

103D CONGRESS
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H. R. 4546

To strengthen families receiving aid to families with dependent children through education, job training, savings, and investment opportunities, and to provide States with greater flexibility in administering such aid in order to help individuals make the transition from welfare to employment and economic independence.

IN THE HOUSE OF REPRESENTATIVES

JUNE 8, 1994

Mr. FLAKE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To strengthen families receiving aid to families with dependent children through education, job training, savings, and investment opportunities, and to provide States with greater flexibility in administering such aid in order to help individuals make the transition from welfare to employment and economic independence.

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Family Investment and Self-Sufficiency Act of 1994”.

1 (b) TABLE OF CONTENTS.—The table of contents of
2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. State option to increase AFDC income disregards and disregard all child support payments.
- Sec. 3. Tax credit for contributions by low-income individuals to qualified asset accounts.
- Sec. 4. State option to increase AFDC income disregard for certain step-parents.
- Sec. 5. Elimination of rules that treat families differently based on number of parents in the home.
- Sec. 6. Extension of transitional child care benefits for employed AFDC recipients.
- Sec. 7. Denial of AFDC for applicants who have abandoned a child.
- Sec. 8. State option to deny AFDC for additional children.
- Sec. 9. State option to deny AFDC benefits to parents whose children have not received required immunizations.
- Sec. 10. State option to disregard income and resources designated for education, training, employability, or self-employment.
- Sec. 11. State option to increase limitation on disregard of equity in an automobile.
- Sec. 12. Treatment of student earnings under the AFDC program.
- Sec. 13. Effective date.

3 SEC. 2. STATE OPTION TO INCREASE AFDC INCOME DIS-
4 REGARDS AND DISREGARD ALL CHILD SUP-
5 PORT PAYMENTS.

6 Section 402(a)(8)(B) of the Social Security Act (42
7 U.S.C. 602(a)(8)(B)) is amended—

10 (2) by adding at the end the following:

1 child) whose needs are taken into account
2 in making the determination under para-
3 graph (7), in accordance with any com-
4 bination of rules that is not less favorable
5 than the rules contained in clauses (ii) and
6 (iv) of subparagraph (A) and clause (ii) of
7 this subparagraph and not more favorable
8 than a disregard of the first \$200 of the
9 total of such earned income for such
10 month plus $\frac{1}{2}$ of the remainder thereof;
11 and

19 SEC. 3. TAX CREDIT FOR CONTRIBUTIONS BY LOW-INCOME
20 INDIVIDUALS TO QUALIFIED ASSET AC-
21 COUNTS.

22 (a) IN GENERAL.—Subpart C of part IV of sub-
23 chapter A of chapter 1 of the Internal Revenue Code of
24 1986 (relating to refundable credits) is amended by redes-

1 ignating section 35 as section 36 and by inserting after
2 section 34 the following new section:

3 **“SEC. 35. QUALIFIED ASSET ACCOUNT CONTRIBUTIONS.**

4 “(a) ALLOWANCE OF CREDIT.—

5 “(1) IN GENERAL.—In the case of an eligible
6 individual, there shall be allowed as a credit against
7 the tax imposed by this subtitle for the taxable year
8 an amount equal to the applicable percentage of the
9 qualified asset account contributions of the individ-
10 ual for the taxable year.

11 “(2) APPLICABLE PERCENTAGE.—For purposes
12 of paragraph (1), the applicable percentage is—

13 “(A) 10 percent with respect to so much of
14 the aggregate qualified asset account contribu-
15 tions of the individual for the taxable year as
16 do not exceed \$1,000, and

17 “(B) 20 percent with respect to so much of
18 such contributions as exceed \$1,000 but do not
19 exceed \$2,000.

20 “(b) LIMITATION.—

21 “(1) IN GENERAL.—The amount of qualified
22 asset account contributions by an eligible individual
23 which may be taken into account under subsection
24 (a) for any taxable year shall not exceed the lesser
25 of—

1 “(A) \$2,000, or

2 “(B) an amount equal to the compensation
3 (as defined in section 219(f)) includable in the
4 individual's gross income for such taxable year.

