

By: Representative Hines

To: Banking and Financial Services; Ways and Means

HOUSE BILL NO. 101

1 AN ACT TO BE KNOWN AS THE FAMILY SAVINGS INITIATIVE ACT; TO
 2 PROVIDE FOR THE ESTABLISHMENT OF INDIVIDUAL DEVELOPMENT ACCOUNTS
 3 DESIGNED TO PROVIDE INDIVIDUALS AND FAMILIES WITH LIMITED MEANS AN
 4 OPPORTUNITY TO ACCUMULATE ASSETS, FACILITATE AND MOBILIZE SAVINGS,
 5 PROMOTE HOME OWNERSHIP, MICROENTERPRISE DEVELOPMENT, AND
 6 EDUCATION, AND STABILIZE FAMILIES AND BUILD COMMUNITIES; TO
 7 PROVIDE THAT THE DEPARTMENT OF HUMAN SERVICES SHALL ENTER INTO
 8 CONTRACTS WITH FIDUCIARY ORGANIZATIONS TO CARRY OUT THE PROVISIONS
 9 OF THIS ACT; TO AUTHORIZE STATE RESIDENTS TO OPEN AN INDIVIDUAL
 10 DEVELOPMENT ACCOUNT UPON APPROVAL OF A FIDUCIARY ORGANIZATION; TO
 11 PROVIDE THAT THE FIDUCIARY ORGANIZATION SHALL APPROVE THE
 12 APPLICATION ONLY IF CERTAIN CRITERIA ARE MET; TO SPECIFY THE
 13 QUALIFIED PURPOSES FOR WHICH INDIVIDUAL DEVELOPMENT ACCOUNTS MAY
 14 BE USED; TO AUTHORIZE THE CONTRIBUTION OF MATCHING FUNDS TO
 15 FIDUCIARY ORGANIZATIONS FOR INDIVIDUAL DEVELOPMENT ACCOUNTS; TO
 16 REQUIRE FIDUCIARY ORGANIZATIONS TO SUBMIT QUARTERLY REPORTS TO THE
 17 DEPARTMENT OF HUMAN SERVICES; TO CREATE A SPECIAL FUND IN THE
 18 STATE TREASURY TO CONSIST OF TRANSITIONAL EMPLOYMENT ASSISTANCE
 19 FUNDS, WHICH SHALL BE USED FOR THE PURPOSES OF THIS ACT; TO AMEND
 20 SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO EXEMPT FROM GROSS
 21 INCOME FOR STATE INCOME TAX PURPOSES INTEREST AND DIVIDENDS EARNED
 22 ON INDIVIDUAL DEVELOPMENT ACCOUNTS AND MATCHING FUNDS DEPOSITED
 23 INTO THOSE ACCOUNTS; AND FOR RELATED PURPOSES.

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

25 **SECTION 1.** This act shall be known and may be cited as the
 26 "Family Savings Initiative Act."

27 **SECTION 2.** The purpose of this act is to provide for the
 28 establishment of individual development accounts designed to:



- 29 (a) Provide individuals and families with limited means
30 an opportunity to accumulate assets;
- 31 (b) Facilitate and mobilize savings;
- 32 (c) Promote home ownership, microenterprise
33 development, and education; and
- 34 (d) Stabilize families and build communities.

35 **SECTION 3.** The Legislature finds that:

36 (a) Americans of most economic classes are having
37 increasing difficulty climbing the economic ladder. Fully half of
38 all Americans have negligible or no investable assets just as the
39 price of entry to the economic mainstream, such as the cost of a
40 house, starting a business, an adequate education, establishing a
41 retirement account, or purchasing an automobile, is increasing;

42 (b) Economic well-being does not come solely from
43 income, spending, and consumption, but also requires savings,
44 investment, and accumulation of assets, since assets can improve
45 economic stability, connect people with a viable and hopeful
46 future, stimulate development of human and other capital, enable
47 people to focus and specialize, yield personal and social
48 dividends, and enhance the welfare of offspring;

49 (c) There is an urgent need for new means for Americans
50 to navigate the labor market and to provide incentives and means
51 for employment, upgrading, mobility, and retention;

52 (d) The household savings rate of the United States
53 lags far behind other industrial nations, presenting a barrier to



54 economic growth. The State of Mississippi should develop
55 policies, such as individual development accounts, that promote
56 higher rates of personal savings and net private domestic
57 investment;

58 (e) In the current fiscal environment, the State of
59 Mississippi should invest existing resources in high-yielding
60 initiatives. There is reason to believe that the financial
61 returns, including increased income, tax revenue, and decreased
62 welfare cash assistance, of individual development accounts will
63 far exceed the cost of investment;

