

# MAINE STATE LEGISLATURE

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# 118th MAINE LEGISLATURE

## FIRST SPECIAL SESSION-1997

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Legislative Document

No. 1716

H.P. 1216

House of Representatives, April 1, 1997

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### An Act to Establish Family Development Accounts.

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Reference to the Committee on Business and Economic Development suggested and ordered printed.

A handwritten signature in cursive script that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative KONTOS of Windham.  
Cosponsored by Senator GOLDTHWAIT of Hancock and  
Representatives: COLWELL of Gardiner, DONNELLY of Presque Isle, HATCH of  
Skowhegan, LaVERDIERE of Wilton, POVICH of Ellsworth, SAXL of Portland, Senators:  
CATHCART of Penobscot, PARADIS of Aroostook.



2           8. Program contributor. "Program contributor" means a  
3 person or entity who makes a contribution to a family development  
4 account reserve fund and is not the account holder.

6           §13118-C. Family Development Account Program

8           There is established in the department a program to be known  
9 as the Family Development Account Program. The program provides  
10 eligible families and individuals with an opportunity to  
11 establish special savings accounts for money that may be used by  
12 those families and individuals for education, home ownership or  
13 small business capitalization.

14           1. Solicit proposals. The department shall solicit  
15 proposals from community development organizations seeking to  
16 administer the family development accounts on a nonprofit basis.  
17 The department shall give priority to a community action agency  
18 as defined in Title 22, section 5321. The proposals must include:

20           A. A requirement that the individual account holder or the  
21 family of an account holder match the contributions of a  
22 community development organization to the family development  
23 account by contributing cash;

24           B. A process for including account holders in  
25 decision-making regarding the investment of funds in the  
26 accounts; and

28           C. Specifying what eligible population or populations the  
29 community development organization plans to target for  
30 priority participation in the program.

32           2. Reviewing proposals. In reviewing the proposal of a  
33 community development organization, the department shall consider  
34 the following factors:

36           A. The nonprofit status of the organization;

38           B. The fiscal accountability of the community development  
39 organization;

42           C. The ability of the community development organization to  
43 provide or raise money for matching contributions;

44           D. The ability of the community development organization to  
45 establish and administer a reserve fund account;

48           E. The significance and quality of proposed auxiliary  
49 services;

50

2           F. The relationship of proposed auxiliary services to the  
3           goals of the family development account program; and

4           G. The ability of a community development organization to  
5           provide statewide coverage.

6           3. Number of accounts. The department is authorized to  
7           establish a maximum number of accounts statewide as follows:

8           A. A maximum of 500 accounts in the first year;

9           B. A maximum of 1,000 accounts in the 2nd year; and

10          C. A maximum of 1,500 accounts in the 3rd year.

11          The department may increase the number of accounts in any year if  
12          nonstate resources are made available. The department shall set  
13          by rule the number of additional accounts allowed in one year and  
14          the number of additional accounts must be based on the nonstate  
15          resources available for that year.

16          4. Administrative costs. Not more than 20% of all funds in  
17          the family development account reserve fund may be used for  
18          administrative costs of the program.

19          §13118-D. Establish accounts

20          Financial institutions approved by the department may  
21          establish family development accounts pursuant to this  
22          subchapter. The financial institution shall certify to the  
23          department, on forms prescribed by the department and accompanied  
24          by any documentation required by the department, that the  
25          accounts have been established pursuant to the provisions of this  
26          subchapter and that deposits have been made on behalf of an  
27          account holder.

28          A financial institution establishing a family development  
29          account shall:

30          1. Account in name of account holder. Keep the account in  
31          the name of the account holder;

32          2. Deposits. Permit deposits to be made in the account by  
33          the account holder or a community development organization on  
34          behalf of the account holder, including money deposited to match  
35          the account holder's deposits;

36          3. Interest. Require the account to earn at least the  
37          market rate of interest; and

2           4. Withdraw money. Permit the account holder, after  
3 obtaining the cosignature of the administrator of the community  
4 development organization, to withdraw money from the account for  
5 any of the purposes listed in section 13118-E.

6           The total of all deposits into a family development account  
7 in a calendar year may not exceed \$2,000. The total balance in a  
8 family development account may not exceed \$50,000.

10   **§13118-E. Eligibility; withdrawal of funds**

12           A family or individual whose household income is less than  
13 or equal to 200% of the federal poverty level may open a family  
14 development account for the purpose of accumulating and  
15 withdrawing money for specified expenditures. The account holder  
16 may withdraw money from the account with the approval of the  
17 local community development organization administrator, without  
18 penalty, for:

20           1. Educational costs. Educational costs for any family  
21 member at an accredited institution of higher education;

22           2. Job training costs. Job training costs for any family  
23 member 18 years of age or older at an accredited or licensed  
24 training program;

25           3. Purchase residence. Purchase of a primary residence;

26           4. Major repairs or improvements. Major repairs or  
27 improvements to a primary residence; or

28           5. Start-up capitalization of small business. Start-up  
29 capitalization of a small business for any family member 18 years  
30 of age or older.

31   **§13118-F. Unauthorized withdrawal; penalty**

32           Money withdrawn from a family development account by an  
33 account holder that is not withdrawn pursuant to section 13118-E  
34 is subject to a penalty of 15% and the account must be closed.  
35 The account holder must receive the money that the account holder  
36 deposited in the account less any penalties, but all matching  
37 money is forfeited.

38           All penalty money and money forfeited by an account holder  
39 pursuant to this section must be returned to the family  
40 development account reserve fund of the community development  
41 organization.

42   **§13118-G. Death of account holder**

2           If an account holder dies, the account may be transferred to  
4 the ownership of a contingent beneficiary. An account holder  
6 shall name contingent beneficiaries at the time the account is  
8 established and may change the beneficiaries at any time. If the  
named beneficiary is deceased or otherwise unable to accept the  
transfer, the money must be transferred to the family development  
account reserve fund of the community development organization.

10   **§13118-H. Exempt from taxation**

12           1. Money deposited. Money deposited in or withdrawn from a  
14 family development account by an account holder, pursuant to  
section 13118-D and 13118-E, is exempt from taxation pursuant to  
16 Title 36, chapter 803.

18           2. Interest earned. Interest earned by a family  
20 development account is exempt from taxation pursuant to Title 36,  
chapter 803.

22   **§13118-I. Tax credit**

24           A program contributor is allowed a credit against the tax  
26 imposed by Title 36, chapter 803, excluding withholding tax  
28 imposed by Title 36, chapter 817 or 819 and Title 36, section  
5250, pursuant to this subchapter. Contributions up to \$50,000  
per program contributor are eligible for the tax credit, which  
may not exceed 50% of the contribution amount.

30           The total tax credits authorized for community development  
32 organizations pursuant to this section may not exceed \$4,000,000  
in any fiscal year.

34   **§13118-J. Verification of tax credit**

36           The department shall verify all tax credit claims by  
38 contributors. The administrator of the community development  
40 organization, with the cooperation of the participating financial  
42 institutions, shall submit the names of contributors and the  
44 total amount each contributor contributes to a family development  
46 account reserve fund for the calendar year. The commissioner  
shall determine the date by which that information must be  
submitted to the department by the community development  
organization administrator. The department shall submit  
verification of qualified tax credits to the Department of  
Administrative and Financial Services, Bureau of Taxation.

48   **§13118-K. Eligibility; maximum amounts**

