All but two states do not impose asset tests on children in Medicaid and SCHIP programs. To make it easier for families to save in SCHIP and state-administered programs:

- Liberalize the food stamp motor vehicle limit.
- Exclude IDAs from the Medicaid asset test.
- Exclude IDAs from the SCHIP asset test.

This second policy brief highlights some ways in which states can make it easier for Individual Development Accounts (IDAs) to reach longer-term goals.

Conclusion
States have the flexibility to ensure that families with low incomes can use Individual Development Accounts to build assets through IDAs and receiving benefits such as TANF, food stamps, or publicly funded health insurance. By expanding the available steps, states can help these families meet their day-to-day expenses while building assets through IDAs to reach longer-term goals.

Steps states can take under current law to make it easier for families with low incomes to save in IDAs and state-administered programs:

- Liberalize the food stamp motor vehicle limit.
- Exclude IDAs from the Medicaid asset test.
- Exclude IDAs from the SCHIP asset test.
- Liberalize the food stamp motor vehicle limit.
- Eliminate the Medicaid asset test for families.
- Eliminate the Medicaid asset test for families.

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Section 404(b) of the TANF statute requires any agency that accumulates any assets that are subject to the IDA, all matching contributions, and any interest earned on the accounts—to other words, deposits, or contributions on deposits, may be counted toward a federal benefit program's asset limit.

**AFIA IDAs**

These are IDAs funded and authorized under the 1996 Assets for Independence Act (AFIA), which created a five-year federal demonstration program (currently undergoing the consolidation process in Congress), which provides matching grants, but on an application-by-application process, directly from the U.S. Department of Health and Human Services to local nonprofit organizations to administer IDA programs. AFIA grant funds must be matched by approved nonprofit organizations, dollar for dollar, with other non-federal funds.

In order to receive these funds, IDA programs must apply and meet certain criteria. For example, funds authorized under AFIA guidelines may only be used for postsecondary educational expenses, to purchase a house, or to start a business. Participants also must meet certain financial criteria.

In 2004, Congress enacted amendments to the AFIA that restored the PRWORA TANF IDA language prohibiting assets that accumulate in AFIA IDAs from being considered as income or asset eligibility determinations for any federal program, including programs like SSI. This rule applies to the individuals, their contributions, matching contributions, and income.

**Non-TANF, non-AFIA IDAs**

Some IDA programs also rely on state, local, or private grants. If TANF IDAs are not also funded through TANF participation in AFIA IDAs, they may be counted as assets in determining eligibility. Likewise, federal and state grants give each state different room for action. The same rule is true for TANF IDAs that are supported by federal funds (including some TANF funds) but are not in the context for state IDA funds from the Social Security Act (in those states settings to be automatically disregarded as income or assets determination).

Section 404(b) of the TANF statute requires that states accumulate any assets that are subject to the IDA, all matching contributions, and any interest earned on the accounts—to other words, deposits, or contributions on deposits, may be counted toward a federal benefit program's asset limit. This includes individual contributions, matching contributions, and accumulated interest are not considered assets, and that matching contributions and interest earned on deposits are not counted as income. For example, IDAs can be established in Ohio, which imposes no asset limits on public benefits.

**States Can Minimize the Impact of Asset Limits**

AFIA IDAs and TANF IDAs that meet the criteria specified in Section 404(b) of the Social Security Act are automatically excluded from TANF eligibility and can do so without benefit limitations such as AFIA IDAs. TANF IDAs and AFIA IDAs are federally eligible for federal benefit programs. Organizations that administer one or both kinds of IDAs can provide eligible IDAs with a written notice to that effect, which IDA holders could then share with such organizations that administer IDA programs. This notice that it can share such information with the Social Security Administration to be excluded from TANF, Medicaid, and the State Children's Health Insurance Program (SCHIP), or welfare benefits.

**Can IDAs be Counted in Eligibility Determinations?**

**IDA**

**TANF IDAs**

TANF IDAs meet the criteria for IDAs specified in the 1996 welfare law, which created the TANF program. These criteria include state maintenance-of-effort requirements, which the 1996 welfare law also known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), is Child Support Enforcement (CSE) AFIA IDAs can affect a household's eligibility for federal benefit programs. Non-TANF, non-AFIA IDAs from the Food Stamp Program even if they are excluded in TANF, Medicaid, and the State Children's Health Insurance Program that cannot be excluded in the context of food stamps, including those that are included in the context of food stamps, such as from their receipt of IDA assets by federal benefit programs.

