To establish the Refund to Rainy Day Savings Program.

IN THE SENATE OF THE UNITED STATES

JULY 17, 2018

Mr. Booker (for himself, Ms. Heitkamp, Mr. Cotton, and Mr. Young) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To establish the Refund to Rainy Day Savings Program.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Refund to Rainy Day
Savings Act”.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Approximately 140,000,000 households file
tax returns each year with the Internal Revenue
Service.
(2) For millions of Americans with low or moderate levels of income, their tax refund is the single largest source of income for the entire year.

(3) Financial insecurity extends far up the income spectrum, as too few Americans have sufficient financial savings, and 1 in every 3 Americans has no financial savings at all.

(4) 46 percent of American families do not have enough liquidity to pay for a $400 “rainy day” expense, and nearly half of Americans are liquid asset poor, with emergency savings that are too small to cover basic needs in the event of a surprise expense or reduction in income.

SEC. 3. REFUND TO RAINY DAY SAVINGS PROGRAM.

(a) IN GENERAL.—Not later than December 31, 2018, the Secretary of the Treasury or the Secretary’s delegate (referred to in this section as the “Secretary”) shall establish and implement a program (referred to in this section as the “Refund to Rainy Day Savings Program”) to allow participating taxpayers, pursuant to the requirements established under this section, to defer payment on 20 percent of the amount which would otherwise be refunded to such taxpayer as an overpayment (as described in section 6401 of the Internal Revenue Code of 1986).
(b) Period of Deferral.—Except as provided under subsection (c)(5), a participating taxpayer may elect to defer payment of the amount described in subsection (a) and have such amount deposited in the Rainy Day Fund (as described in subsection (c)).

(c) Rainy Day Fund.—

(1) In General.—The Secretary shall establish a fund, in such manner as the Secretary determines to be appropriate, to be known as the “Rainy Day Fund”, consisting of any amounts described in subsection (a) on which payment has been deferred by participating taxpayers.

(2) Investment.—Any amounts deposited in the Rainy Day Fund shall be invested by the Secretary, in coordination with the Bureau of the Fiscal Service of the Department of the Treasury, in United States Treasury bills issued under chapter 31 of title 31, United States Code, with maturities suitable for the needs of the Fund and selected so as to provide the highest return on investment for participating taxpayers.

(3) Disbursements from Fund.—

(A) In General.—On the date that is 180 days after receipt of the individual income tax return of a participating taxpayer, the amounts
in the Rainy Day Fund shall be made available
to the Secretary to distribute to such taxpayer
in an amount equal to the amount deferred by
such taxpayer under subsection (a) and any in-
terest accrued on such amount (as determined
under paragraph (4)).

(B) DISTRIBUTED TO BANK ACCOUNT.—
The amounts described in subparagraph (A)
shall be distributed to the bank account identi-
fied by the participating taxpayer under sub-
section (d)(3).

(4) INTEREST ACCRUED.—The amount of inter-
est accrued on the amount deferred by a partici-
pating taxpayer under subsection (a) shall be deter-
mined by the Secretary, in coordination with the Bu-
reau of the Fiscal Service of the Department of the
Treasury, based upon the return on the investment
of such amounts under paragraph (2).

(5) EARLY WITHDRAWAL.—

(A) IN GENERAL.—On any date during the
period between the date which is 30 days after
receipt by the Secretary of the individual in-
come tax return of the participating taxpayer
and October 15 of the applicable year, such tax-
payer may elect to terminate the deferral of the
amount described under subsection (a) and re-
ceive a distribution from the Rainy Day Fund
equal to such amount and any interest which
has accrued on such amount up to that date.

(B) COMPLETE WITHDRAWAL.—A partici-
pating taxpayer making an election under sub-
paragraph (A) must terminate deferral of the
full amount described under subsection (a), and
such amount shall be distributed to the bank
account identified by the participating taxpayer
under subsection (d)(3).

(d) PARTICIPATING TAXPAYER.—For purposes of
this section, the term “participating taxpayer” means a
taxpayer who—

(1) has not requested or received an extension
of the time for payment of taxes for such taxable
year under section 6161 of the Internal Revenue
Code of 1986;

(2) prior to the due date for filing the return
of tax for such taxable year, elects to participate in
the Refund to Rainy Day Savings Program; and

(3) provides the Secretary with a bank account
number and any other financial information deemed
necessary by the Secretary for purposes of para-
graphs (3)(B) and (5)(B) of subsection (e).
(e) Forms.—The Secretary shall ensure that the
election to defer payment of the amount described in sub-
section (a) may be claimed on Forms 1040, 1040A, and
1040EZ.

