

The Corporation for Enterprise Development (CFED) is a nonprofit organization that expands economic opportunity and promotes asset and wealth building for low-income individuals and families. Established in 1979, CFED helps Americans start and grow businesses, go to college, own a home and save for their children's and their own economic futures. The following legislation expands asset building opportunities for America's children and families; we urge their enactment:

I. Build the Infrastructure

In recent years, Congress and the Administration enacted policies to strengthen the savings infrastructure, most notably clarifying Automatic 401(k) Enrollment, enabling split tax refunds, and exempting IRAs and tax-preferred college savings accounts from asset limits in the Supplemental Nutrition Assistance Program (formerly the Food Stamp program). Congress should take steps to build the "plumbing" to promote savings and wealth building:

Promote Automatic IRAs. The bipartisan *Automatic IRA Act* would extend payroll-based retirement saving opportunities to a majority of the 75 million employees currently without access to a retirement plan. Employers who do not sponsor a retirement plan would facilitate direct-deposit payroll deductions to an IRA and receive temporary tax credits to offset administrative costs. The law affects all employers in business for more than two years and with more than ten employees. In addition to retirement, IRAs, which can benefit from the Saver's Credit, can be accessed without penalty for higher education and homeownership expenses. President Obama included automatic enrollment in his FY2010 budget request.

Return Savings Bonds to Tax Returns. Congress should build on the success of the IRS' split refund initiative (Form 8888) and encourage the use of U.S. Savings Bonds by returning them to tax forms and promoting their availability. New types of bonds, such as retirement bonds, should be considered.

Expand HUD's Family Self Sufficiency Program. FSS is a small, yet powerful program that assists

nearly 70,000 low-income families who participate in the Housing Choice Voucher (Section 8) program or who reside in public housing. Families receive case management to gain employment coupled with asset accumulation to achieve independence. However, funding instability continues to threaten expansion of the program. The Family Self-Sufficiency Act of 2009 (H.R. 46) addresses this problem by providing an administrative fee to public housing agencies to cover the costs of administering family self-sufficiency programs in connection with the housing choice voucher program. The bill has been approved in the House and should pass in the Senate as well.

Align intermediate uses within retirement accounts. Individual Retirement Accounts -- and to a lesser extent 401(k)s, 457s, and 403(b)s -- have uses extending beyond retirement: IRA funds can be used to support college education and up to \$10,000 in an IRA account can be used for first-time home-ownership; such uses are only available as loans from 401(k)s. The law should align homeownership and education uses with retirement regulations so that IRA rules apply to 401(k)s and other employer provided accounts, thus encouraging more aggressive savings by participants. The \$10,000 lifetime limit for IRA homeownership withdrawals should be doubled.

Provide affirmative permission for full reporting of utility payments to credit bureaus to raise credit scores. Full reporting (positive and negative payment data) of utility and telecom payments to consumer reporting agencies could raise the credit score of millions of Americans. Higher credit scores based on the reporting of timely payments, instead of the current practice of only reporting late

payments, can move many African American, Latino, and young people into a prime rate credit score. Many utility firms' counsels argue that full payment reporting is prohibited by *The Telecom Act of 1996* (PL: 104-104) which should be revised.

II. Provide Savings Incentives

Fully fund existing Individual Development Account programs including:

- **\$25 Million for the Assets for Independence Program** which has helped more than 62,000 IDA participants save for an asset-building purchase. Congress must reauthorize and improve the *Assets for Independence Act* (P.L. 105-285), the federal government's primary program support for matched savings accounts. President Obama included the \$24 million in his FY2010 budget request.
- **\$10 Million for the Office of Refugee Resettlement's** discretionary grant program to provide IDAs to 22,000 refugee families to integrate them within the financial system.
- **\$5 million for the Beginning Farmer and Rancher IDA program** which was authorized in the 2008 "Farm Bill" to provide savings incentives and financial education to 4,000 agricultural entrepreneurs. President Obama included the full \$5 million in his FY2010 budget request. Congress must now appropriate funding.

Enact an Individual Development Account Tax Credit. *The Savings for Working Families Act* (S.985/H.R.2277) matches the savings of at least 2.7 million low-income families for education (for adult or child), homeownership, or education through a tax credit to financial institutions that match up to \$2,000 in savings dollar-for-dollar. The bill also provides \$120 million to nonprofits to provide financial education. With 127 House and Senate bipartisan cosponsors, the *Savings for Working Families Act* had more support than any other savings legislation in the 110th Congress.

Expand the Saver's Credit. *The Savings for American Families' Future Act* proposes to expand retirement savings incentives to more than 50 million Americans by making critical improvements to the Saver's Credit. H.R. 1961 would make the Saver's Credit refundable; provide a flat 50% match on qualified contributions up to \$500/\$1,000 for a single/joint filer; increase the income eligibility requirement to \$65,000 for joint filers and \$32,500 for single filers; and automatically deposit matching contributions into the designated retirement account through IRS Form 8888. President Obama proposed expanding the Saver's Credit in his budget request.

Provide Children's Savings Accounts. Congress should enact a universal, progressive children's savings account program providing an initial deposit for all newborns and matching deposits for low and moderate income children for education, homeownership, or retirement. Congress should also permit adults to use a portion of their Roth IRA allocation to open accounts for youth.

Enact the New Homestead Act. This bill provides wealth building incentives for business development, education, and homeownership for rural residents.

Promote a National Start Your Business Right Tax Credit. Since nearly all enterprises start out as unincorporated entities and initially report business income using standard individual Form 1040 Schedule C, entry items from these forms can be used to craft precise tax credits or deductions which would assist new businesses' with start-up costs while also stabilizing the business tax experience for first-time filers. These reforms are likely to encourage higher rates of tax compliance in earlier phases of the business development process, resulting in more timely collection of both income tax revenues and Social Security and Medicare payments.

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