitations and benefits provided by this chapter but is subject to state tax in accordance with the provisions of section 422.7, subsection 28, and section 450.4, subsection 6. An individual development account may be closed for any of the following reasons:

- a.* The account's operating organization determines that the account holder has withdrawn moneys from the account for a purpose other than authorized under subsection 4.
 - b.* The account's operating organization determines there has been no activity in the account during the preceding twelve months.
 - c.* The account holder changes the account holder's place of primary residence to a new location outside the general geographic area served by the operating organization and an operating organization is not available in the new location.
 - d.* The account's operating organization withdraws from involvement with the individual development account project and another operating organization is not available to operate the account.
8. Subject to obtaining any necessary federal waivers, the department of human services shall not consider moneys in an individual development account and any earnings on the moneys in determining the eligibility or need of an individual for benefits or assistance or the amount of benefits or assistance under the family investment program under chapter 239B, the promoting independence and self-sufficiency through employment job opportunities and basic skills program, or any other program administered by the department of human services.
9. In the event of an account holder's death, the account may be transferred to the ownership of a contingent beneficiary or to the individual development account of another account holder. An account holder shall name contingent beneficiaries or transferees at the time the account is established and a named beneficiary or transferee may be changed at the discretion of the account holder. If the named beneficiary or transferee is deceased or otherwise cannot accept the transfer, the moneys shall be transferred to the reserve pool.
10. The total amount of sources of principal which may be in an individual development account shall be limited to fifty thousand dollars.

93 Acts, ch 97, § 17; 96 Acts, ch 1106, § 9, 10; 97 Acts, ch 41, § 32

541A.3 Individual development accounts refund and tax provisions.

All of the following state tax provisions shall apply to an individual development account:

1. Payment by the state of a savings refund on amounts of up to two thousand dollars per calendar year that an account holder deposits in the account holder's account. Moneys transferred to an individual development account from another individual development account shall not be considered an account holder deposit for purposes of determining a savings refund. Payment of a savings refund either shall be made directly to the account holder's account or to an operating organization's central reserve account for later distribution to the account holder's account in the most appropriate manner as determined by the administrator. The state savings refund shall be the indicated percentage of the amount deposited:
 - a.* For an account holder with a household income, as defined in section 425.17, subsection 6, which is one hundred fifty percent or less of the federal poverty level, twenty-five percent.
 - b.* For an account holder with a household income which is more than one hundred fifty percent but less than one hundred seventy-five percent of the federal poverty level, twenty percent.
 - c.* For an account holder with a household income which is one hundred seventy-five percent or more but not more than two hundred percent of the federal poverty level, fifteen percent.
 - d.* For an account holder with a household income which is more than two hundred percent of the federal

poverty level, zero percent.

2. Income earned by an individual development account is not subject to state tax, in accordance with the provisions of section 422.7, subsection 28.
3. Amounts transferred between individual development accounts are not subject to state tax.
4. The administrator shall work with the United States secretary of the treasury and the state's congressional delegation as necessary to secure an exemption from federal taxation for individual development accounts and the earnings on those accounts. The administrator shall report annually to the governor and the general assembly concerning the status of federal approval.
5. The administrator shall coordinate the filing of claims for savings refunds authorized under subsection 1, between account holders, operating organizations, and the department of administrative services. Claims approved by the administrator may be paid by the department of administrative services to each account, for an aggregate amount for distribution to the accounts in a particular financial institution, or to an operating organization's central reserve account for later distribution to the account holders' accounts depending on the efficiency for issuing the refunds. Claims shall be initially filed with the administrator on or before a date established by the administrator. Claims approved by the administrator shall be paid from the general fund of the state in the manner specified in section 422.74.

93 Acts, ch 97, §18; 96 Acts, ch 1106, § 11; 98 Acts, ch 1218, §78, 84; 2002 Acts, ch 1175, §39, 40; 2003 Acts, ch 145, §286

541A.4 Individual development account pilot phase.

A state human investment reserve pool is created in the state treasury under the authority of the administrator. The governor shall name an executive branch agency as administrator to have authority over the reserve pool. Interest on moneys in the reserve pool shall remain in the reserve pool and notwithstanding sections 8.33 and 8.39, moneys in the reserve pool are not subject to reversion or transfer. Moneys in the reserve pool shall be used for administrative expenses of the administrator. The administrator shall perform all of the following duties or may delegate the performance of the duties to a suitable entity in administering the individual development accounts:

1. During the five-year period beginning January 1, 1995, the total number of individual development accounts shall be limited to ten thousand accounts, with not more than five thousand new accounts opened in any one calendar year of the period, and to individuals with a household income which does not exceed two hundred percent of the federal poverty level.
2. Issue a request for proposals for operating organizations to be involved with the operation of individual development accounts on behalf of a specific target population. The administrator shall determine the review criteria used to select operating organizations. The initial review criteria used to evaluate organizations' proposed projects and requirements associated with operating organizations shall include but are not limited to all of the following:
 - a. Provision of a safe and secure investment mechanism for the individual development accounts utilizing a financial institution approved by the administrator.
 - b. The proposed project has a strong relationship to goals established by other initiatives deemed a priority by the administrator.
 - c. The proposed project links the making of an account holder's contributions to an individual development account with other services or outcomes identified by the operating organization in the proposal. The

proposed project includes mechanisms for the operating organization to monitor and enforce the identified outcomes and services.

d. The operating organization is capable of performing the project as proposed. Minimum capabilities shall include an ability to provide financial counseling, familiarity and ability to work with the proposed target population, and a strong record of successful management.

e. The operating organization proposes to provide a significant amount of matching funds for individual development accounts.

f. The proposal includes a monitoring and evaluation plan for certifying the proposed project's outcomes.

g. The responsibilities of an operating organization shall include but are not limited to all of the following:

(1) Certifying that a financial instrument is an individual development account based upon its having the characteristics described in section 541A.2.

(2) Certifying the income status and the amount of contributions to an individual development account by an account holder during a tax year which are eligible for a savings refund authorized under section 541A.3, subsection 1.

3. Utilizing guidelines established in law for this purpose, the administrator shall contract for an independent evaluation of the implementation of the individual development accounts. The evaluation shall consider the following: implementation and process used for the implementation, program impact, and financial effectiveness.

93 Acts, ch 97, §19; 94 Acts, ch 1114, §24; 96 Acts, ch 1106, § 12, 13

541A.5 Rules.

The administrator, in consultation with the department of administrative services, shall adopt administrative rules to administer this chapter. The rules adopted by the administrator shall include but are not limited to provision for transfer of an individual development account to a different financial institution than originally approved by the administrator, if the different financial institution has an agreement with the account's operating organization.

94 Acts, ch 1114, §25; 96 Acts, ch 1106, § 14; 2003 Acts, ch 145, §286

541A.6 Compliance with federal requirements.

The administrator shall adopt rules for compliance with federal individual development account requirements under the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, § 103, as codified in 42 U.S.C. § 604(h), under the federal Assets for Independence Act, Pub. L. No. 105-285, Title IV, or with any other federal individual development account program requirements, as necessary for the state to qualify to use federal temporary assistance for needy families block grant funding or other available federal funding for allocation to operating organizations. Any rules adopted under this section shall not apply the federal individual development account program requirements to an operating organization which does not utilize federal funding for the accounts with which it is connected or to an account holder who does not receive temporary assistance for needy families block grant or other federal funding.

99 Acts, ch 100, §4