64 (f) Hundreds of thousands of Mississippians continue to
65 live in poverty. Poverty is a loss of human resources, an assault
66 on human dignity, and a drain on social and fiscal resources of
67 this state. Traditional public assistance programs, concentrating
68 on income and consumption, have rarely been successful in
69 promoting and supporting the transition to economic
70 self-sufficiency; and

71 (g) Income-based social policy should be complemented
72 with asset-based social policy, because while income-based
73 policies ensure that consumption needs, including food, child
74 care, rent, clothing, and health care, are met, asset-based
75 policies provide the means to achieve economic self-sufficiency
76 and climb the economic ladder.

77 **SECTION 4.** As used in this act:



78 (a) "Administrative costs" includes, but is not limited
79 to, soliciting matching funds, processing fees charged by the
80 fiduciary organization or financial institution, and traditional
81 overhead costs. Administrative costs shall be limited to no more
82 than ten percent (10%) of the contract.

83 (b) "Department" means the Department of Human
84 Services;

85 (c) "Eligible educational institution" means the
86 following:

87 (i) An institution described in 20 USCS Section
88 1088 or 1141, as those sections are in effect on January 1, 2013;

89 (ii) An area vocational education school; and

90 (iii) Any other accredited education or training
91 organization.

92 (d) "Federal poverty level" means the poverty income
93 guidelines published for a calendar year by the United States
94 Department of Health and Human Services;

95 (e) "Fiduciary organization" means the organization
96 that will serve as an intermediary between an individual account
97 holder and a financial institution holding account funds. A
98 fiduciary organization shall be a not-for-profit organization
99 described in Section 501(c)(3) of the Internal Revenue Code of
100 1986, 26 USCS Section 501(c)(3), as in effect on January 1, 2013;

101 (f) "Financial institution" means an organization
102 authorized to do business under state or federal laws relating to



103 financial institutions, and includes, but is not limited to, a
104 bank, trust company, savings bank, building and loan association,
105 savings and loan company or association, or credit union;

106 (g) "Individual development account" or "IDA" means an
107 account created under this act exclusively for the purpose of
108 paying the expenses of an eligible individual or family for the
109 purposes set forth in Section 7 of this act;

110 (h) "Net worth" means the aggregate market value of all
111 assets that are owned, in whole or in part, by any member of the
112 household, less the obligations or debts of any member of the
113 household;

114 (i) "Operating costs" includes, but is not limited to,
115 costs of training IDA participants in economic and financial
116 literacy and IDA uses, marketing participation, counseling
117 participants and conducting required verification and compliance
118 activities;

119 (j) "Postsecondary educational expenses" means:

120 (i) Tuition and fees required for the enrollment
121 or attendance of an IDA account holder or immediate family member
122 thereof who is a student at an eligible educational institution;
123 and

124 (ii) Fees, books, supplies, and equipment required
125 for courses of instruction for an IDA account holder or immediate
126 family member thereof who is a student at an eligible educational
127 institution;



128 (k) "Qualified acquisition costs" means the costs of
129 acquiring, constructing, or reconstructing a residence to be
130 occupied by an IDA account holder or an immediate family member
131 thereof, including, but not limited to, any usual or reasonable
132 settlement, financing, or other closing costs;

133 (l) "Qualified business" means any business that does
134 not contravene any law or public policy;

135 (m) "Qualified business capitalization expenses" means
136 qualified expenditures for the capitalization of a qualified
137 business pursuant to a qualified plan;

138 (n) "Qualified emergency withdrawals" means a
139 withdrawal by an eligible individual that is a withdrawal of only
140 those funds, or a portion of those funds, deposited by the
141 individual in the individual development account of the
142 individual, and is permitted by a fiduciary organization on a
143 case-by-case basis in accordance with the rules established by the
144 department;

145 (o) "Qualified expenditures" means expenditures
146 included in a qualified plan, including, but not limited to,
147 capital, plant, equipment, working capital and inventory expenses;

148 (p) "Qualified first time home buyer" means an
149 individual who has no ownership interest in a principal residence
150 during the three-year period ending on the date of acquisition of
151 the principal residence to which this act applies;



152 (q) "Qualified plan" means a plan for the operation of
153 a business by an IDA account holder or an immediate family member
154 thereof that:

155 (i) Is approved by a financial institution, or by
156 a nonprofit microenterprise program or loan fund, having
157 demonstrated business expertise;

158 (ii) Includes a description of services or goods
159 to be sold, a marketing plan, and projected financial statements;
160 and

161 (iii) May require the eligible individual to
162 obtain the assistance of an experienced entrepreneurial advisor;

163 (r) "Qualified principal residence" means a principal
164 residence of an IDA account holder or an immediate family member
165 thereof, the qualified acquisition costs of which do not exceed
166 the average area purchase price applicable to that residence,
167 determined in accordance with paragraphs (2) and (3) of Section
168 143(e) of the Internal Revenue Code, 26 USCS Section 143(e) (2) and
169 (3), as in effect on January 1, 2013.