5 “(2) PRORATION OF LIMITATION IF PART-YEAR
6 ELIGIBILITY.—In the case of an individual who is an
7 eligible individual only for a portion (but not all) of
8 the calendar year ending with or within the taxable
9 year, the limitation under this subsection for such
10 taxable year shall be an amount which bears the
11 same ratio to such limitation (determined without
12 regard to this paragraph) as such portion bears to
13 the entire calendar year.

14 “(c) DEFINITIONS.—For purposes of this section—

15 “(1) QUALIFIED ASSET ACCOUNT.—The term
16 ‘qualified asset account’ means a trust created or or-
17 ganized in the United States exclusively for the pur-
18 pose of paying the qualified expenses of the account
19 beneficiary, but only if the written governing instru-
20 ment creating the trust meets the following require-
21 ments:

22 “(A) No contribution will be accepted un-
23 less it is in cash, and contributions will not be
24 accepted during any calendar year in excess of
25 \$2,000.

1 “(B) The trustee is a bank (as defined in
2 section 408(n)) or another person who dem-
3 onstrates to the satisfaction of the Secretary
4 that the manner in which such person will ad-
5 minister the trust will be consistent with the re-
6 quirements of this section.

7 “(C) No part of the trust assets will be in-
8 vested in life insurance contracts.

9 “(D) The assets of the trust will not be
10 commingled with other property except in a
11 common trust fund or common investment
12 fund.

13 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible
14 individual’ means any individual if any member of
15 such individual’s family is receiving aid under a
16 State plan approved under part A of title IV of the
17 Social Security Act.

18 “(3) QUALIFIED EXPENSES.—The term ‘quali-
19 fied expenses’ means, with respect to the account
20 beneficiary, the amount paid by such beneficiary
21 for—

22 “(A) the education of any member of such
23 beneficiary’s family,

24 “(B) training for employment of any such
25 member,

1 “(C) improving the job skills of any such
2 member,

3 “(D) starting a business by any such mem-
4 ber,

5 “(E) purchasing a principal residence for
6 any such member, and

7 “(F) moving expenses for any such mem-
8 ber in moving to a new principal residence.

9 “(4) QUALIFIED ASSET ACCOUNT CONTRIBU-
10 TIONS.—The term ‘qualified asset account contribu-
11 tions’ means any amount paid in cash for the tax-
12 able year by or on behalf of an individual to a qual-
13 fied asset account for such individual’s benefit.

14 “(5) ACCOUNT BENEFICIARY.—The term ‘ac-
15 count beneficiary’ means the individual for whose
16 benefit the qualified asset account is established.

17 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

18 “(1) TIME WHEN CONTRIBUTIONS DEEMED
19 MADE.—A contribution shall be deemed to be made
20 on the last day of the preceding taxable year if the
21 contribution is made on account of such taxable year
22 and is made not later than the time prescribed by
23 law for filing the return for such taxable year (not
24 including extensions thereof).

1 “(2) MARRIED INDIVIDUALS.—The maximum
2 credit under subsection (b) shall be computed sepa-
3 rately for each individual.

4 “(3) EMPLOYER PAYMENTS.—For purposes of
5 this title, any amount paid by an employer to a
6 qualified asset account shall be treated as a payment
7 of compensation to the employee (other than a self-
8 employed individual who is an employee within the
9 meaning of section 401(c)(1)) includible in his gross
10 income for the taxable year for which the amount
11 was contributed, whether or not a credit for such
12 payment is allowable under this section to the em-
13 ployee.

14 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

15 “(1) IN GENERAL.—Any amount paid or dis-
16 tributed out of a qualified asset account shall be in-
17 cluded in the gross income of the account beneficiary
18 unless such amount is used exclusively to pay the
19 qualified expenses of such beneficiary.

20 “(2) EXCESS CONTRIBUTIONS RETURNED BE-
21 FORE DUE DATE OF RETURN.—Paragraph (1) shall
22 not apply to the distribution of any contribution paid
23 during a taxable year to a qualified asset account to
24 the extent that such contribution exceeds the
25 amount excludable under subsection (a) if—

1 “(A) such distribution is received by the
2 individual on or before the last day prescribed
3 by law (including extensions of time) for filing
4 such individual’s return for such taxable year,
5 and

6 “(B) such distribution is accompanied by
7 the amount of net income attributable to such
8 excess contribution.

