

SENATE No. 628

The Commonwealth of Massachusetts

PRESENTED BY:

James B. Eldridge

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to promote economic mobility through matched savings.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
<i>James B. Eldridge</i>	<i>Middlesex and Worcester</i>	
<i>Patricia D. Jehlen</i>	<i>Second Middlesex</i>	<i>2/16/2023</i>
<i>Sal N. DiDomenico</i>	<i>Middlesex and Suffolk</i>	<i>3/10/2023</i>

SENATE No. 628

By Mr. Eldridge, a petition (accompanied by bill, Senate, No. 628) of James B. Eldridge, Patricia D. Jehlen and Sal N. DiDomenico for legislation to promote economic mobility through matched savings. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act to promote economic mobility through matched savings.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 Chapter 23A of the General Laws is hereby amended by adding the following three
2 sections:-

3 Section 70.

4 (a) As used in this section, the following words shall, unless the context clearly requires
5 otherwise, have the following meanings:

6 “Account holder”, a household that is an eligible participant.

7 “Eligible participant”, a household which has an income that does not exceed 80 per cent
8 of the median income for the area, with adjustments made for smaller and larger families, as such
9 median shall be determined from time to time by the secretary of the United States Department
10 of Housing and Urban Development pursuant to 42 U.S.C. 1437(a)(B)(2) or any successor
11 legislation and the regulations promulgated thereunder; provided however, that: (1)

12 notwithstanding any federal law or rule to contrary, a person shall not be denied assistance under
13 this chapter based wholly or in part on the amount of the person's assets; (2) that any income
14 generated by such assets may be treated as countable income; (3) receipt of federal, state or local
15 public assistance of any form shall not make a person ineligible to be an account holder.

16 "Community-based organization", a public or private nonprofit organization that is
17 exempt from taxation under 26 U.S.C. 501(c)(3), a community foundation, housing authority, a
18 city or town with demonstrated effectiveness in representing a community or a significant
19 segment of a community and providing educational or related social services to individuals in
20 that community.

21 "Fiscal intermediary", a Massachusetts nonprofit organization that is exempt from
22 taxation under 26 U.S.C. 501(c)(3) with demonstrated effectiveness in matched-savings account
23 management.

24 "Financial institution", a bank, credit union, any association or corporation chartered by
25 the commonwealth under chapter 168, 170, 171 or 172, or an individual, association, partnership
26 or corporation incorporated or doing a banking business in the commonwealth subject to the
27 supervision of the commissioner.

28 "Matched-savings account", a contract between an account holder and a fiscal
29 intermediary to increase their economic mobility.

30 (b) (1) A person who qualifies to become an account holder may establish a matched-
31 savings account. The matched-savings account shall permit the account holder to work towards
32 approved savings goals set forth in subsection (c).

33 (2) A matched-savings account shall provide for the deposit of funds into 2 accounts at a
34 financial institution: (i) a designated account at a financial institution by the account holder and;
35 (ii) the deposit of matching funds by the fiscal intermediary into a designated account at a
36 financial institution.

37 (3) Before creating a matched-savings account, a person shall create a savings plan
38 developed by the participant and a community-based organization. The plan shall provide the
39 participant with the appropriate financial education, counseling and asset-specific training
40 designed to increase the economic mobility of the participant's household.

41 (c) Approved savings goals shall serve to increase economic mobility including, but not
42 limited to:

43 (1) the acquisition of post-secondary education or job training;

44 (2) if the account holder has established the account for the benefit of a household
45 member who is under the age of 18 years, the payment of extracurricular non-tuition expenses
46 designed to prepare the member for post-secondary education or job training;

47 (3) if the account holder has established a savings plan authorized under 26 U.S.C. 529 or
48 prepaid tuition plan on behalf of a designated beneficiary, the participant shall provide accurate
49 account statements to the fiduciary organization in order to earn match;

50 (4) the purchase of a primary residence; provided further, that account moneys under this
51 paragraph shall be broadly construed to include, but not be limited to: (i) payment on the
52 purchase price of the residence; and (ii) any usual or reasonable settlement, financing, or other
53 closing costs;