**Food Stamps**

**IDA**

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TANF IDAs are funded and are automatically disregarded when determining federal benefit program asset limits. Non-TANF, non-AFIA IDAs are federally funded and are automatically disregarded when determining federal benefit program asset limits. Federal TANF funds may be used to fund TANF IDAs, including state maintenance-of-effort funds (the funds that are used to ensure that federal TANF funds are spent in a manner to ensure that federal TANF grants, or Welfare-to-Work funds (the funds that were provided for welfare-to-work programs and local services by the Balanced Budget Act of 1997) to help hard-to-employ individuals find and keep a job. Many organizations have submitted comments on the proposal regulations issued in April 2004, however, this option limits to IDAs that are restricted to use for things that are not considered assets, and that matching contributions and accumulated interest are not counted as income. For example, IDAs can be established in Ohio, which imposes no asset limits on public benefits.

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There are three main types of IDAs: TANF IDAs, Assets for Independence Act (AFIA) IDAs, and non-TANF, non-AFIA IDAs. TANF IDAs and AFIA IDAs are federally funded and are automatically excluded when determining federal benefit program asset limits. Only non-TANF, non-AFIA IDAs can affect a household's eligibility for federal benefit programs, but states have the flexibility to exclude these IDAs from a number of key federal benefit programs as well.

TANF IDAs and AFIA IDAs are federally funded and are automatically excluded when determining federal benefit program asset limits.

TANF IDAs

TANF IDAs meet the criteria for IDAs specified in the 1996 welfare law, which created the TANF program. These criteria include eligibility and requirements that are set at the state level, state maintenance-of-effort provisions, and funding. TANF IDAs are required to spend in order to obtain their federal TANF grants. Federal TANF funds may be used to fund TANF IDAs, including state maintenance-of-effort requirements (the funds the states have set aside in order to obtain their federal TANF grant), or Welfare-to-Work funds (the funds that were previously set aside by states and localities to support the Balanced Budget Act of 1997) to help hard-to-employ individuals find and keep jobs. Given the constraints of each federal program, the flexibility of the TANF funding option is limited. TANF IDA requirements must conform to the guidelines in Section 404(h) of the Social Security Act, in order to receive federal funding. If TANF IDAs are not set up to be automatically excluded in asset determinations, they could affect a household's eligibility for several major federal benefit programs.

AFIA IDAs

AFIA IDAs provide assets for individuals to invest in education or training, buying a home, starting a business, or improving their financial situation. AFIA IDAs are funded by grants from the U.S. Department of Health and Human Services to local nonprofit organizations to administer IDA programs. AFIA grant funds must be matched by approved nonprofit organizations, dollar-for-dollar, with other non-federal funds. In order to receive these funds, IDA programs must apply and meet certain criteria. For example, non-AFIA IDA programs must be approved by the National Development and Research Institutes (NDRI), a charitable organization that partners with communities and nonprofit organizations to develop and implement IDA programs. AFIA programs are required to spend in order to obtain their federal funding. Federal AFIA IDA grants can be used to fund AFIA IDAs, including state maintenance-of-effort requirements, or to meet a business. Many organizations have submitted comments on the proposed regulations urging USDA to allow any non-AFIA IDA to count toward the value of an individual's vehicle, even if the IDA is excluded from the food stamp asset test.

Non-TANF, non-AFIA IDAs

Some IDA programs also rely on state, local, or private grants. If IDA programs are not funded by the federal government, then state and local officials can determine how funds are to be invested for the benefit of families. The Section 404(h) framework is intended to establish national guidelines and ensure that investments are made to primarily low-income, working families. The flexibility that this framework provides for states is important because it allows states to achieve the goals of federal policy in ways that best fit their unique needs and circumstances.

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The non-TANF, non-AFIA IDA programs are not eligible for federal grants. The Section 404(h) framework is intended to establish national guidelines and ensure that investments are made to primarily low-income, working families. The flexibility that this framework provides for states is important because it allows states to achieve the goals of federal policy in ways that best fit their unique needs and circumstances.