9 Any net income described in subparagraph (B) shall
10 be included in the gross income of the individual for
11 the taxable year in which it is received.

12 “(3) PENALTY FOR DISTRIBUTIONS NOT USED
13 FOR QUALIFIED EXPENSES.—

14 “(A) IN GENERAL.—The tax imposed by
15 this chapter for any taxable year in which there
16 is a payment or distribution from a qualified
17 asset account which is not used to pay the
18 qualified expenses of the account beneficiary
19 shall be increased by 10 percent of the amount
20 of such payment or distribution which is includ-
21 ible in gross income under paragraph (1).

22 “(B) DISABILITY OR DEATH CASES.—Sub-
23 paragraph (A) shall not apply if the payment or
24 distribution is made after the account bene-

1 ficiary becomes disabled within the meaning of
2 section 72(m)(7) or dies.

3 “(f) TAX TREATMENT OF ACCOUNTS.—

4 “(1) IN GENERAL.—A qualified asset account is
5 exempt from taxation under this subtitle, unless
6 such account has ceased to be a qualified asset ac-
7 count by reason of paragraph (2) or (3). Notwith-
8 standing the preceding sentence, any such account is
9 subject to the taxes imposed by section 511 (relating
10 to imposition of tax on unrelated business income of
11 charitable, etc., organizations).

12 “(2) ACCOUNT TERMINATES IF INDIVIDUAL EN-
13 GAGES IN PROHIBITED TRANSACTION.—

14 “(A) IN GENERAL.—If, during any taxable
15 year of the account beneficiary engages in any
16 transaction prohibited by section 4975 with re-
17 spect to the account, the account ceases to be
18 a qualified asset account as of the first day of
19 that taxable year.

20 “(B) ACCOUNT TREATED AS DISTRIBUTING
21 ALL ITS ASSETS.—In any case in which any ac-
22 count ceases to be a qualified asset account by
23 reason of subparagraph (A) on the first day of
24 any taxable year, paragraph (1) of subsection
25 (e) shall be applied as if there were a distribu-

1 tion on such first day in an amount equal to
2 the fair market value (on such first day) of all
3 assets in the account (on such first day) and no
4 portion of such distribution were used to pay
5 qualified expenses.

6 “(3) EFFECT OF PLEDGING ACCOUNT AS SECU-
7 RITY.—If, during any taxable year, the account ben-
8 eficiary uses the account or any portion thereof as
9 security for a loan, the portion so used is treated as
10 distributed and not used to pay qualified expenses.

11 “(g) CUSTODIAL ACCOUNTS.—For purposes of this
12 section, a custodial account shall be treated as a trust if—

13 “(1) the assets of such account are held by a
14 bank (as defined in section 408(n)) or another per-
15 son who demonstrates to the satisfaction of the Sec-
16 retary that the manner in which he will administer
17 the account will be consistent with the requirements
18 of this section, and

19 “(2) the custodial account would, except for the
20 fact that it is not a trust, constitute a qualified asset
21 account described in subsection (c).

22 For purposes of this title, in the case of a custodial ac-
23 count treated as a trust by reason of the preceding sen-
24 tence, the custodian of such account shall be treated as
25 the trustee thereof.

1 “(h) REPORTS.—The trustee of a qualified asset ac-
2 count shall make such reports regarding such account to
3 the Secretary and to the account beneficiary with respect
4 to contributions, distributions, and such other matters as
5 the Secretary may require under regulations. The reports
6 required by this subsection shall be filed at such time and
7 in such manner and furnished to such individuals at such
8 time and in such manner as may be required by those reg-
9 ulations.”

