

CHAPTER 541A

INDIVIDUAL DEVELOPMENT ACCOUNTS

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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 division of community action agencies of the department of human rights.

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. “*Household income*” means the annual household income of an account holder or prospective account holder, as determined in accordance with rules adopted by the administrator.

7. “*Individual contributor*” means an individual who makes a deposit to an individual development account and is not the account holder or a charitable contributor.

8. “*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, Tit. IV.

9. “*Operating organization*” means an agency selected by the administrator for involvement in operating individual development accounts directed to a specific target population.

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; 2006 Acts, ch 1016, §2, 8; 2008 Acts, ch 1178, §9, 10, 17; 2010 Acts, ch 1061, §180

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. a. To be eligible to open an account, a prospective account holder must have a household income that is equal to or less than two hundred percent of the federal poverty level.

- b. The account shall be 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 individual development account moneys which are transferred from another individual account holder.
 - c. 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, with the approval of the operating organization, an account holder may make withdrawals from the account holder's account for any of the following authorized purposes:
 - a. Educational costs at an accredited institution of higher education.
 - b. Training costs for an accredited or licensed training program.
 - c. Purchase of a primary residence.
 - d. Capitalization of a small business start-up.
 - e. An improvement to a primary residence which increases the tax basis of the property.
 - f. 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.
 - g. A purpose authorized in accordance with rule for a refugee individual development account.
 - h. Purchase of an automobile.
 - i. Purchase of assistive technology, home or vehicle modification, or other device or physical improvement to assist an account holder or family member with a disability.
 - j. Other purpose authorized in accordance with rule that is intended to move the account holder or a family member toward a higher degree of self-sufficiency.
5. 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.
6. 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.
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.
7. 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.
8. 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.

9. The total amount of sources of principal which may be in an individual development account shall be limited to thirty thousand dollars.

93 Acts, ch 97, §17; 96 Acts, ch 1106, §9, 10; 97 Acts, ch 41, §32; 2006 Acts, ch 1016, §3, 4, 8; 2008 Acts, ch 1178, §11, 12, 17; 2009 Acts, ch 70, §1, 2, 5

[SP] Administration of individual development accounts in accordance with rules adopted by department of human services until replacement rules are adopted; emergency rule authority; 2008 Acts, ch 1178, §17

[SP] 2009 amendments to subsections 1 and 4 and strike of former subsection 5 take effect April 17, 2009, and apply retroactively to July 1, 2008; 2009 Acts, ch 70, §5

541A.3 Individual development accounts — state savings match and tax provisions.

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

1. a. Payment by the state of a state savings match on amounts of up to two thousand dollars that an account holder deposits in the account holder's account.

b. Moneys transferred to an individual development account from another individual development account and a state savings match received by the account holder in accordance with this section shall not be considered an account holder deposit for purposes of determining a state savings match.

c. Payment of a state savings match either shall be made directly to the account holder or to an operating organization's central reserve account for later distribution to the account holder in the most appropriate manner as determined by the administrator.

d. Subject to the limitation in paragraph "a", the state savings match shall be equal to one hundred percent of the amount deposited by the account holder. However, the administrator may limit, reduce, delay, or otherwise revise state savings match payment provisions as necessary to restrict the payments to the funding available.

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 coordinate the filing of claims for a state savings match authorized under subsection 1, between account holders and operating organizations. Claims approved by the administrator may be paid to each account holder, for an aggregate amount for distribution to the holders of the accounts in a particular financial institution, or to an operating organization's central reserve account for later distribution to the account holders depending on the efficiency for issuing the state savings match payments. 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 individual development account state savings match fund.

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; 2006 Acts, ch 1016, §5, 6, 8; 2006 Acts, ch 1185, §123; 2008 Acts, ch 1178, §13, 17; 2009 Acts, ch 70, §3, 5; 2009 Acts, ch 133, §170

[SP] 2008 amendment changing "savings refund" to "state match" is retroactively applicable to January 1, 2008, for the tax year commencing on January 1, 2008; 2008 Acts, ch 1178, §17

[SP] 2009 amendment to subsection 1, paragraph a, by 2009 Acts, ch 70, §3, takes effect April 17, 2009, and applies retroactively to July 1, 2008; 2009 Acts, ch 70, §5

[SP] Individual disaster grants for unmet needs to provide the state match to certain account holders affected by natural disaster; 2009 Acts, ch 169, §4 – 6; 2009 Acts, ch 179, §175, 176, 179; 2011 Acts, ch 127, §53, 89

[T] Section not amended; footnote revised

541A.4 Individual development account — pilot phase. Repealed by 2006 Acts, ch 1016, § 7, 8.

541A.5 Rules.

1. The commission on community action agencies created in section 216A.92A, in consultation with the department of administrative services, shall adopt administrative rules to administer this chapter.

2. a. The rules adopted by the commission 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.

b. The rules for determining household income may provide categorical eligibility for prospective account holders who are enrolled in programs with income eligibility restrictions that are equal to or less than the maximum household income allowed for payment of a state match under section 541A.3.

c. Subject to the availability of funding, the commission may adopt rules implementing an individual development account program for refugees. Rules shall identify purposes authorized for withdrawals to meet the special needs of refugee families.

3. The administrator shall utilize a request for proposals process for selection of operating organizations and approval of financial institutions.

94 Acts, ch 1114, §25; 96 Acts, ch 1106, §14; 2003 Acts, ch 145, §286; 2008 Acts, ch 1178, §14, 17; 2009 Acts, ch 70, §4, 5

[SP] 2009 amendment to subsection 2, paragraph c, takes effect April 17, 2009, and applies retroactively to July 1, 2008; 2009 Acts, ch 70, §5

541A.6 Compliance with federal requirements.

The commission on community action agencies 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, Tit. IV, or with any other federal individual development account program requirements for drawing federal funding. 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; 2008 Acts, ch 1178, §15, 17; 2010 Acts, ch 1061, §180

541A.7 Individual development account state match fund.

1. An individual development account state match fund is created in the state treasury under the authority of the administrator. Notwithstanding section 8.33, moneys appropriated to the fund shall not revert to any other fund. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the fund shall be credited to the fund.

2. Moneys available in the fund for a fiscal year are appropriated to the administrator to be used to provide the state match for account holder deposits in accordance with section 541A.3. At least eighty-five percent of the amount appropriated shall be used for state match payments and the remainder may be used for the administrative costs of the operating organization. Administrative costs include but are not limited to accounting services, curriculum costs for financial education or asset-specific training, and costs for technical assistance contractors.

2008 Acts, ch 1178, §16, 17