170 **SECTION 5.** (1) The Department of Human Services shall enter
171 into contracts with one or more fiduciary organizations under the
172 provisions of this section in such a manner that different regions
173 of the state are served by one or more fiduciary organizations.
174 An organization based in this state that desires to enter into
175 such a contract shall submit a proposal to the department for the
176 right to be approved as a fiduciary organization. Those proposals



177 shall be made upon forms prescribed by the department and shall
178 contain ANY information as the department may require.

179 (2) Organizations' proposals shall be evaluated and
180 contracts awarded by the department on the basis of such items as
181 geographic diversity and an organization's:

182 (a) Ability to market the project to potential account
183 holders;

184 (b) Ability to leverage additional matching and
185 operating funds;

186 (c) Ability to provide safe and secure investments for
187 individual accounts;

188 (d) Overall administrative capacity, including, but not
189 limited to, the certifications or verifications required to assure
190 compliance with eligibility requirements, authorized uses of the
191 accounts, matching contributions by individuals or businesses, and
192 penalties for unauthorized distributions;

193 (e) Capacity to provide financial counseling and other
194 related service to potential participants;

195 (f) Capacity to provide other activities designed to
196 increase the independence of individuals and families through home
197 ownership, small business development, enhanced education and
198 training, or to provide links to those other activities; and

199 (g) Operating costs.

200 (3) For each contract entered into under the provisions of
201 this section, the contract shall begin no later than October 1 of



202 each year. The fiduciary organization shall use not less than
203 seventy percent (70%) for matching funds and not more than thirty
204 percent (30%) for operating and administrative costs.
205 Administrative costs shall be limited to ten percent (10%) of the
206 contract.

207 (4) Responsibilities of a fiduciary organization shall
208 include, but not be limited to, marketing participation,
209 soliciting matching contributions, counseling project
210 participants, conducting basic economic and financial literacy
211 training and IDA use training for project participants, and
212 conducting required verification and compliance activities.
213 Neither a fiduciary organization nor an employee of, or person
214 associated with a fiduciary organization, shall receive anything
215 of value, other than compensation for services, for any act
216 performed in connection with the establishment of an IDA or in
217 furtherance of the provisions of this act.

218 **SECTION 6.** (1) An individual who is a resident of this
219 state may submit an application to open an individual development
220 account to a fiduciary organization approved by the department
221 under the provisions of Section 5 of this act. The fiduciary
222 organization shall approve the application only if:

223 (a) The individual has gross household income from all
224 sources for the calendar year preceding the year in which the
225 application is made that does not exceed two hundred percent
226 (200%) of the federal poverty level; and



227 (b) The individual's household net worth at the time
228 the IDA account is opened does not exceed Ten Thousand Dollars
229 (\$10,000.00) disregarding the primary dwelling and one (1) motor
230 vehicle owned by the household.

231 (2) An individual opening an IDA shall be required to enter
232 into an IDA agreement with the fiduciary organization.

233 (3) The fiduciary organization shall be responsible for
234 coordinating arrangements between the individual and a financial
235 institution to open the individual's IDA.

236 (4) (a) Each fiduciary organization shall provide written
237 notification to each of its eligible IDA account holders of the
238 amount of matching funds provided by the fiduciary to which each
239 IDA account holder is entitled. The notification shall be made at
240 any intervals as the fiduciary organization deems appropriate, but
241 shall be required to be made at least once each calendar year.
242 The amount of the matching funds for each IDA account holder shall
243 be Three Dollars (\$3.00) for each One Dollar (\$1.00) contributed
244 to the IDA by the IDA account holder during the preceding calendar
245 year. The amount of the matching funds shall not exceed Two
246 Thousand Dollars (\$2,000.00) per IDA account holder or Four
247 Thousand Dollars (\$4,000.00) per household.

248 (b) If the amount of matching funds available are
249 insufficient to disburse the maximum amounts specified in this
250 subsection, amounts of disbursements shall be reduced
251 proportionately based upon available funds.