10 (b) TAX ON EXCESS CONTRIBUTIONS.—Section 4973
11 of such Code (relating to tax on excess contributions to
12 individual retirement accounts, certain section 403(b) con-
13 tracts, and certain individual retirement annuities) is
14 amended—

15 (1) by inserting “**QUALIFIED ASSET AC-**
16 **COUNTS,**” after “**ACCOUNTS,**” in the heading of
17 such section,

18 (2) by redesignating paragraph (2) of sub-
19 section (a) as paragraph (3) and by inserting after
20 paragraph (1) the following:

21 “(2) a qualified asset account (within the mean-
22 ing of section 35(c)),”,

23 (3) by striking “or” at the end of paragraph
24 (1) of subsection (a), and

1 (4) by adding at the end thereof the following
2 new subsection:

“(d) EXCESS CONTRIBUTIONS TO QUALIFIED ASSET ACCOUNTS.—For purposes of this section, in the case of a qualified asset account (within the meaning of section 35(c)), the term ‘excess contributions’ means the amount by which the amount contributed for the taxable year to the account exceeds the amount which may be taken into account in determining the credit under section 35 for such taxable year. For purposes of this subsection, any contribution which is distributed out of the qualified asset account in a distribution to which section 35(e)(2) applies shall be treated as an amount not contributed.”

14 (c) TAX ON PROHIBITED TRANSACTIONS.—Section
15 4975 of such Code (relating to prohibited transactions)
16 is amended—

17 (1) by adding at the end of subsection (c) the
18 following new paragraph:

19 “(4) SPECIAL RULE FOR QUALIFIED ASSET AC-
20 COUNTS.—An individual for whose benefit a quali-
21 fied asset account (within the meaning of section
22 35(c)) is established shall be exempt from the tax
23 imposed by this section with respect to any trans-
24 action concerning such account (which would other-
25 wise be taxable under this section) if, with respect

1 to such transaction, the account ceases to be a qualified
2 asset account by reason of the application of
3 section 35(f)(2)(A) to such account.”, and

4 (2) by inserting “or a qualified asset account
5 described in section 35(c)” in subsection (e)(1) after
6 “described in section 408(a)”.

7 (d) FAILURE TO PROVIDE REPORTS ON QUALIFIED
8 ASSET ACCOUNTS.—Section 6693 of such Code (relating
9 to failure to provide reports on individual retirement ac-
10 count or annuities) is amended—

11 (1) by inserting “**OR ON QUALIFIED ASSET**
12 **ACCOUNTS**” after “**ANNUITIES**” in the heading of
13 such section, and

14 (2) by adding at the end of subsection (a) the
15 following: “The person required by section 35(h) to
16 file a report regarding a qualified asset account at
17 the time and in the manner required by such section
18 shall pay a penalty of \$50 for each failure unless it
19 is shown that such failure is due to reasonable
20 cause.”

21 (e) CLERICAL AMENDMENTS.—

22 (1) The table of sections for subpart C of part
23 IV of subchapter A of chapter 1 of such Code is
24 amended by striking the item relating to section 35
25 and inserting the following:

“Sec. 35. Qualified asset account contributions.

“Sec. 36. Overpayments of tax.”

“Sec. 4973. Tax on excess contributions to individual retirement accounts, qualified asset accounts, certain 403(b) contracts, and certain individual retirement annuities.”

8 (f) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to contributions made after De-
10 cember 31, 1994, in taxable years ending after such date.

11 SEC. 4. STATE OPTION TO INCREASE AFDC INCOME DIS-
12 REGARD FOR CERTAIN STEPPARENTS.

13 Section 402(a)(31) of the Social Security Act (42
14 U.S.C. 602(a)(31)) is amended—

20 (2) by striking "(D)" and inserting "(C)".

1 **SEC. 5. ELIMINATION OF RULES THAT TREAT FAMILIES**
2 **DIFFERENTLY BASED ON NUMBER OF PAR-**
3 **ENTS IN THE HOME.**

4 (a) IN GENERAL.—Section 402(a) of the Social Secu-
5 rity Act (42 U.S.C. 602(a)) is amended by striking para-
6 graph (41).

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 402(a)(19)(B)(i)(II) of such Act
9 (42 U.S.C. 602(a)(19)(B)(i)(II)) is amended by
10 striking “(and” and all that follows through
11 “407(b)(2)(B)(i)”).

12 (2) Section 402(a)(19)(D) of such Act (42
13 U.S.C. 602(a)(19)(D)) is amended by striking “eligible”
14 and all that follows through “earner” and in-
15 serting “in which both parents are living at home”.

