

## House Bill 2560

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Interfaith Housing Services is a nonprofit organization based in Hutchinson, KS. Interfaith Housing has served communities for over 20 years and currently serves 36 counties throughout Kansas.

HB2560 will eliminate tax credits for individuals whose donations make the Individual Development Account (IDA) program possible. This savings incentive program is a proven economic development tool, which creates more homeowners, safer homes, small businesses, and higher educated wage earners. The bill would still allow C-corporations to contribute to the program; however C-corporation contributions account for no more than \$10,000 of the \$500,000 in tax credits used to fund IDAs annually.

IDAs are successful because the program motivates low income families to support themselves. It helps families build assets as they learn to earn and save more money for their future while transitioning off government subsidies. It provides the education and skills that enable low-income families to manage a healthy and responsible financial lifestyle. It creates new habits of paying their bills on time and saving for their future month after month and year after year.

IDAs provide accountability while empowering people to set a new tone for the rest of their lives. After IDA clients have experienced the true American Dream of working hard, providing for themselves and reaching a goal of homeownership, continuing education, or even small business capitalization their life is never the same. IDA graduates set new goals, work hard, and make economic progress...all on their own.

It is noted that motivating low-income families to create economic security is more cost-effective than leaving them trapped in social services. We have seen great success in empowering low income families to get ahead. We started our program with just \$30,000 in the fall of 2008. Since then:

- ✓ 41 families have purchased assets through our program.
- ✓ 123 clients have completed financial education and are currently saving for their asset.

These clients will have saved \$367,787 of their own money to develop assets in Kansas. Combined with the private investment from local donors, state tax credits, and our matching federal grant, IDAs have invested a total of \$1,103,363 to date in:

- First homes
- A stronger work force

- Better maintained neighborhoods
- Small business development
- Eliminating families from depending on government and social services assistance

In the next four months over another 100 households will complete financial education and begin saving for their assets.

Interfaith Housing Services will be serving 150 to 250 families in 26 counties in Kansas. This is the maximum number of households that can be served annually with the current support from the state.

The State IDA Tax Credit is the glue that holds the Kansas IDA Program together. If we lose our state support from the equation:

- We lose our matching Federal Grant
- We lose the private investment from donors
- We lose the savings from clients
- We lose the motivation that IDAs provide for low income families to start saving for their future and building assets
- We lose the financial education and life skills provided by the program
- We lose that percentage of an educated work force, first time home buyers, small businesses, and safe, livable homes

However, state tax credits do not have to be the funding source for IDAs. The state's Community Development Block Grant (CDBG) or state general funds can bring in the federal match and produce the same results. Temporary Assistance for Needy Families (TANF) funds cannot bring in the federal match but they can produce the same outcomes, as well.

If the state supported the program at \$1,000,000 annually instead of \$500,000, our communities across Kansas would have 400 to 500 new households in this program every year. This would mean 400 to 500 households each year who would become self-sufficient, ending generational poverty. Each household would gain financial stability, build assets, and grow our economy.

I have provided packets that include multiple studies pronouncing the effectiveness and benefits of IDAS. For example, the Corporation for Enterprise Development (CFED) provides supportive research estimating every government dollar invested will yield a return of approximately \$5 to the economy in the form of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures, and human capital associated with greater educational attainment.