252 (5) In the event of an IDA account holder's death, the
253 account may be transferred to the ownership of a contingent
254 beneficiary or beneficiaries. An account holder shall name a
255 contingent beneficiary or beneficiaries at the time the account is
256 established and may change the beneficiary or beneficiaries at any
257 time. If the named beneficiary or beneficiaries are deceased or
258 cannot otherwise accept the transfer, the monies shall be
259 transferred to the fiduciary organization to redistribute as
260 matching funds.

261 **SECTION 7.** Individual development accounts may be used for
262 any of the following qualified purposes:

263 (a) Qualified acquisition costs with respect to a
264 qualified principal residence for a qualified first time home
265 buyer, or the costs of major repairs or improvements to a
266 qualified principal residence, if paid directly to the persons to
267 whom the amounts are due. A qualified residence being one defined
268 as:

269 (i) A residence that has received a Home Energy
270 Audit as outlined in the United States Department of Energy's
271 Weatherization Assistance Program. Recommended measures should be
272 installed before residential dwelling is occupied by new owner.

273 (ii) A residence that incorporates the principles
274 of Energy-Efficiency, Green Building, the United States Department
275 of Housing and Urban Developments Healthy Homes Program, and the



276 United States Environmental Protection Agency's Energy Star
277 Program.

278 (iii) An Energy-Efficient Mortgage is recommended,
279 but not mandatory;

280 (b) Amounts paid directly to vendors used solely for
281 qualified business capitalization expenses consistent with a
282 qualified plan;

283 (c) Postsecondary educational expenses paid directly to
284 a vendor for education and training purposes; and

285 (d) Qualified emergency withdrawals.

286 **SECTION 8.** (1) If the fiduciary organization receives
287 evidence that monies withdrawn from IDAs are withdrawn under false
288 pretenses or are used for purposes other than for the approved
289 purposes indicated at the time of the withdrawal, the fiduciary
290 organization shall make arrangements with the financial
291 institution to impose a penalty of loss of matches and may, at its
292 discretion, close the account. All penalties collected by
293 fiduciary organizations shall remain with the fiduciary
294 organization to distribute as matching funds to other eligible
295 individuals.

296 (2) The fiduciary organization shall establish a grievance
297 committee and a procedure to hear, review, and decide in writing
298 any grievance made by an IDA account holder who disputes a
299 decision of the operating organization that a withdrawal is
300 subject to penalty.



301 (3) Each fiduciary organization shall establish any
302 procedures as are necessary, including prohibiting eligibility for
303 further matching funds, to ensure compliance with this section.

304 **SECTION 9.** Any individual, business, organization, or other
305 entity may contribute matching funds to a fiduciary organization.

306 **SECTION 10.** Each fiduciary organization shall provide
307 quarterly to the department the following information:

308 (a) The number of individuals making deposits into an
309 IDA;

310 (b) The amounts deposited in the IDA;

311 (c) The amounts not yet allocated to IDAs;

312 (d) The amounts withdrawn from the IDAs and the
313 purposes for which the amounts were withdrawn;

314 (e) The balances remaining in the IDAs;

315 (f) The service configurations (such as peer support,
316 structured planning exercises, mentoring, and case management)
317 that increased the rate and consistency of participation in the
318 demonstration project and how those configurations varied among
319 different populations or communities; and

320 (g) The number of grievances filed, the resolution of
321 the grievances, and any penalties imposed.

322 **SECTION 11.** The department shall prepare a written report
323 annually regarding the implementation of this act and shall make
324 recommendations for improving the program. The report shall be



325 transmitted to the Legislature on or before December 1 of each
326 year.

327 **SECTION 12.** The department shall be responsible for
328 implementation of this act and shall promulgate rules as necessary
329 in accordance with the provisions of this act.

330 **SECTION 13.** There is created in the State Treasury a special
331 fund to be known as the "Individual Development Account Trust
332 Fund." This special fund shall consist of Transitional Employment
333 Assistance Program funds, and monies in the special fund shall be
334 used for the purposes set forth in this act. All income from the
335 investment of funds in the special fund shall be credited to the
336 special fund, and any funds remaining in the special fund at the
337 end of a fiscal year shall not lapse into the State General Fund.

338 **SECTION 14.** Funds deposited in an IDA shall not be counted
339 as income, assets or resources of the individual in determining
340 financial eligibility for assistance or services under any
341 federal, federally assisted, state, or municipal program based on
342 need.