16 (3) Section 402(a)(19)(G)(i) of such Act (42
17 U.S.C. 602(a)(19)(G)(i)) is amended—

18 (A) in subclause (I), by striking “(whether
19 or not section 407 applies)”; and

20 (B) in subclause (II), by striking “which is
21 eligible for aid to families with dependent chil-
22 dren by reason of section 407” and inserting
23 “in which both parents are living at home”.

24 (4) Section 402(a)(38)(B) of such Act (42
25 U.S.C. 602(a)(38)(B)) is amended by striking “or in
26 section 407(a)”.

16 (10) Section 472(a) of such Act (42 U.S.C.
17 672(a)) is amended by striking “or of section 407”.

21 (12) Section 1115(b) of such Act (42 U.S.C.
22 1315(b)) is amended by striking paragraph (5).

23 (13) Section 1115 of such Act (42 U.S.C.
24 1315) is amended by striking subsection (d).

5 (15) Section 1905 of such Act (42 U.S.C.
6 1396d) is amended by striking subsection (m).

9 (A) in subparagraph (A)—

10 (i) by striking “(or” and all that fol-
11 lows through “407)”; and

12 (ii) by adding “or” at the end; and

13 (B) by striking subparagraph (B).

14 (17) Section 204(b)(2) of the Family Support
15 Act of 1988 (42 U.S.C. 681 note) is amended by
16 striking the semicolon and all that follows through
17 “1998”.

18 SEC. 6. EXTENSION OF TRANSITIONAL CHILD CARE BENE-
19 FITS FOR EMPLOYED AFDC RECIPIENTS.

20 Section 402(g)(1)(A)(iii) of the Social Security Act
21 (42 U.S.C. 602(g)(1)(A)(iii)) is amended by inserting
22 “(or, if and for so long as the caretaker relative of the
23 family is employed, 24 months)” after “12 months”.

1 **SEC. 7. DENIAL OF AFDC FOR APPLICANTS WHO HAVE**2 **ABANDONED A CHILD.**

3 Section 402(a) of the Social Security Act (42 U.S.C.

4 602(a)) is amended—

5 (1) by striking “and” at the end of paragraph

6 (44);

7 (2) by striking the period at the end of para-
8 graph (45) and inserting “; and”; and9 (3) by inserting after paragraph (45) the fol-
10 lowing:11 “(46) notwithstanding any other provision of
12 this part, provide that an applicant for aid under the
13 State plan shall not be eligible for such aid if a court
14 has found that the applicant has abandoned a
15 child.”.16 **SEC. 8. STATE OPTION TO DENY AFDC FOR ADDITIONAL**17 **CHILDREN.**

18 Section 402(a) of the Social Security Act (42 U.S.C.

19 602(a)), as amended by section 7 of this Act, is amend-
20 ed—21 (1) by striking “and” at the end of paragraph
22 (45);23 (2) by striking the period at the end of para-
24 graph (46) and inserting “; and”; and25 (3) by inserting after paragraph (46) the fol-
26 lowing:

1 “(47) at the option of the State, provide that—

2 “(A) aid under the State plan shall not be
3 payable to a family with respect to a child born
4 to a family member—

5 “(i) while a recipient of aid under the
6 State plan; or

7 “(ii) who received aid under any State
8 plan approved under this part at any time
9 during the 10-month period that ends with
10 the birth of the child; and

11 “(B) a child with respect to whom aid is
12 not payable under the State plan under this
13 part solely by reason of subparagraph (A) shall
14 be considered to be receiving such aid for pur-
15 poses of eligibility for medical assistance under
16 the State plan approved under title XIX.”.

