

**INTEREST ON
MINOR JUDICIARY TRUST
ACCOUNT PROGRAM**

MJ-IOLTA
HELPS
OTHERS

Help get legal assistance to those in need

PA IOLTA Board

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On August 3, 2004 the Supreme Court of Pennsylvania established the Minor Judiciary Interest on Trust Accounts (MJ-IOTA) program. The MJ-IOTA program will expand the Court's regular Interest on Lawyers Trust Account (IOLTA) program which it established in July, 1996. The underlying concept and principles are the same for both programs.

WHO COMPRISES THE MINOR JUDICIARY?

Also known as special courts, the minor judiciary includes District Justices, Philadelphia Municipal Courts, Philadelphia Traffic Court and the Pittsburgh Magistrates Courts.

WHAT IS THE BASIC CONCEPT OF MJ-IOTA?

Over 2 million cases are filed and disposed of in the minor judiciary. Often persons involved with the minor judiciary must post bail or collateral, pay fines and costs and make restitution and similar payments. In the past, the minor judiciary maintained non-interest bearing custodial accounts with depository institutions to hold such funds entrusted to them until the issues were adjudicated. When the issues are decided, the fines and costs are sent to the appropriate governmental authority, restitution is made to the appropriate person(s), or the funds are otherwise properly disbursed.

The Court's Order requires the minor judiciary to place such nominal funds and short term funds into special interest bearing MJ-IOTA custodial accounts at their depository institution.

HOW CAN THE MINOR JUDICIARY COMPLY WITH THE REQUIREMENTS OF PA CODE?

An "Enrollment Form for the Minor Judiciary" or similar directive can be used to notify the depository institution to convert all existing pooled custodial accounts to interest bearing MJ-IOTA accounts. Submit the second copy of the enrollment form to the IOLTA Board.

WHAT CUSTODIAL FUNDS ARE QUALIFIED TO BE PLACED IN MJ-IOTA ACCOUNTS?

Qualified funds are funds held by the minor judiciary in a custodial capacity that in the good faith judgment of the judicial official are nominal in amount or are reasonably expected to be held for such a short period of time that sufficient interest income would not be generated to justify the expense of earning interest to benefit the owner of the funds.

Factors which should be used to determine whether funds can reasonably be expected to generate interest for the owner include:

- (1) the cost of establishing and maintaining accounts benefitting owners;
- (2) the account and bank service charges of the depository institution in which the account is or would be maintained;
- (3) the minimum deposit requirements of the depository institution in which the account is or would be maintained;
- (4) accounting and administrative fees incurred in connection with the funds;
- (5) tax reporting requirement costs incurred in connection with the funds;
- (6) the nature of the proceeding(s) involved; and
- (7) the likelihood of delay in the relevant proceedings.

HOW DOES THE MJ-IOTA PROGRAM AFFECT FINANCIAL INSTITUTIONS?

Since 1996, Pennsylvania has had an attorney IOLTA program. Basically, attorney IOLTA accounts and MJ-IOTA accounts differ primarily only as to who can establish the account. The other salient features of the two programs are the same. Therefore, financial institutions have had considerable experience with this type of program. Financial institutions will now begin paying interest on funds maintained in MJ-IOTA accounts and remitting that interest to the IOLTA Board.

HOW ARE MJ-IOTA ACCOUNT SERVICE CHARGES HANDLED?

The financial institutions are permitted to offset certain types of MJ-IOTA account service charges against the interest remitted to the IOLTA Board such as account transaction charges, account maintenance fees and similar account charges. The financial institutions are not permitted to offset business costs or costs chargeable to others against the interest earnings such as NFS charges, check printing, wire transfers and similar charges.

HOW IS THE MJ-IOTA INTEREST USED?

Interest earned on MJ-IOTA accounts may be used only for the following purposes:

- (1) delivery of civil legal assistance to the poor and disadvantaged;
- (2) educational legal clinical programs and internships administered by law schools;
- (3) the administration of justice; and
- (4) the administration and development of the MJ-IOTA program.

All disbursements and allocation of MJ-IOTA funds are subject to the prior approval of the Supreme Court of Pennsylvania.

WHO IS THE IOLTA BOARD?

The IOLTA Board is the Pennsylvania Interest on Lawyers Trust Account Board composed of nine members appointed by the Supreme Court of Pennsylvania. Each member is appointed for a three (3) year term and can serve no more than two (2) consecutive three year terms.

At July, 2004, the IOLTA Board is comprised of the following members:

David E. Lehman, Esq., Harrisburg, Chairman

Hubert X. Gilroy, Esq., Carlisle

Lewis F. Gould Jr., Esq., Philadelphia

Kenneth M. Jarin, Esq., Philadelphia

Maureen P. Kelly, Esq., Pittsburgh

Honorable William P. Mahon, West Chester

M. Mark Mendel, Esq., Philadelphia

Carl Oxholm III, Esq., Philadelphia

Richard I. Thomas, Esq., Pittsburgh, Vice Chairman