343 **SECTION 15.** Section 27-7-15, Mississippi Code of 1972, is
344 amended as follows:

345 27-7-15. (1) For the purposes of this article, except as
346 otherwise provided, the term "gross income" means and includes the
347 income of a taxpayer derived from salaries, wages, fees or
348 compensation for service, of whatever kind and in whatever form
349 paid, including income from governmental agencies and subdivisions



350 thereof; or from professions, vocations, trades, businesses,
351 commerce or sales, or renting or dealing in property, or
352 reacquired property; also from annuities, interest, rents,
353 dividends, securities, insurance premiums, reinsurance premiums,
354 considerations for supplemental insurance contracts, or the
355 transaction of any business carried on for gain or profit, or
356 gains, or profits, and income derived from any source whatever and
357 in whatever form paid. The amount of all such items of income
358 shall be included in the gross income for the taxable year in
359 which received by the taxpayer. The amount by which an eligible
360 employee's salary is reduced pursuant to a salary reduction
361 agreement authorized under Section 25-17-5 shall be excluded from
362 the term "gross income" within the meaning of this article.

363 (2) In determining gross income for the purpose of this
364 section, the following, under regulations prescribed by the
365 commissioner, shall be applicable:

366 (a) **Dealers in property.** Federal rules, regulations
367 and revenue procedures shall be followed with respect to
368 installment sales unless a transaction results in the shifting of
369 income from inside the state to outside the state.

370 (b) **Casual sales of property.**

371 (i) Prior to January 1, 2001, federal rules,
372 regulations and revenue procedures shall be followed with respect
373 to installment sales except they shall be applied and administered
374 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the



375 106th Congress, had not been enacted. This provision will
376 generally affect taxpayers, reporting on the accrual method of
377 accounting, entering into installment note agreements on or after
378 December 17, 1999. Any gain or profit resulting from the casual
379 sale of property will be recognized in the year of sale.

380 (ii) From and after January 1, 2001, federal
381 rules, regulations and revenue procedures shall be followed with
382 respect to installment sales except as provided in this
383 subparagraph (ii). Gain or profit from the casual sale of
384 property shall be recognized in the year of sale. When a taxpayer
385 recognizes gain on the casual sale of property in which the gain
386 is deferred for federal income tax purposes, a taxpayer may elect
387 to defer the payment of tax resulting from the gain as allowed and
388 to the extent provided under regulations prescribed by the
389 commissioner. If the payment of the tax is made on a deferred
390 basis, the tax shall be computed based on the applicable rate for
391 the income reported in the year the payment is made. Except as
392 otherwise provided in subparagraph (iii) of this paragraph (b),
393 deferring the payment of the tax shall not affect the liability
394 for the tax. If at any time the installment note is sold,
395 contributed, transferred or disposed of in any manner and for any
396 purpose by the original note holder, or the original note holder
397 is merged, liquidated, dissolved or withdrawn from this state,
398 then all deferred tax payments under this section shall
399 immediately become due and payable.



400 (iii) If the selling price of the property is
401 reduced by any alteration in the terms of an installment note,
402 including default by the purchaser, the gain to be recognized is
403 recomputed based on the adjusted selling price in the same manner
404 as for federal income tax purposes. The tax on this amount, less
405 the previously paid tax on the recognized gain, is payable over
406 the period of the remaining installments. If the tax on the
407 previously recognized gain has been paid in full to this state,
408 the return on which the payment was made may be amended for this
409 purpose only. The statute of limitations in Section 27-7-49 shall
410 not bar an amended return for this purpose.

411 (c) **Reserves of insurance companies.** In the case of
412 insurance companies, any amounts in excess of the legally required
413 reserves shall be included as gross income.

414 (d) **Affiliated companies or persons.** As regards sales,
415 exchanges or payments for services from one to another of
416 affiliated companies or persons or under other circumstances where
417 the relation between the buyer and seller is such that gross
418 proceeds from the sale or the value of the exchange or the payment
419 for services are not indicative of the true value of the subject
420 matter of the sale, exchange or payment for services, the
421 commissioner shall prescribe uniform and equitable rules for
422 determining the true value of the gross income, gross sales,
423 exchanges or payment for services, or require consolidated returns
424 of affiliates.



425 (e) **Alimony and separate maintenance payments.** The
426 federal rules, regulations and revenue procedures in determining
427 the deductibility and taxability of alimony payments shall be
428 followed in this state.

429 (f) **Reimbursement for expenses of moving.** There shall
430 be included in gross income (as compensation for services) any
431 amount received or accrued, directly or indirectly, by an
432 individual as a payment for or reimbursement of expenses of moving
433 from one * * * residence to another residence which is
434 attributable to employment or self-employment.

435 (3) In the case of taxpayers other than residents, gross
436 income includes gross income from sources within this state.