17 **SEC. 9. STATE OPTION TO DENY AFDC BENEFITS TO PAR-**
18 **ENTS WHOSE CHILDREN HAVE NOT RE-**
19 **CEIVED REQUIRED IMMUNIZATIONS.**

20 (a) IN GENERAL.—Section 402(a) of the Social Secu-
21 rity Act (42 U.S.C. 602(a)), as amended by sections 7
22 and 8 of this Act, is amended—

23 (1) by striking “and” at the end of paragraph
24 (47);

3 (3) by inserting after paragraph (48) the fol-
4 lowing:

5 “(49) at the option of the State, provide that—

6 “(A) the State will deduct and withhold
7 from the amount of aid otherwise payable under
8 the State plan to a family that is not in compli-
9 ance with this paragraph an amount equal to—

19 “(B) the State will apply subparagraph (A)
20 to a noncompliant family for each month for
21 which such noncompliance continues;

22 “(C) the State will place into escrow all
23 amounts deducted and withheld from a family
24 pursuant to subparagraph (A);

1 “(D) the State will pay in a lump sum to
2 a family eligible for aid under the State plan
3 that has ceased to be a noncompliant family an
4 amount equal to—

5 “(i) the total amount deducted and
6 withheld from the family pursuant to sub-
7 paragraph (A); divided by

8 “(ii) the number of months for which
9 amounts have been so withheld and de-
10 ducted;

11 “(E) the State shall consider a family to
12 be not in compliance with this paragraph if the
13 family includes a dependent child who has not
14 attained 6 years of age, and the State agency
15 has not received from 1 or more physicians
16 written verification (on a form prescribed by the
17 State) that the child has been immunized in ac-
18 cordance with recommendations issued by the
19 Surgeon General of the Public Health Service,
20 unless the child has not been so immunized for
21 good cause (as determined by the State in ac-
22 cordance with regulations prescribed by the
23 Secretary), including—

1 “(i) medical contraindication, as evi-
2 denced by written notice from a physician
3 (on a form prescribed by the State);

4 “(ii) an excessive distance between the
5 residence of the child and the nearest loca-
6 tion at which the child could be so immu-
7 nized;

8 “(iii) the lack of reasonable access to
9 transportation to any location at which the
10 child could be so immunized;

11 “(iv) an excessive waiting period at
12 any such location before the child could be
13 so immunized;

14 “(v) religious objection to the child
15 being so immunized; and

16 “(vi) an illness of a member of the
17 family that has prevented the child from
18 being accompanied by a responsible adult
19 to any such location; and

20 “(F) the State will conduct appropriate
21 education and outreach activities designed to—

22 “(i) increase public awareness of the
23 importance of preventive health care and
24 immunizations for preschool children; and

25 “(ii) inform the public about—

1 “(I) the availability of preventive
2 health care and immunization services
3 for preschool children;

4 “(II) any transportation, child
5 care, or other support services that
6 may be available to assist parents in
7 obtaining such services for their chil-
8 dren; and

9 “(III) the clinics at which any
10 child may receive immunizations free
11 or at a reduced charge.”.

12 (b) ISSUANCE OF IMMUNIZATION RECOMMENDA-
13 TIONS BY THE SURGEON GENERAL OF THE PUBLIC
14 HEALTH SERVICE.—After taking into consideration the
15 then most recent report of the Committee on Infectious
16 Diseases of the American Academy of Pediatrics, the Sur-
17 geon General of the Public Health Service shall issue, and
18 revise from time to time, recommendations for the immu-
19 nization of children under 6 years of age. With respect
20 to each recommended immunization, such recommenda-
21 tion shall include—

22 (1) contraindications (if any) that should be
23 identified to exempt a child from receiving such im-
24 munization, and

4 SEC. 10. STATE OPTION TO DISREGARD INCOME AND RE-

5 **SOURCES DESIGNATED FOR EDUCATION,**
6 **TRAINING, EMPLOYABILITY, OR SELF-EM-**
7 **PLOYMENT.**

8 (a) RESOURCE DISREGARD.—Section 402(a)(7)(B)
9 of the Social Security Act (42 U.S.C. 602(a)(7)(B)) is
10 amended—

11 (1) by striking “or” at the end of clause (iii);
12 and

17 (b) DISREGARD OF INCOME FROM QUALIFIED ASSET
18 ACCOUNTS.—Section 402(a)(8)(A) of such Act (42 U.S.C.
19 602(a)(8)(A)) is amended—

20 (1) by striking “and” at the end of clause (vii);
21 and

22 (2) by inserting after clause (viii) the following:

