ADMINISTRATION FOR CHILDREN & FAMILIES

ACF OFA TANF Questions & Answers

Individual Development Accounts (IDAs)

http://www.acf.hhs.gov/programs/ofa/polquest/idas.htm

Q1: May recipients use money from tax refunds, including EITCs, as contributions to IDAs?

A: Recipients may make contributions based on any refund that can be attributed to earned income, due either to an overwithholding of employment earnings or an earned income credit. In fact, recipient contributions may come from any source as long as the total contribution does not exceed his or her earned income.

Q2: May Federal TANF funds be used to satisfy the matching requirement of the Assets for Independence demonstration?

A: No. Federal appropriations law, supported by Comptroller General decisions, prohibits the use of Federal funds from one program to satisfy the matching requirement of another Federal program unless explicitly authorized by Congress. Because the statute establishing the Assets for Independence demonstration does not contain a provision that permits other Federal funds to be used to satisfy its matching requirement, States may not use Federal TANF funds for such a purpose.

Q3: May State MOE funds be used to satisfy the matching requirement of the Assets for Independence demonstration?

A: No. Section 409(a)(7)(B)(iv) (IV) prohibits the use of "any State funds which are expended as a condition of receiving Federal funds other than under this part." Thus, State funds that are expended in order to receive other Federal funds -- outside of title IV-A of the Social Security Act (e.g., Federal funds available via the Assets to Independence demonstration) -- would not be allowable as State MOE expenditures.

Q4: If a State contributes funds in excess of the amount needed to access Federal Assets for Independence demonstration funds, may it count the excess amount as an MOE expenditure?

A: Yes, a State may count, as MOE, State funds that it contributes above the level needed to access Federal Assets for Independence funds -- as long as those funds are not used as match or as a condition of receiving funds from another Federal program.

Q5: May a State use Federal TANF (or State MOE) funds to help pay for an IDA program under which car purchases are a qualified expenditure?

A: Section 404(h) of the Social Security Act authorizes the use of Federal TANF funds for IDAs. Under this provision, postsecondary educational expenses, a first home purchase, and business capitalization are the only "qualified purposes" for account funds. Similar language governs use of IDA funds under the demonstration program authorized under the "Assets for Independence Act." Thus, neither of these programs permits the use of IDA assets for the purchase of an automobile (except in the limited circumstances where an automobile would qualify as a business capitalization expense).

However, in light of the broad general flexibility under TANF (i.e., section 404(a)(1)), a State may use Federal TANF funds in other types of IDAs or asset-building programs that permit car purchases as qualified expenditures and support TANF purposes. In other words, a State could use TANF funds to match the savings of a needy parent for any purpose that is reasonably calculated to accomplish one of the TANF goals. The State would have broad discretion in determining the allowable purposes for the savings, the appropriate match rate, and the other conditions and circumstances under which it will match savings.

It is important to note that section 404(h)(4) provides that funds in an IDA account operated under section 404 of the Act would be excluded in determining benefits under Federal law. Likewise, funds in an IDA established under the Assets for Independence Act (AIA) are excluded. Section 415 of the AIA, as amended on December 21, 2000 (see P.L. 106-554, the Consolidated Appropriations Act of 2001, Title VI, section 610) excludes funds in an IDA established under AIA for so long as an individual maintains or makes contributions to the account.[1]

If a State operates an IDA under a different authority, e.g., under State law, the IDA assets would not automatically be excluded in determining such benefits. A State would have to separately examine the policies in effect under these benefit programs and see what flexibility they would have to continue benefits to families, notwithstanding the receipt of IDA income or accrual of IDA assets. For example, (1) States may disregard IDA funds from income and resources under their TANF programs; and (2) States have authority under section 1931 of the Act to use less restrictive income and resource policies in determining Medicaid eligibility under that section. There are also several provisions in the food stamp rules (e.g., the provision of categorical eligibility to TANF recipients) that States might use to protect families from losing these critical means-tested benefits.

A State may also use MOE funds to match the savings of a needy parent for any purpose that is reasonably calculated to accomplish one of the TANF goals. Thus, it may use MOE funds to: (1) provide supplemental funds to an IDA authorized under section 404(h); (2) provide supplemental funds (i.e., funds in addition to any State funds provided to meet cost-sharing requirements) to an IDA program authorized under the Assets for Independence Act; or (3) fund a State-designed program. Under a State-designed program, the State would have broader

discretion in determining the allowable purposes for the savings, the appropriate match rate, and the other conditions and circumstances under which it will match savings.

[1]*Revised to add information about an AIA amendment.*

Q6: Under section 404(h), States may establish IDA's for individuals "eligible for assistance" under the State's TANF program. Does this phrase mean that the individual must be eligible for "assistance" as defined at 45 CFR 260.31 or may the individual just be "eligible for assistance" under the broader meanings of that term at sections 402(a)(1) and 409(a)(7)(B)(i)(IV) of the Act? Would it be sufficient that the State ensure that eligibility is limited to families that are needy (as defined by the State) and have children living with relatives?

A: The definition of "assistance" at §260.31 does not have to apply in order for a State to match a family's contribution to an IDA under the provisions at section 404(h) of the Act. A State has the flexibility to define "eligible for assistance" for this purpose under the broader meanings of the term as found at section 409(a)(7)(B)(i)(IV) of the Act. This means that families who receive the benefit of a State IDA matching contribution must be "needy," i.e., financially eligible for IDA benefits under the State's TANF plan, and include a child living with a custodial parent or other adult relative (or consist of a pregnant individual).