437 (4) The words "gross income" do not include the following
438 items of income which shall be exempt from taxation under this
439 article:

440 (a) The proceeds of life insurance policies and
441 contracts paid upon the death of the insured. However, the income
442 from the proceeds of such policies or contracts shall be included
443 in the gross income.

444 (b) The amount received by the insured as a return of
445 premium or premiums paid by him under life insurance policies,
446 endowment, or annuity contracts, either during the term or at
447 maturity or upon surrender of the contract.



448 (c) The value of property acquired by gift, bequest,
449 devise or descent, but the income from such property shall be
450 included in the gross income.

451 (d) Interest upon the obligations of the United States
452 or its possessions, or securities issued under the provisions of
453 the Federal Farm Loan Act of July 17, 1916, or bonds issued by the
454 War Finance Corporation, or obligations of the State of
455 Mississippi or political subdivisions thereof.

456 (e) The amounts received through accident or health
457 insurance as compensation for personal injuries or sickness, plus
458 the amount of any damages received for such injuries or such
459 sickness or injuries, or through the War Risk Insurance Act, or
460 any law for the benefit or relief of injured or disabled members
461 of the military or naval forces of the United States.

462 (f) Income received by any religious denomination or by
463 any institution or trust for moral or mental improvements,
464 religious, Bible, tract, charitable, benevolent, fraternal,
465 missionary, hospital, infirmary, educational, scientific,
466 literary, library, patriotic, historical or cemetery purposes or
467 for two (2) or more of such purposes, if such income be used
468 exclusively for carrying out one or more of such purposes.

469 (g) Income received by a domestic corporation which is
470 "taxable in another state" as this term is defined in this
471 article, derived from business activity conducted outside this
472 state. Domestic corporations taxable both within and without the



473 state shall determine Mississippi income on the same basis as
474 provided for foreign corporations under the provisions of this
475 article.

476 (h) In case of insurance companies, there shall be
477 excluded from gross income such portion of actual premiums
478 received from an individual policyholder as is paid back or
479 credited to or treated as an abatement of premiums of such
480 policyholder within the taxable year.

481 (i) Income from dividends that has already borne a tax
482 as dividend income under the provisions of this article, when such
483 dividends may be specifically identified in the possession of the
484 recipient.

485 (j) Amounts paid by the United States to a person as
486 added compensation for hazardous duty pay as a member of the Armed
487 Forces of the United States in a combat zone designated by
488 Executive Order of the President of the United States.

489 (k) Amounts received as retirement allowances,
490 pensions, annuities or optional retirement allowances paid under
491 the federal Social Security Act, the Railroad Retirement Act, the
492 Federal Civil Service Retirement Act, or any other retirement
493 system of the United States government, retirement allowances paid
494 under the Mississippi Public Employees' Retirement System,
495 Mississippi Highway Safety Patrol Retirement System or any other
496 retirement system of the State of Mississippi or any political
497 subdivision thereof. The exemption allowed under this paragraph



498 (k) shall be available to the spouse or other beneficiary at the
499 death of the primary retiree.

500 (l) Amounts received as retirement allowances,
501 pensions, annuities or optional retirement allowances paid by any
502 public or governmental retirement system not designated in
503 paragraph (k) or any private retirement system or plan of which
504 the recipient was a member at any time during the period of his
505 employment. Amounts received as a distribution under a Roth
506 Individual Retirement Account shall be treated in the same manner
507 as provided under the Internal Revenue Code of 1986, as amended.
508 The exemption allowed under this paragraph (l) shall be available
509 to the spouse or other beneficiary at the death of the primary
510 retiree.

511 (m) National Guard or Reserve Forces of the United
512 States compensation not to exceed the aggregate sum of Five
513 Thousand Dollars (\$5,000.00) for any taxable year through the 2005
514 taxable year, and not to exceed the aggregate sum of Fifteen
515 Thousand Dollars (\$15,000.00) for any taxable year thereafter.

516 (n) Compensation received for active service as a
517 member below the grade of commissioned officer and so much of the
518 compensation as does not exceed the maximum enlisted amount
519 received for active service as a commissioned officer in the Armed
520 Forces of the United States for any month during any part of which
521 such members of the Armed Forces (i) served in a combat zone as
522 designated by Executive Order of the President of the United



523 States or a qualified hazardous duty area as defined by federal
524 law, or both; or (ii) was hospitalized as a result of wounds,
525 disease or injury incurred while serving in such combat zone. For
526 the purposes of this paragraph (n), the term "maximum enlisted
527 amount" means and has the same definition as that term has in 26
528 USCS 112.

529 (o) The proceeds received from federal and state
530 forestry * * * incentive programs.