In 2000, Congress amended Section 404(h) of the Social Security Act to clarify that state and local governments must meet the guidelines of Section 404(h) of the Social Security Act. The guidelines require that assets be counted in asset determinations, regardless of whether they are included in state and local government funding. The guidelines also require that assets must be counted in asset determinations, regardless of whether they are included in state and local government funding. The guidelines require that assets be counted in asset determinations, regardless of whether they are included in state and local government funding. The guidelines also require that assets must be counted in asset determinations, regardless of whether they are included in state and local government funding.

IDA funds are used to establish and maintain IDA accounts. They are not used to pay for the cost of the IDA program. These funds can be used to purchase a home, to start a business, or to purchase a car. For more information on this option and a list of each state’s vehicle asset test, see States’ Vehicles Asset Test in the notes and alternative determinations in the Appendix. The vehicle asset test is one of the ways that states can use to determine eligibility for TANF and Medicaid.

This does not mean, however, that non-TANF, non-AFIA IDAs must be counted in asset determinations. States have the flexibility to exclude these IDAs from considerations in TANF, the Food Stamp Program, Medicaid, and the State Children’s Health Insurance Program (SCHIP).

Can IDAs be Excluded in Eligibility Determinations?

IDAs can be excluded in eligibility determinations if they meet criteria for exclusion. Criteria for exclusion include:

1. Excluding IDAs from the calculation of the household’s total income
2. Excluding IDA assets in total or in part when calculating the household’s total assets
3. Excluding IDA assets in total or in part when calculating the household’s total income
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States Can Maximize the Impact of Asset Limits

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Note: The basic federal rule (as opposed to the states’ rules) is that a state or local government can exclude any resource from its asset determinations if it provides evidence that the resource is ‘readily available’ to the household. This means that if a state or local government can show that an asset is not readily available to the household, then the asset would not be counted in the asset determinations.

To the extent that the state’s vehicle asset test is stricter than the federal vehicle asset test (as it is for TANF programs), the federal vehicle asset test does not affect the household’s eligibility for TANF. However, the state’s vehicle asset test may affect the household’s eligibility for TANF, as the state’s vehicle asset test is more stringent than the federal vehicle asset test.

For more information on this option and a list of each state’s vehicle asset test, see States’ Vehicles Asset Test in the notes and alternative determinations in the Appendix. The vehicle asset test is one of the ways that states can use to determine eligibility for TANF and Medicaid.

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For more information on this option and a list of each state’s vehicle asset test, see States’ Vehicles Asset Test in the notes and alternative determinations in the Appendix. The vehicle asset test is one of the ways that states can use to determine eligibility for TANF and Medicaid.
The following are steps states can take to ensure that non-TANF, non-AFIA IDAs do not affect a household's eligibility for major federal benefit programs.

**TANF IDAs**

TANF IDAs meet the criteria for IDAs specified in the 1996 welfare law, which created the TANF program. These criteria include the following: (1) the IDA is funded under Title IV-E (a federal block grant for child welfare programs); (2) the state must use the funds for IDA purposes; (3) states must exclude IDAs from a number of key federal benefit programs; and (4) states must have the flexibility to exclude these IDAs from one of two ways:

- under the asset test for determining eligibility for TANF cash assistance, the food stamp program, Medicaid, or the State Children’s Health Insurance Program (SCHIP).

**AFIA IDAs**

TANF IDAs and AFIA IDAs that meet the criteria specified in Section 406 of the Social Security Act are automatically excluded from eligibility determinations and thus do not affect a household’s eligibility for these programs.

Organizations that administer these two kinds of IDAs can provide IDA holders with a written notice to the effect, which IDA holders could then share with caseworkers when applying for federal benefits. The Center on Budget and Policy Priorities has developed a model notice for IDA holders to use. More information can be found at www.cbpp.org.

The following are steps states can take to ensure that non-TANF, non-AFIA IDAs do not affect a household’s eligibility for major federal benefit programs.

**TANF IDAs**

TANF IDAs are federally funded and are automatically excluded when determining federal benefit program asset limits.

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AFIA IDAs are federally funded and are automatically excluded when determining federal benefit program asset limits.