54 (5) the rental of a primary residence; provided further, that account moneys under this
55 paragraph shall be broadly construed to include, but not be limited to: (i) security deposits; (ii)
56 first month's rent; (iii) prepayment of last month's rent; (iv) application fees; (v) major
57 appliances not included in the lease necessary to move into the primary residence; and (vi)
58 moving expenses;

59 (6) the capitalization of a small business; provided further, that account moneys under
60 this paragraph shall be broadly construed to include, but not be limited to: (i) capital, plant,
61 equipment, and inventory expenses, (ii) hiring employees upon capitalization of the small
62 business; (iii) working capital;

63 (7) improvements, repairs, or modifications to a home already owned by the account
64 holder;

65 (8) the purchase of equipment, adaptive technology or specialized training required to
66 become competitive in obtaining or maintaining employment, or to start or maintain a business,
67 or to increase the economic mobility of the account holder;

68 (9) the purchase or repair of a vehicle, as specified in the account holder's matched-
69 savings plan for increasing the economic mobility of the person;

70 (10) the saving of funds for retirement;

71 (11) the payment of debts owed when the account holder is saving for another allowable
72 purpose, as specified in the account holder's matched-savings plan; provided further, a non-profit
73 organization with demonstrated expertise shall provide credit counseling;

74 (12) the creation or improvement of a credit score by obtaining a secured credit-builder
75 loan or a financial product that is designed to improve credit, as specified in the account holder's
76 matched-savings plan for increasing the economic independence of the person.

77 (d) A fiscal intermediary may qualify as the recipient of account contributions only if the
78 fiscal intermediary structures the accounts to have the following features:

79 (1) The fiscal intermediary matches amounts deposited by the account holder according
80 to a formula established by the fiscal intermediary. The fiscal intermediary shall deposit \$4 into
81 the account for each \$1 deposited by the account holder.

82 (2) The matching deposits by the fiscal intermediary to the matched-savings account are
83 placed in a savings account that is controlled by the fiscal intermediary and is separate from the
84 savings account of the account holder.

85 (3) The total amount paid into a matched-savings account during its existence, including
86 amounts from participant deposits and matching deposits may not exceed \$20,000. The
87 participant shall not contribute in excess of \$4,000. The amount matched shall not exceed
88 \$16,000. The executive office of housing and economic development shall adjust the figures set
89 forth in this paragraph annually to reflect increases in the cost of living by the same method used
90 for federal income tax brackets.

91 (e)(1) If an emergency occurs, an account holder may withdraw all or part of the account
92 holder's deposits to a matched-savings account for a purpose not described in subsection (c). A
93 financial emergency is a disruption to the account holder's economic circumstances including ,
94 but not limited to: (i) making payments for necessary medical expenses; (ii) avoiding eviction of

95 the account holder from the account holder's residence; (iii) for necessary living expenses
96 following a change in economic circumstances.

97 (2) The account holder shall resume contributions to the account holder's savings account
98 after the account holder deems that the financial emergency has been resolved. The account
99 holder may choose to continue to pursue the savings plan through the appropriate financial
100 education, counseling and asset-specific training in coordination with the account holder's
101 community-based organization while experiencing the financial emergency.

102 (3) If an account holder withdraws funds from a matched-savings account for other than
103 an approved purpose, the fiscal intermediary may remove the account holder from the program.

104 (f)(1) If the account holder of an account established for the purpose set forth in the third
105 paragraph through the tenth paragraph, inclusive, of subsection (c) has achieved the account's
106 approved purpose in accordance with the matched-savings plan developed by the account holder,
107 the account holder may withdraw, or authorize the withdrawal of, the remaining amount of all
108 deposits, including matching deposits, and interest in the account as follows: (i) for an account
109 established for the purpose set forth in subsection (c)(3) of this section, by rolling over the entire
110 withdrawal amount into one or more savings plans authorized under 26 U.S.C. 529, the
111 establishment of which is the purpose of the matched-savings account; or (ii) for an account
112 established for the purpose set forth in subsection (c)(10) of this section, by rolling over the
113 entire withdrawal amount into an individual retirement account, a retirement plan or a similar
114 account or plan established under the Internal Revenue laws of the United States.

