

# Individual Development Accounts Community Benefits & Economic Impact

## Kansas IDA Tax Credit Benefits

- For every \$1 of the IDA tax credit sold IHS generates \$1 of federal funding
- Kansas IDA Program
  - New homeowners
  - Higher educated wage earners
  - More small businesses
  - Maintained homes of low-income households
  - Continuation of successful and established financial literacy course
  - Motivation for low-income households to *work* their way out of poverty
- IDA tax credits motivate taxpayers to be responsible for economic development in their community
- Part of a nationwide economic development program
- Stability to offer this program statewide
- Directly supports the objectives in the Kansas Consolidated Plan

## Economic Development Impact

Individual Development Accounts (IDA) are an economic policy instrument which were introduced by Dr. Michael Sherraden in 1991. The IDA initiative has become nationwide and is successfully demonstrated in forty-six states, funded by a mixture of state, federal, county, private, and foundation funding sources. Many reports and studies clearly show the benefits of this program not only to the households that participate but to the economic stability of the entire community, as well.

Research from the Corporation for Enterprise Development (CFED) shows that public investment both at the federal and state level is critical for the successful operation the IDA Program. Their research estimates that each federal dollar invested in IDAs would yield a return of approximately five dollars to the national economy in the form of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures, and human capital associated with greater educational attainment. It can be assumed the same for every state dollar invested into IDAs for the state economy.

*Reference:* [http://cfed.org/programs/idas/ida\\_faq\\_article/](http://cfed.org/programs/idas/ida_faq_article/)

A Policy Report on Tax Credits and IDA Programs was completed in July of 2003 by the Center for Social Development at the Washington University in St. Louis. This report listed the benefits to states that support IDAs through tax credit programs and the many ways the tax credits are used as a community economic development strategy across the United States. The report states that *“IDA tax credit legislation offers several benefits for states....tax credits allow major corporations and individual taxpayers to be socially responsible by directing their charitable giving to a nonprofit that provides low-income families opportunities for economic improvement.”* Reference: <http://www.usc.edu/dept/chepa/IDApays/publications/123.pdf>  
<http://csd.wustl.edu/Publications/Documents/PolicyReport-TaxCredit.pdf>

The Federal Deposit Insurance Corporation (FDIC) also generated a report on the economic benefits to banks and financial institutions from IDAs. The quarterly titled *Individual Development Accounts and Banks: A Solid “Match”* is eight pages which describe the program and the transition it provides for an “un-banked” or “under-banked” low income household to transition into the mainstream financial system, essentially creating a self-reliant financially stable household through asset building.

Reference: [http://www.fdic.gov/bank/analytical/quarterly/2007\\_vol1/IDAs-and-banks.html](http://www.fdic.gov/bank/analytical/quarterly/2007_vol1/IDAs-and-banks.html)

Since the IDA initiative began most states with IDA Programs offer state tax credits as an incentive for community participation. None of these states have repealed the tax credits due to their economic impact. Michigan just passed legislation allowing the use of tax credits for the IDA program while in the midst of a 12% deficit, once again due to the program's economic development features. Missouri suggested the repeal of their IDA tax credit due to lack of use; however, after more research they concluded why it was not being used. Missouri then enacted legislation to keep the tax credits available for the IDA Program and increase the usage of the tax credit because of the economic impact. Many states, like Kansas, have recognized the economic impacts of this innovative program and we hope Kansas continues to recognize the benefits.