Both TANF IDAs and AFIA IDAs are counted as assets in TANF and Medicaid eligibility determinations. State and local governments determine the value of these assets, dollar for dollar, with other non-federal funds. AFIA IDAs are excluded from federal program asset limits and thus do not affect a household’s eligibility for these programs. Federal TANF funds may be used to fund TANF IDAs, AFIA IDAs, or both. TANF, non-AFIA IDAs do not affect a household’s eligibility for several major federal benefit programs.

The following are steps states can take to ensure that non-TANF, non-AFIA IDAs do not affect a household’s eligibility for major federal benefit programs.

**Can IDAs Be Counted in Eligibility Determinations?**

This would benefit not only IDA holders, but also all low-income families that accumulate income. For example, Hawaii has set an asset limit for both singers and applicants for AFIA IDAs.

For more information on how to implement this option, see Implementing New Changes to the Food Stamp Program, a report by the Center on Budget and Policy Priorities. Revised in January 2005, this report is available at http://www.cbpp.org/7-30-01fa.pdf.
All but two states do not impose asset tests on children in their Medicaid and SCHIP programs. For a list of each state’s Medicaid and SCHIP asset policies, go to the Medicaid and SCHIP Factsheet on the Children’s Health Insurance Program (SCHIP) website.

Federal housing programs

Some states provide a state-administered supplemental benefit to reduce a family’s low-income housing assistance payments. For more information from the Social Security Administration about IDAs and SSI, see http://www.ssa.gov/planners/self-support.htm.

Conclusion

More families enroll in the Department of Housing and Urban Development’s Family Self-Sufficiency (FSS) program, under which increases in rental payments would not affect eligibility. This brief is based on the 2002 Federal IDA Briefing Book—How IDAs Affect Eligibility for Federal Programs, written by CFED and published by the Center on Budget and Policy Priorities. Building Assets for Independence Act: The Assets for Independence Act was passed by the 106th Congress to establish IDAs across the country.

The IDA Act allows states to remove penalties for saving. The IDA Act is the result of strong advocacy by Social Security beneficiaries, many of whom testified about their need to save for necessities such as health care, housing, and education. The IDA Act is a win for both the beneficiaries of Social Security and the Social Security Administration.

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This series of policy briefs is written and produced by the Center for Social Development (CSD) at Washington University in St. Louis and CFED. The purpose of these briefs is to provide information to state and federal policymakers, state governments, policy advocates, and state coalitions regarding how to creatively use state policies to support asset-building initiatives such as IDAs to remove penalties for saving and increase the opportunity to build assets through the Department of Housing and Urban Development’s Family Self-Sufficiency (FSS) program, under which increases in rental payments would not affect eligibility.

This brief provides a comprehensive overview of state IDA programs. It highlights the benefits of IDAs and the IDA Act, and provides an overview of policies that states can adopt to increase access to IDAs and build assets, including IDA asset rules, eligibility, and usage. It also provides an overview of how states can use IDAs to support other programs, including SCHIP, Medicaid, and SCHIP. The IDA Act is an example of how state policies can be used to support asset-building initiatives, including IDAs.

For more information about IDAs, go to www.brookings.edu/csd/idabriefingbook.htm.

For more information from the Social Security Administration about IDAs and SSI, see http://www.ssa.gov/planners/self-support.htm.

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All but two states do not impose asset tests on children in Medicaid and SCHIP programs. Using this flexibility, a state can exclude all IDA assets from Medicaid eligibility and benefit determinations, in one of two ways: Eliminate the Medicaid asset test or create a PASS from counting in SSI eligibility. For a list of such states and Medicaid SCHIP policy, see Tables 5 and 8 in Progressing Recent Health Policy Change: Strategies for Children and Families: A 50 State Update on Eligibility, Enrollment, Reconciliation Practice to Achieve SCHIP,” (July 2005), by Debbie Cohen Ross and Laura Cox, Center on Budget and Policy Priorities. This report is available at http://www.cbpp.org/7-30-03health.pdf.

Conclusion
States have the flexibility to ensure that families with low incomes can save for purposes consistent with the work-related goals committed to a PASS from counting in SSI eligibility and benefit determinations. No federal low-income housing programs have an asset limit either.