115 (2) Upon withdrawal of all funds in the matched-savings account as provided in the first
116 paragraph of this subsection, the account relationship shall terminate.

117 (g) (1) If an account holder moves from the area where the program is conducted or is
118 otherwise unable to continue in the program, the fiscal intermediary may remove the account
119 holder from the program.

120 (2) If the fiscal intermediary removes an account holder from the program, all matching
121 deposits in the account and all interest earned on matching deposits shall revert to the fiscal
122 intermediary. The fiscal intermediary shall use the reverted funds as a source of matching
123 deposits for other accounts.

124 (h) (1) The executive office of housing and economic development may select a fiscal
125 intermediary to administer moneys directed by the commonwealth to matched-savings account
126 purposes.

127 (2) In making the selection, the executive office of housing and economic development
128 shall consider factors related to its effectiveness including, but not limited to:

129 (i) the ability of the fiscal intermediary to implement and administer the matched-savings
130 program, including the ability to verify account holder eligibility, certify that matching deposits
131 are used only for approved purposes and exercise general fiscal accountability;

132 (ii) the capacity of the fiscal intermediary to convene and provide professional
133 development opportunities that increase the capacity of community-based organizations to
134 provide financial education, counseling, and asset-related training to account holders;

135 (iii) the partnerships that the fiscal intermediary maintains with like-minded community-
136 based organizations, government agencies, and other entities that support asset-building and
137 wealth creation among the lower-income households across the commonwealth;

138 (iv) Subject to executive office of housing and economic development rules, a fiscal
139 intermediary has sole authority over, and responsibility for, the administration of matched-
140 savings accounts.

141 (3) The fiscal intermediary may use at least 5 per cent of the allocated moneys to the
142 matched-savings program for account management, compliance, and participation in audits.

143 (4) (i) The fiscal intermediary shall ensure that account holders include people of color
144 and women, at least in such proportion as these groups exist in the commonwealth's population
145 as periodically determined by the state secretary as the commonwealth's chief census officer. (ii)
146 The fiscal intermediary shall ensure that account holders represent diverse geographic areas of
147 the commonwealth, including urban, rural and suburban areas.

148 (5) The fiscal intermediary shall provide the executive office of housing and economic
149 development with an annual report of the fiscal intermediary's matched-savings account program
150 activity. The fiscal intermediary shall file the report with the executive office of housing and
151 economic development no later than 90 days after the end of the fiscal intermediary's fiscal year.
152 The report shall include, but is not limited to: (i) the number of matched-savings accounts
153 administered by the fiscal intermediary; (ii) the amount of deposits and matching deposits for
154 each account; (iii) the purpose of each account; (iv) the number of withdrawals made; and (v)
155 participant demographics including, but not limited to, race, ethnicity, age, gender identity and
156 sexual orientation, and any other information the executive office of housing and economic
157 development may require for the purpose of making a return-on-investment analysis.

158 (i) (1) Subject to executive office of housing and economic development rules, the
159 responsibility of the community-based organization extends to all aspects of operating the

160 matched-savings program, including, but not limited to: (i) marketing and outreach; (ii)
161 verification and enrollment of participants; (iii) financial education; (iv) one-on-one counseling;
162 (v) conducting asset-specific training; (vi) indirect costs; (vii) and other required verification and
163 compliance activities.

164 (2) There is no limit to how many community-based organizations work with the selected
165 fiscal intermediary if they satisfy the required qualifications.

166 (3) A community-based organization shall receive no more than 25 per cent of the
167 allocated monies for providing all activities set forth in the first paragraph.

168 (j) The executive office of housing and economic development may issue regulations to
169 implement this section.

170 Section 70a. (a) There shall be a Matched Savings Trust Fund, which shall be
171 administered by the secretary of housing and economic development. Monies in the trust fund
172 shall be deposited with the state treasurer in a manner that will secure the highest interest rate
173 available consistent with the safety of the trust fund.

