AN ACT TO PROVIDE A STATE INCOME TAX CREDIT FOR CERTAIN
DEPENDENT CARE SERVICES BASED ON A PERCENTAGE OF THE FEDERAL
DEPENDENT CARE INCOME TAX CREDIT; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. (1) A credit shall be allowed to individuals
against the income tax imposed by the Mississippi Income Tax Act,
as amended, Chapter 7, Title 27, Mississippi Code of 1972, for
expenses for household and dependent care services necessary for
gainful employment in the manner prescribed by subsection (2) of
this section. Section 21 of the Internal Revenue Code of 1986, as
amended and in effect on January 1, 2001, is adopted for purposes
of determining the allowable credit under the Mississippi Income
Tax Act, as amended, Chapter 7, Title 27, Mississippi Code of
1972, for household and dependent care services necessary for
gainful employment. The amount of credit shall be ten percent
(10%) of the federal credit allowable.

(2) (a) A credit, which is equal to twenty percent (20%) of
the federal child care credit as allowed under Section 21 of the
Internal Revenue Code, as in effect on January 1, 2001, shall be
allowed to qualified individuals against the income tax imposed by
the Mississippi Income Tax Act, as amended, Chapter 7, Title 27,
Mississippi Code of 1972. The twenty percent (20%) child care
credit is refundable. The excess of the credit over tax liability
will be returned to the taxpayer as an overpayment of tax.

(i) A "qualified individual" is a taxpayer who has
a dependent child under the age of thirteen (13) with respect to
whom the taxpayer is entitled to an exemption under Section
27-7-21, and who incurs child care expenses necessary for gainful employment at an approved child care facility.

(ii) An "approved child care facility" is a child care facility which provided an appropriate early childhood program, and which is certified by the State Department of Education.

(b) A taxpayer cannot claim both the credit allowed in subsection (1) of this section and the credit allowed in subsection (2) of this section.

(3) The credits allowed in this section shall be effective for taxable years beginning January 1, 2001.

(4) The provisions of this section shall be codified in Chapter 7, Title 27, Mississippi Code of 1972.

SECTION 2. This act shall take effect and be in force from and after January 1, 2001.