23 “(ix) at the option of the State, may

24 disregard—

15 (c) NONRECURRING LUMP SUM EXEMPT FROM
16 LUMP SUM RULE.—Section 402(a)(17) of such Act (42
17 U.S.C. 602(a)(17)) is amended by adding at the end the
18 following: “; and, at the option of the State, that this para-
19 graph shall not apply to earned or unearned income re-
20 ceived in a month on a nonrecurring basis to the extent
21 that such income is deposited in a qualified asset account
22 (as defined in section 406(i)) in which not more than
23 \$2,000 has been deposited during the immediately preced-
24 ing 12-month period and the total amounts in which, after
25 such placement, does not exceed \$9,000;”.

1 (d) DEFINITIONS.—Section 406 of such Act (42
2 U.S.C. 606) is amended by adding at the end the follow-
3 ing:

4 “(i)(1) The term ‘qualified asset account’ means an
5 account established at a financial institution by a recipient
6 of aid to families with dependent children, in which not
7 more than \$2,000 has been deposited during any period
8 of 12 consecutive months, for the purpose of saving money
9 to—

10 “(A) enable a member of the family of the re-
11 cipient to attend an education or training program;

12 “(B) enable a member of the family to improve
13 his or her employability (including self-employment),
14 including through the purchase of an automobile;

15 “(C) purchase a home for the family;

16 “(D) change the family residence; or

17 “(E) operate or establish a commercial enter-
18 prise which has 5 or fewer employees, 1 or more of
19 whom owns or would own the enterprise.

20 “(2) The term ‘qualified distribution’ means a dis-
21 tribution from a qualified asset account for expenses di-
22 rectly related to 1 or more of the purposes described in
23 paragraph (1).”.

1 **SEC. 11. STATE OPTION TO INCREASE LIMITATION ON DIS-**2 **REGARD OF EQUITY IN AN AUTOMOBILE.**

3 Section 402(a)(7)(B)(i) of the Social Security Act
4 (42 U.S.C. 602(a)(7)(B)(i)) is amended by inserting “(or,
5 at the option of the State, \$3,000)” before “, (ii)”.

6 **SEC. 12. TREATMENT OF STUDENT EARNINGS UNDER THE**7 **AFDC PROGRAM.**

8 (a) EXEMPTION FROM RESOURCES OF EXEMPT
9 EARNINGS OF A CHILD.—Section 402(a)(7)(B) of the So-
10 cial Security Act (42 U.S.C. 602(a)(7)(B)), as amended
11 by section 10(a) of this Act, is amended—

12 (1) by striking “or” at the end of clause (iv);
13 and

14 (2) by inserting “, or (vi) the earned income of
15 any child to the extent disregarded under paragraph
16 (8)” before the semicolon.

17 (b) EXEMPT EARNINGS OF A CHILD TO BE DIS-
18 REGARDED IN DETERMINING WHETHER FAMILY INCOME
19 EXCEEDS NEED STANDARD.—Section 402(a)(18) of such
20 Act (42 U.S.C. 602(a)(18)) is amended by striking “para-
21 graph (8)(A)(v) or 8(A)(viii)” and inserting “clause (i),
22 (v), or (viii) of paragraph (8)(A)”.

23 (c) DISREGARD OF EARNINGS OF STUDENTS AND IN-
24 COME OF DEPENDENT CHILD FROM A JTPA PRO-
25 GRAM.—Section 402(a)(8)(A) of such Act (42 U.S.C.
26 602(a)(8)(A)) is amended—

4 (2) in clause (v)—

5 (A) by inserting “that portion of” before
6 “the income”;

10 (C) by striking “in such amounts, and for
11 such period of time (not to exceed six months
12 with respect to earned income)” and inserting
13 “to the extent not exceeding the income official
14 poverty line (as defined by the Office of Man-
15 agement and Budget, and revised annually in
16 accordance with section 673(2) of the Omnibus
17 Budget Reconciliation Act of 1981) applicable
18 to the family, for such period of time”.

19 SEC. 13. EFFECTIVE DATE.

20 Except as provided in section 3(f), the amendments
21 made by this Act shall apply to calendar quarters begin-
22 ning on or after January 1, 1995.

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