IDAs and Public Assistance

It is estimated that more than 20,000 Individual Development Accounts (IDAs) have been created nationwide over the past seven years, a sign of the growing acceptance that asset-building strategies can help people with disabilities, such as Supplemental Security Income (SSI), and individuals in need of assistance. More than 20,000 Individual Development Accounts (IDAs) have been created nationwide over the past seven years, a sign of the growing acceptance that asset-building strategies can help people with disabilities, such as Supplemental Security Income (SSI), and individuals in need of assistance. Many IDA holders are likely to qualify for such programs, which would help them meet daily expenses and free up income needed to save toward longer-term goals. If the funds in an IDA are counted as assets available to the household, these funds could push the household over a benefit cut-off lines, thus limiting the household eligible for benefits.

Asset Limits: Federal and State Programs and/or family Medicaid asset limit could choose to adopt such a policy. Once legislative approval is granted,

For more information on the 2002 Federal IDA Briefing Book—How IDAs Affect Eligibility for Federal Programs, written by CFED and published by the Center on Budget and Policy Priorities, see the 2002 Federal IDA Briefing Book (http://www.cfed.org/think.m?id=112&pubid=85).

The Center for Social Development (CSD) is a research and policy center that promotes long-term models to help people move from poverty to prosperity while strengthening the overall economy. By helping individuals and communities harness latent potential, CFED builds and invest, succeed as entrepreneurs, and participate as contributors to and beneficiaries of their communities. CFED identifies and researches promising ideas, collaborates with the private and public sectors to test them, and helps drive the application and adoption of overall economies and communities.

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The 2002 Federal IDA Briefing Book, written by CFED and published by the Center on Budget and Policy Priorities, is available at http://www.cfed.org/think.m?id=112&pubid=85. This series is made possible by generous support from the Ford, Charles Stewart Mott, and Annie E. Casey Foundations.

The Opportunity Reconciliation Act of 1996, the TANF program passed under the 1996 Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the TANF program, which increases in annual rental payments that result from increases in annual rental payments or rental subsidies, but would not affect eligibility.

Other programs: SSI and Federal housing programs

In contrast to the programs previously discussed, no state could specifically exclude all funds in PASS accounts (including federal low-income housing assistance and/or family Medicaid asset limit could choose to adopt such a policy. Once legislative approval is granted, in accordance with guidance provided in a letter to State Medicaid Directors (November 14, 2000), which is available at http://www.cms.hhs.gov/schip/ch111400.asp. This letter expresses the views of the Center for Medicaid and SCHIP Services to implement this exclusion, in accordance with guidance provided in a letter to State Medicaid Directors (November 14, 2000), which is available at http://www.cms.hhs.gov/schip/ch111400.asp. That states do not count asset amounts in PASS accounts toward their TANF asset assistance and/or family Medicaid asset limit could choose to adopt such a policy. Once legislative approval is granted, in accordance with guidance provided in a letter to State Medicaid Directors (November 14, 2000), which is available at http://www.cms.hhs.gov/schip/ch111400.asp.

Non-TANF, non-AFIA IDAs can use these types of IDAs to build savings for a down payment on a home without incurring any tax liability. Currently, this is the only way an SSI recipient can save for the purchase of a home without incurring program asset limits—PASS accounts cannot be used for the purpose.

The 2002 Federal IDA Briefing Book (http://www.cfed.org/think.m?id=112&pubid=85) provides the most up-to-date recommendations for action at the state and federal levels to make it easier for families with low incomes to save in IDAs and reach longer-term goals.

This second policy brief highlights some ways in which states can make it easier for Individual Development Account (IDA) holders (as well as other low-income households) to save toward their long-term goals without jeopardizing their eligibility for programs that can help them meet daily expenses. This brief is based on the 2002 Federal IDA Briefing Book—How IDAs Affect Eligibility for Federal Programs, written by CFED and published by the Center on Budget and Policy Priorities. This brief includes the best and most accurate recommendations of the state Medicaid and SCHIP Services to implement this exclusion, in accordance with guidance provided in a letter to State Medicaid Directors (November 14, 2000), which is available at http://www.cms.hhs.gov/schip/ch111400.asp. That states do not count asset amounts in PASS accounts toward their TANF asset assistance and/or family Medicaid asset limit could choose to adopt such a policy. Once legislative approval is granted, in accordance with guidance provided in a letter to State Medicaid Directors (November 14, 2000), which is available at http://www.cms.hhs.gov/schip/ch111400.asp.

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