(f) Implementation.—

(1) Educational materials and outreach.—The Secretary shall—

(A) design educational materials for tax-
payers regarding financial savings and the Re-
fund to Rainy Day Savings Program;

(B) publicly disseminate and distribute
such materials during the first calendar quarter
of each calendar year and following disburse-
ment of amounts described in subsection (e)(3);
and

(C) engage in outreach regarding the Re-
fund to Rainy Day Savings Program to the Vol-
unteer Income Tax Assistance program and
paid tax preparers.

(2) Information for participating tax-
payers.—The Secretary shall ensure that a partici-
pating taxpayer is able to electronically verify the
status of the amount deferred by such taxpayer
under subsection (a), including any interest accrued
on such amount and the status of any distribution.
(3) **Federally funded benefits.**—Any amounts described in subsection (a) which are distributed to a participating taxpayer, including any interest accrued on such amount, shall be treated in the same manner as any refund made to such taxpayer under section 32 of the Internal Revenue Code of 1986 for purposes of determining the eligibility of such taxpayer for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

**SEC. 4. ASSETS FOR INDEPENDENCE INNOVATION DEMONSTRATION PROJECTS.**

(a) **Reauthorization.**—The Assets for Independence Act (42 U.S.C. 604 note) is amended—

(1) in section 416, by inserting “, and, subject to section 417, $25,000,000 for each of fiscal years 2019, 2020, 2021, 2022, and 2023, to remain available until expended.”; and

(2) by adding at the end the following new section:

“**SEC. 417. RESERVATION OF FUNDS.**

“(a) **In general.**—Subject to subsections (b) and (c), from the funds appropriated for each of fiscal years
2019, 2020, 2021, 2022, and 2023 under section 416, the Secretary shall reserve—

“(1) $3,000,000 for general research and evaluation; and

“(2) any amounts remaining after application of paragraph (1) to fund AFI innovation demonstration projects under section 418.

“(b) PILOT PROGRAM FUNDING.—From the amounts reserved under subsection (a) for each of fiscal years 2019, 2020, and 2021, the Secretary shall make available for operating the pilot program established under section 5 of the Refund to Rainy Day Savings Act—

“(1) 50 percent of the amount reserved for the relevant fiscal year under paragraph (1) of subsection (a) (after any adjustment under subsection (e)); and

“(2) 25 percent of the amount reserved for the relevant fiscal year under paragraph (2) of subsection (a) (after any adjustment under subsection (e)).

“(c) PROPORTIONAL ADJUSTMENT.—In any of fiscal years 2019, 2020, 2021, 2022, and 2023, if the amount appropriated for such fiscal year is greater or less than the amount authorized for such fiscal year under section 416, the amounts reserved under subsection (a) shall be
increased or decreased for such fiscal year so that each such amount bears the same proportion to the amount appropriated as each of the amounts reserved under such subsection bears to the amount authorized.”.

(b) Establishment of Innovation Program.—The Assets for Independence Act (42 U.S.C. 604 note), as amended by subsection (a), is further amended by adding at the end the following new section:

“SEC. 418. AFI Innovation Projects.

“(a) In General.—The Secretary is authorized to make grants to qualified entities to conduct AFI innovation projects under this section.

“(b) Definitions.—For purposes of this section:

“(1) AFI Innovation Project.—The term ‘AFI innovation project’ means a demonstration project carried out by a qualified entity under this section.

“(2) Innovation Development Account.—The term ‘innovation development account’ means an account that is established in a federally insured financial institution or a State insured financial institution and meets such other requirements as are established by the Secretary.

“(c) Application.—

“(1) Criteria and Preferences.—
“(A) IN GENERAL.—Subject to subparagraph (B), in considering an application to conduct an AFI innovation project, the Secretary shall apply subsections (c) and (d) of section 405 to the application in the same manner that such subsections apply to an application to conduct a demonstration project under section 405.

“(B) MODIFICATION.—For purposes of this paragraph, paragraph (1) of section 405(c) shall be applied without regard to the phrase ‘through activities requiring one or more qualified expenses’.