531 (p) The amount representing the difference between the
532 increase of gross income derived from sales for export outside the
533 United States as compared to the preceding tax year wherein gross
534 income from export sales was highest, and the net increase in
535 expenses attributable to such increased exports. In the absence
536 of direct accounting, the ratio of net profits to total sales may
537 be applied to the increase in export sales. This paragraph (p)
538 shall only apply to businesses located in this state engaging in
539 the international export of Mississippi goods and services. Such
540 goods or services shall have at least fifty percent (50%) of value
541 added at a location in Mississippi.

542 (q) Amounts paid by the federal government for the
543 construction of soil conservation systems as required by a
544 conservation plan adopted pursuant to 16 USCS 3801 et seq.

545 (r) The amount deposited in a medical savings account,
546 and any interest accrued thereon, that is a part of a medical
547 savings account program as specified in the Medical Savings



548 Account Act under Sections 71-9-1 through 71-9-9; provided,
549 however, that any amount withdrawn from such account for purposes
550 other than paying eligible medical expense or to procure health
551 coverage shall be included in gross income.

552 (s) Amounts paid by the Mississippi Soil and Water
553 Conservation Commission from the Mississippi Soil and Water
554 Cost-Share Program for the installation of water quality best
555 management practices.

556 (t) Dividends received by a holding corporation, as
557 defined in Section 27-13-1, from a subsidiary corporation, as
558 defined in Section 27-13-1.

559 (u) Interest, dividends, gains or income of any kind on
560 any account in the Mississippi Affordable College Savings Trust
561 Fund, as established in Sections 37-155-101 through 37-155-125, to
562 the extent that such amounts remain on deposit in the MACS Trust
563 Fund or are withdrawn pursuant to a qualified withdrawal, as
564 defined in Section 37-155-105.

565 (v) Interest, dividends or gains accruing on the
566 payments made pursuant to a prepaid tuition contract, as provided
567 for in Section 37-155-17.

568 (w) Income resulting from transactions with a related
569 member where the related member subject to tax under this chapter
570 was required to, and did in fact, add back the expense of such
571 transactions as required by Section 27-7-17(2). Under no
572 circumstances may the exclusion from income exceed the deduction



573 add-back of the related member, nor shall the exclusion apply to
574 any income otherwise excluded under this chapter.

575 (x) Amounts that are subject to the tax levied pursuant
576 to Section 27-7-901, and are paid to patrons by gaming
577 establishments licensed under the Mississippi Gaming Control Act.

578 (y) Amounts that are subject to the tax levied pursuant
579 to Section 27-7-903, and are paid to patrons by gaming
580 establishments not licensed under the Mississippi Gaming Control
581 Act.

582 (z) Interest, dividends, gains or income of any kind on
583 any account in a qualified tuition program and amounts received as
584 distributions under a qualified tuition program shall be treated
585 in the same manner as provided under the United States Internal
586 Revenue Code, as amended. For the purposes of this paragraph (z),
587 the term "qualified tuition program" means and has the same
588 definition as that term has in 26 USCS 529.

589 (aa) The amount deposited in a health savings account,
590 and any interest accrued thereon, that is a part of a health
591 savings account program as specified in the Health Savings
592 Accounts Act created in Sections 83-62-1 through 83-62-9; however,
593 any amount withdrawn from such account for purposes other than
594 paying qualified medical expenses or to procure health coverage
595 shall be included in gross income, except as otherwise provided by
596 Sections 83-62-7 and 83-62-9.



597 (bb) Amounts received as qualified disaster relief
598 payments shall be treated in the same manner as provided under the
599 United States Internal Revenue Code, as amended.

600 (cc) Amounts received as a "qualified Hurricane Katrina
601 distribution" as defined in the United States Internal Revenue
602 Code, as amended.

603 (dd) Amounts received by an individual which may be
604 excluded from income as foreign earned income for federal income
605 tax purposes.

606 (ee) Amounts received by a qualified individual,
607 directly or indirectly, from an employer or nonprofit housing
608 organization that are qualified housing expenses associated with
609 an employer-assisted housing program. For purposes of this
610 paragraph (ee):

611 (i) "Qualified individual" means any individual
612 whose household income does not exceed one hundred twenty percent
613 (120%) of the area median gross income (as defined by the United
614 States Department of Housing and Urban Development), adjusted for
615 household size, for the area in which the housing is located.

616 (ii) "Nonprofit housing organization" means an
617 organization that is organized as a not-for-profit organization
618 under the laws of this state or another state and has as one (1)
619 of its purposes:

- 620 1. Homeownership education or counseling;
621 2. The development of affordable housing; or



622 3. The development or administration of
623 employer-assisted housing programs.

