



Michigan Asset Building Policy Project Policy Agenda 2011

- 1. State funding support for EITC outreach and free tax preparation services**
 - a. The State of Michigan should provide support for EITC outreach to inform Michigan taxpayers of the credit; Michigan families are leaving between \$90 and \$190 million in federal money on the table by failing to claim this credit
 - b. The State of Michigan should provide support for free tax preparation services at IRS certified Volunteer Income Tax Assistance (VITA) sites; without access to free tax preparation services, if they file taxes to claim credits like the EITC, low-income workers in Michigan can fall prey to costly for-profit preparers and Refund Anticipation Loans (RALs); currently less than 2% of EITC qualifiers use free tax preparation services and 27.7% of EITC filers use RALs
- 2. State funding support for the creation of local asset building coalitions**
 - a. Asset coalitions are groups of service agencies, nonprofits, employers, local government, and financial institutions that work to increase access to financial services and savings products, homeownership, entrepreneurship, and higher education for all
 - b. The State of Michigan should provide support to local efforts that help communities financially empower their families through asset building coalitions
- 3. Removal of all asset limits in state benefits programs**
 - a. Michigan still has asset limits for the Financial Independence Program (FIP) and categorically eliminated them for SNAP
 - b. Michigan should remove asset limits for all of its benefits programs because asset tests are costly in terms of administration and discourage saving by low income working families and individuals
- 4. Increase Access and Take-up of 529 College Savings Accounts**
 - a. The State of Michigan should find ways to improve its 529 program so that more Michigan families take advantage of the product
 - b. Savings matches provided through 529s should be increased and extended beyond the first year for low-income Michigan residents (i.e. 200% of poverty or less)
 - c. The State of Michigan should find ways to increase the scale of its 529 program to move toward increased enrollment in college savings programs for Michigan children

- i. Allow for an automatic deposit, or split refund, on the state income tax form for 529 accounts
- ii. Opt-in or Automatic Opt-out options for 529s could be implemented through networks such as birth certificate issuance or kindergarten registration

5. Increase the number of Michigan residents with bank accounts

- a. The State of Michigan should use innovative methods to increase access to bank accounts for low-income workers, such as:
 - i. Providing Tax Credits to Banks and Credit Unions that offer products with features that make them accessible for low-income earners (i.e. no minimum balance requirements, good overdraft protection, forgiveness of history on Chex Systems)
 - ii. Require direct deposit for tax refunds, unemployment insurance and work supports like FIP and Food Stamps
 - iii. Allow private employers to require employees to be paid through direct deposit or payroll debit cards

6. Decrease the ability of alternative financial service providers to prey upon Michigan residents

- a. The State of Michigan should fund and/or support financial capability and education efforts, similar to other states (like Pennsylvania's Office of Financial Education) that can provide outreach and information for Michigan residents on financial capability
- b. The State of Michigan should consider capping interest rates and fees for payday loans
- c. The State of Michigan should consider capping interest rates and fees for Refund Anticipation Loans (RALs)

7. Support Matched Savings accounts

- a. Encourage savings through policy measures like requiring individuals to "opt-out" of saving for retirement
- b. Tie EITC to saving, similar to NYC Saves Accounts, where individuals received a 50% match for saving a portion of their federal EITC into a year-long savings CD (this low-touch program generated significant savings by participants at a minimal cost); such a policy could be linked to the state EITC (i.e. the receipt of 25% of a person's state EITC would be contingent upon saving the same amount in a Save Michigan CD)
- c. Reinststitute and strengthen the 529 college savings account match for low-income savers
- d. Draw down federal Assets For Independence money by dedicating funding for Michigan's IDA program

8. Improve Financial Literacy for Michigan Families

- a. Require Financial Education in k-12 curriculum
- b. Establish Office of Financial Education, similar to Pennsylvania
- c. Allow participation as VITA volunteer to count as waiver for FIP and UIA eligibility
- d. Include financial education/capability courses as part of all worker training, prisoner re-entry and public work support programming