“(2) APPROVAL OF AFI INNOVATION PROJECTS.—Not later than 12 months after the date of the enactment of this section, the Secretary shall, on a competitive basis, approve such applications to conduct AFI innovation projects as the Secretary considers to be appropriate, taking into account the considerations required by paragraph (1). The Secretary shall ensure, to the maximum extent practicable, that the applications that are approved involve a range of communities (both rural and urban) and diverse populations.

“(d) PROJECT DURATION AND GRANT AMOUNT.—
“(1) DURATION.—The Secretary shall award grants under this section for a period not to exceed 5 project years.

“(2) GRANT AMOUNT.—For each project year of an AFI innovation project approved under this section, the Secretary may make a grant to the qualified entity authorized to conduct the project. In making such a grant, the Secretary shall make the grant on the first day of the project year in an amount not to exceed the lesser of—

“(A) the aggregate amount of funds committed as matching contributions from non-Federal public or private sector sources; or

“(B) $1,000,000.

“(e) ELIGIBILITY AND SELECTION OF INDIVIDUALS TO PARTICIPATE IN AN AFI INNOVATION PROJECT.—

“(1) ELIGIBILITY CRITERIA.—Subject to the approval of the Secretary, each qualified entity conducting an AFI innovation project shall establish eligibility requirements for participants in the project. Such requirements shall—

“(A) be more expansive than the requirements established under section 408; and

“(B) ensure that eligibility is limited to low-income individuals.
“(2) Selection of individuals to participate.—Each qualified entity conducting an AFI innovation project shall select, from among the individuals that meet the eligibility requirements established by the entity under paragraph (1), the individuals—

“(A) that the qualified entity determines to be best suited to participate; and

“(B) to whom the qualified entity will make disbursements or deposits in accordance with subsection (f).

“(f) Disbursements by qualified entities.—

“(1) In general.—Each qualified entity conducting an AFI innovation project shall, in a manner consistent with the program requirements established by such entity, disburse to a third-party or deposit into the innovation development account of each individual participating in the project from the funds described in subsection (d)(2), a matching contribution of not less than $0.50 and not more than $8 for every $1 deposited in the account by a project participant.

“(2) Limitation on disbursements for an individual.—Not more than $5,000 from a grant made under subsection (d)(1) shall be provided to
any one individual over the course of the AFI innovation project.

“(3) LIMITATION ON DISBURSEMENTS FOR A HOUSEHOLD.—Not more than $10,000 from a grant made under subsection (d)(1) shall be provided to any one household over the course of the AFI innovation project.

“(4) ADJUSTMENT FOR INFLATION.—

“(A) IN GENERAL.—For each calendar year after 2018, the dollar amounts in paragraphs (2) and (3) shall be increased by an amount equal to the product of—

“(i) such dollar amount; and

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting ‘calendar year 2017’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of $50, such increase shall be rounded to the next lowest multiple of $50.”.

(e) CONFORMING AMENDMENTS.—The Assets for Independence Act (42 U.S.C. 604 note), as amended by subsections (a) and (b), is further amended—
(1) in section 404(2), by inserting “or section 418” before the period;

(2) in section 406—
   (A) in subsection (a), by striking “to conduct a demonstration project under this title” and inserting “under section 405”; and
   (B) in subsection (b), by striking “conducted under this title” and inserting “approved under section 405”;

(3) in section 407—
   (A) in subsection (c)—
      (i) in paragraph (1)—
         (I) in subparagraph (A), by inserting “or, in the case of a participant in a project conducted under section 418, other permitted expenses” after “qualified expenses”; and
         (II) in subparagraph (B), by inserting “or subsection (f) of section 418” after “section 410”; and
      (ii) in paragraph (3), by inserting “or section 418(d)(1)” after “section 410”; and
   (B) in subsection (d)(2)(A), by inserting “or section 418(d)(1)” after “section 406(b)”;

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(4) in section 408, by striking “conducted under this title” each place it appears and inserting “approved under section 405”;
(5) in section 409, by striking “conducted under this title” and inserting “approved under section 405”;
(6) in section 410, by striking “under this title” and inserting “conducting a demonstration project approved under section 405”;
(7) in section 413(a), by inserting “or section 418(c)” after “under section 405”; and
(8) in section 415, by inserting “or innovation development account” after “individual development account”.

SEC. 5. MATCHED REFUND TO RAINY DAY SAVINGS PILOT PROGRAM.