624 (iii) "Employer-assisted housing program" means a
625 separate written plan of any employer (including, without
626 limitation, tax-exempt organizations and public employers) for the
627 exclusive benefit of the employer's employees to pay qualified
628 housing expenses to assist the employer's employees in securing
629 affordable housing.

630 (iv) "Qualified housing expenses" means:

631 1. With respect to rental assistance, an
632 amount not to exceed Two Thousand Dollars (\$2,000.00) paid for the
633 purpose of assisting employees with security deposits and rental
634 subsidies; and

635 2. With respect to homeownership assistance,
636 an amount not to exceed the lesser of Ten Thousand Dollars
637 (\$10,000.00) or six percent (6%) of the purchase price of the
638 employee's principal residence that is paid for the purpose of
639 assisting employees with down payments, payment of closing costs,
640 reduced interest mortgages, mortgage guarantee programs, mortgage
641 forgiveness programs, equity contribution programs, or
642 contributions to home buyer education and/or homeownership
643 counseling of eligible employees.

644 (ff) For the 2010 taxable year and any taxable year
645 thereafter, amounts converted in accordance with the United States
646 Internal Revenue Code, as amended, from a traditional Individual



647 Retirement Account to a Roth Individual Retirement Account. The
648 exemption allowed under this paragraph (ff) shall be available to
649 the spouse or other beneficiary at the death of the primary
650 retiree.

651 (gg) Interest or dividends earned on an individual
652 development account (IDA) and matching funds deposited in an IDA,
653 as authorized under Sections 1 through 14 of this act.

654 (5) Prisoners of war, missing in action-taxable status.

655 (a) **Members of the Armed Forces.** Gross income does not
656 include compensation received for active service as a member of
657 the Armed Forces of the United States for any month during any
658 part of which such member is in a missing status, as defined in
659 paragraph (d) of this subsection, during the Vietnam Conflict as a
660 result of such conflict.

661 (b) **Civilian employees.** Gross income does not include
662 compensation received for active service as an employee for any
663 month during any part of which such employee is in a missing
664 status during the Vietnam Conflict as a result of such conflict.

665 (c) **Period of conflict.** For the purpose of this
666 subsection, the Vietnam Conflict began February 28, 1961, and ends
667 on the date designated by the President by Executive Order as the
668 date of the termination of combatant activities in Vietnam. For
669 the purpose of this subsection, an individual is in a missing
670 status as a result of the Vietnam Conflict if immediately before
671 such status began he was performing service in Vietnam or was



672 performing service in Southeast Asia in direct support of military
673 operations in Vietnam. "Southeast Asia," as used in this
674 paragraph, is defined to include Cambodia, Laos, Thailand and
675 waters adjacent thereto.

676 (d) "Missing status" means the status of an employee or
677 member of the Armed Forces who is in active service and is
678 officially carried or determined to be absent in a status of (i)
679 missing; (ii) missing in action; (iii) interned in a foreign
680 country; (iv) captured, beleaguered or besieged by a hostile
681 force; or (v) detained in a foreign country against his will; but
682 does not include the status of an employee or member of the Armed
683 Forces for a period during which he is officially determined to be
684 absent from his post of duty without authority.

685 (e) "Active service" means active federal service by an
686 employee or member of the Armed Forces of the United States in an
687 active duty status.

688 (f) "Employee" means one who is a citizen or national
689 of the United States or an alien admitted to the United States for
690 permanent residence and is a resident of the State of Mississippi
691 and is employed in or under a federal executive agency or
692 department of the Armed Forces.

693 (g) "Compensation" means (i) basic pay; (ii) special
694 pay; (iii) incentive pay; (iv) basic allowance for quarters; (v)
695 basic allowance for subsistence; and (vi) station per diem
696 allowances for not more than ninety (90) days.



697 (h) If refund or credit of any overpayment of tax for
698 any taxable year resulting from the application of subsection (5)
699 of this section is prevented by the operation of any law or rule
700 of law, such refund or credit of such overpayment of tax may,
701 nevertheless, be made or allowed if claim therefor is filed with
702 the * * * Department of Revenue within three (3) years after the
703 date of the enactment of this subsection.

704 (i) The provisions of this subsection shall be
705 effective for taxable years ending on or after February 28, 1961.

706 (6) A shareholder of an S corporation, as defined in Section
707 27-8-3(1)(g), shall take into account the income, loss, deduction
708 or credit of the S corporation only to the extent provided in
709 Section 27-8-7(2).

710 **SECTION 16.** This act shall take effect and be in force from
711 and after July 1, 2013.