174 (b) The secretary shall appoint the trustee of the fund, who shall serve until a successor is
175 appointed.

176 (c) There shall be credited to the trust fund: (1) all revenue collected through section 70b;
177 (2) all additional funds appropriated by the general court; (3) federal funds directed to the trust
178 fund; (4) grants and any other funds directed to the trust fund; and (5) all interest earned on
179 monies in the trust fund.

180 (d) Expenditures from the fund shall not be subject to appropriation and balances
181 remaining at the end of a fiscal year shall not revert to the General Fund. Expenditures from the
182 fund shall be made for promoting economic mobility among account holders as defined in
183 section 70. Expenditures from the fund may be made for satisfying the objectives of section,
184 including but limited to, providing matches to account holder contributions to their accounts,
185 financial education, counseling, asset-specific training, for program administration, the fiscal
186 intermediary and for oversight by the executive office of housing and economic development.

187 (e) Not later than August 1 of each fiscal year, the secretary shall submit a spending plan
188 to the secretary of administration and finance and the house and senate committees on ways and
189 means. For the purpose of accommodating discrepancies between the receipt of revenues and
190 related expenditures, the secretary may incur obligations and the comptroller may certify
191 payment amounts not to exceed the most recent revenue estimate submitted by the secretary and
192 approved by the secretary of administration and finance but the fund shall be in balance by the
193 close of each fiscal year.

194 Section 70b.

195 (a) For the purposes of this section, the following words shall, unless the context clearly
196 requires otherwise, have the following meanings:-

197 “Commissioner”, the commissioner of revenue or the commissioner's duly authorized
198 representative.

199 “Community partnership fund”, a fund administered by a nonprofit organization selected
200 by the department to receive qualified investments from taxpayers for the purpose of allocating
201 such investments to community partners.

202 “Taxpayer”, a taxpayer subject to an excise under this chapter.

203 (b) There is hereby established a Massachusetts matched savings tax credit.

204 (c) No tax credit shall be allowed to a taxpayer that makes a qualified investment of less
205 than \$1,000.

206 (d) A taxpayer that makes a qualified investment through a community partnership fund
207 shall be allowed a refundable credit, to be computed as provided in this subsection, against the
208 taxes imposed by chapter 63. If the amount of the credit allowed under this subsection exceeds
209 the taxpayer's tax liability, the commissioner shall treat the excess as an overpayment and shall
210 pay the taxpayer the amount of the excess, without interest. Alternatively, at the option of the
211 taxpayer, a taxpayer entitled to a credit under this subsection for a taxable year may carry over
212 and apply against the taxpayer's tax liability for any 1 or more of the succeeding 5 taxable years,
213 the portion, as reduced from year to year, of the credit which exceeds the tax for the taxable year.
214 If the taxpayer elects to carry over a credit balance, then the credit refund provision allowed by
215 this subsection shall not apply. The credit shall be equal to 50 per cent of the total qualified
216 investments made by the taxpayer, subject to the limits described in subsection (g). The
217 department shall issue a certification to the taxpayer after the taxpayer makes a qualified
218 investment. The certification shall be acceptable as proof that the expenditures related to that
219 investment qualify as a qualified investment for purposes of the credit allowed under this section.

220 (e) The credit allowable under this section shall be allowed for the taxable year in which
221 a qualified investment is made.

222 (f) Matched savings tax credits allowed to a pass-through entity such as a partnership or a
223 limited liability company taxed as a partnership shall be passed through to the persons designated

224 as partners, members or owners, respectively, pro rata or under an executed agreement among
225 the persons designated as partners, members or owners documenting an alternative distribution
226 method without regard to their sharing of other tax or economic attributes of the entity.

227 (g) The department shall authorize the tax credits under this section. The total value of
228 the tax credits authorized in this section shall not exceed \$12,000,000 in each taxable year.

229 (h) The commissioner, in consultation with the department, shall prescribe regulations
230 necessary to carry out the tax credit established under this section.