(a) In General.—Not later than 6 months after the date of the enactment of this Act and using the funds made available pursuant to section 417(b) of the Assets for Independence Act, the Secretary of Health and Human Services, acting through the Director of Community Services (in this section referred to as “the Secretary”), shall establish under this section a matched savings account pilot program to encourage saving by eligible individuals. Under the pilot program, a qualified entity may apply to
the Secretary for a grant to conduct a pilot project described in subsection (b) (in this section referred to as a “pilot project”). The pilot program shall operate for a period of 3 years.

(b) PILOT PROJECT DESCRIBED.—

(1) IN GENERAL.—A pilot project is a project in which a qualified entity establishes a matched savings program that meets the requirements of paragraph (2) for eligible individuals who are selected by the entity to participate in the program.

(2) REQUIREMENTS.—

(A) DEPOSITS INTO DIRECT DEPOSIT ACCOUNTS.—

(i) IN GENERAL.—A matched savings program established as part of a pilot project shall match amounts saved by each eligible individual participating in the pilot project, with such match amount to be equal to or less than the amount of any payment deferred by such individual under the Refund to Rainy Day Savings Program established in section 3(a).

(ii) TIMING.—Any amount described in clause (i) shall not be distributed to an eligible individual until the amounts de-
scribed in paragraphs (3)(B) or (5)(B) of section 3(c) have been distributed to the bank account identified by such individual.

(B) EVALUATION OF PROGRAM BY INDEPENDENT RESEARCH ORGANIZATION.—

(i) IN GENERAL.—From amounts made available under section 417(b)(2) of the Assets for Independence Act, as added by section 4(a)(2) of this Act, the Secretary shall enter into a contract with an independent research organization for purposes of evaluating pilot projects conducted under this section.

(ii) COORDINATION.—Each qualified entity that establishes a matched savings program as part of a pilot project shall collaborate with the independent research organization described in clause (i) to evaluate the outcomes and impact of the project.

(iii) IMPACT ON DIFFERENT GROUPS.—The evaluation described in clause (i) shall include an examination of the demographic characteristics of the individuals participating in the pilot project,
such as gender, race, age, geographic location, and family makeup, and how the impacts of the project vary among different demographic groups.

(iv) Program Features.—The program features to be evaluated through the pilot projects conducted under this section may include—

(I) different levels of matching contributions by qualified entities;

(II) lock-out periods during which an eligible individual may not make withdrawals from their account; and

(III) educational materials intended to promote savings.

(3) Duration.—A pilot project shall be for a duration of not more than 3 years.

(4) Federally Funded Benefits.—Any amounts described in paragraph (2)(A) which are distributed to an eligible individual shall be treated in the same manner as any refund made to such taxpayer under section 32 of the Internal Revenue Code of 1986 for purposes of determining the eligibility of such taxpayer for benefits or assistance, or the
amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(c) STRATEGIC COMMUNICATIONS PLAN.—The Secretary shall devise a strategic communications plan to ensure a strong pilot program.

(d) ANNUAL REPORT TO CONGRESS.—The Secretary shall submit an annual report to Congress on the progress and outcomes of the pilot program established under this section.

(e) DEFINITIONS.—In this section:

(1) ELIGIBLE INDIVIDUAL.—The term “eligible individual” means an individual who—

(A) has deferred payment of the amount described in section 3(a) under the Refund to Rainy Day Savings Program established in such section; and

(B) meets the eligibility requirements under section 408 of the Assets for Independence Act, except that subsection (a)(2) of such section shall not apply.

(2) QUALIFIED ENTITY.—

(A) IN GENERAL.—The term “qualified entity” means—
(i) one or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code;

(ii) a State or local government agency, or a tribal government, submitting an application to conduct a pilot project jointly with an organization described in clause (i);

(iii) a site that offers free tax help to individuals who qualify through the Internal Revenue Service's Voluntary Income Tax Assistance or Tax Counseling for the Elderly programs; or

(iv) an entity that—

(I) is—

(aa) a credit union designated as a low-income credit union by the National Credit Union Administration; or

(bb) an organization designated as a community development financial institution by the Secretary of the Treasury (or the
Community Development Financial Institutions Fund); and

(II) can demonstrate a collaborative relationship with a local community-based organization whose activities are designed to address poverty in the community and the needs of community members for economic independence and stability.

(v) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing an organization described in subparagraph (A)(i) from collaborating with a financial institution or for-profit community development corporation to carry out the purposes of this section.