



## Individual Development Account Tax Credit FAQ

- May I take a tax credit on my federal income tax?
  - o No. This is a state of Michigan tax credit of 75% only. You may take a federal income tax deduction. In all cases a tax payer should check with their financial advisor as to how the contribution will effect their individual tax situation.
- How much can I donate, and does it have to be in by a certain date?
  - o Contributions must be dated no later than December 31 for a tax credit that year. Tax credits are allocated on a first come, first serve basis until the amount of credits reaches the state's \$1 million limit. The Michigan Department of Treasury requires a Social Security number for contributions of \$500 or more before distributing Tax Credit Certificates. Place your SS# on your check/money order or contact MIDAP directly to provide this information.
- May I designate that my contribution goes to a particular RCO?
  - o No. The RCOs have agreed to allocate the tax credits based upon the number of active accounts operating in their area in the preceding calendar year.
- May I designate a particular person or family to benefit from my contribution?
  - o No. Tax law does not permit a gift to be made to a particular individual in order for a contributor to receive a credit or deduction.
- How will I learn how my gift has been used effectively?
  - o An annual report from MIDAP will be sent to you that details all the accounts opened in the previous years, assets purchased and select success stories.
- What is the demand for IDAs in the state of Michigan?
  - o The demand far exceeds supply. In order to be eligible for an IDA a person must be below 200% of poverty or be eligible for an Earned Income Tax Credit. In Michigan there are more than 600,000 households below 200% of poverty. Since 2001 MIDAP has opened approximately 2,000 IDA accounts.
- Do IDAs work?
  - o An emphatic yes! A study of IDA account holders in Michigan and studies throughout the country show that IDAs help families save for their defined purpose and continue to save after they have completed the IDA program. Studies also show that families that started in the IDA program but had to leave the program still continue to save on their own. Finally, recent national reports on foreclosure among IDA participants show a foreclosure rate of less than 1%.

*The Michigan IDA Partnership (MIDAP) is a collaboration of more than 35 program sites with five managing partner sites; Community Action Agency of Jackson, Lenawee and Hillsdale Counties(CAA), Inner City Christian Federation (ICCF, Grand Rapids), Northwest Michigan Community Action Agency (NMCAA, Traverse City), Oakland Livingston Human Service Agency (OLHSA, Pontiac) and the United Way of Southeastern Michigan (UWSEM, Detroit). The MIDAP collaborative is managed by OLHSA. Major funding is provided by the Michigan State Housing Development Authority (MSHDA).*