

By: Representative Dickson

To: Youth and Family  
Affairs; Banking and  
Financial Services

HOUSE BILL NO. 1386

1 AN ACT TO CREATE THE FAMILY SAVINGS INITIATIVE ACT; TO  
2 AUTHORIZE THE CREATION OF INDIVIDUAL DEVELOPMENT ACCOUNTS FOR  
3 LOW-INCOME INDIVIDUALS THAT MAY BE USED BY THE ACCOUNT HOLDER FOR  
4 CERTAIN PURPOSES; TO AUTHORIZE THE DEPARTMENT OF HUMAN SERVICES TO  
5 CONTRACT WITH FIDUCIARY ORGANIZATIONS TO SERVE AS INTERMEDIARIES  
6 BETWEEN AN INDIVIDUAL DEVELOPMENT ACCOUNT HOLDER AND A FINANCIAL  
7 INSTITUTION HOLDING ACCOUNT FUNDS; TO PROVIDE THAT THE GROSS  
8 HOUSEHOLD INCOME OF INDIVIDUAL RETIREMENT ACCOUNT HOLDERS MAY NOT  
9 EXCEED 200% OF THE POVERTY LEVEL AND THE ACCOUNT HOLDER'S NET  
10 WORTH MAY NOT EXCEED \$10,000.00; TO REQUIRE INDIVIDUALS OPENING AN  
11 INDIVIDUAL DEVELOPMENT ACCOUNT TO ENTER INTO AN AGREEMENT WITH A  
12 FIDUCIARY ORGANIZATION; TO PROVIDE THAT THE FIDUCIARY ORGANIZATION  
13 SHALL PROVIDE MATCHING FUNDS FOR THE AMOUNT CONTRIBUTED TO THE  
14 INDIVIDUAL DEVELOPMENT ACCOUNT BY THE INDIVIDUAL DEVELOPMENT  
15 ACCOUNT HOLDER; TO LIMIT THE AMOUNT OF MATCHING FUNDS THAT MAY BE  
16 PROVIDED FOR AN INDIVIDUAL DEVELOPMENT ACCOUNT; TO PROVIDE THE  
17 PURPOSES FOR WHICH INDIVIDUAL DEVELOPMENT ACCOUNTS MAY BE  
18 UTILIZED; TO PROVIDE CIVIL PENALTIES FOR THE WITHDRAWAL OF  
19 INDIVIDUAL DEVELOPMENT ACCOUNT FUNDS FOR PURPOSES OTHER THAN THOSE  
20 AUTHORIZED UNDER THIS ACT; TO REQUIRE FIDUCIARY ORGANIZATIONS TO  
21 MAKE QUARTERLY REPORTS TO THE DEPARTMENT OF HUMAN SERVICES  
22 CONTAINING CERTAIN INFORMATION; TO PROVIDE THAT FUNDS DEPOSITED IN  
23 AN INDIVIDUAL DEVELOPMENT ACCOUNT SHALL NOT BE COUNTED AS INCOME,  
24 ASSETS OR RESOURCES OF THE INDIVIDUAL IN DETERMINING FINANCIAL  
25 ELIGIBILITY FOR ASSISTANCE OR SERVICES PURSUANT TO ANY FEDERAL,  
26 FEDERALLY ASSISTED, STATE OR MUNICIPAL PROGRAM BASED ON NEED; TO  
27 AUTHORIZE A CREDIT AGAINST STATE INCOME TAX LIABILITY FOR  
28 TAXPAYERS WHO CONTRIBUTE MATCHING FUNDS TO A FIDUCIARY  
29 ORGANIZATION; TO LIMIT THE AMOUNT OF THE CREDIT; TO AMEND SECTION  
30 27-7-15, MISSISSIPPI CODE OF 1972, TO EXCLUDE FROM GROSS INCOME  
31 INTEREST OR DIVIDEND EARNED ON AN INDIVIDUAL DEVELOPMENT ACCOUNT;  
32 AND FOR RELATED PURPOSES.

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



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

36           **SECTION 2.** The purpose of the Family Savings Initiative Act  
37 is to provide for the establishment of individual development  
38 accounts designed to:

39                   (a) Provide individuals and families with limited means  
40 an opportunity to accumulate assets;

41                   (b) Facilitate and mobilize savings;

42                   (c) Promote homeownership, microenterprise development,  
43 education, saving for retirement, and automobile purchase; and

44                   (d) Stabilize families and build communities.

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

46                   (a) Americans of most economic classes are having  
47 increasing difficulty climbing the economic ladder. Fully  
48 one-half (1/2) of all Americans have negligible or no investable  
49 assets just as the price of entry to the economic mainstream, such  
50 as the cost of a house, starting a business, an adequate  
51 education, establishing a retirement account, or purchasing an  
52 automobile, is increasing;

53                   (b) Economic well-being does not come solely from  
54 income, spending and consumption, but also requires savings,  
55 investment and accumulation of assets, since assets can improve  
56 economic stability, connect people with a viable and hopeful  
57 future, stimulate development of human and other capital, enable



58 people to focus and specialize, yield personal and social  
59 dividends, and enhance the welfare of offspring;

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

63 (d) The household savings rate of the United States  
64 lags far behind other industrial nations, presenting a barrier to  
65 economic growth. The State of Mississippi should develop  
66 policies, such as individual development accounts, that promote  
67 higher rates of personal savings and net private domestic  
68 investment;

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

75 (f) Hundreds of thousands of Mississippians continue to  
76 live in poverty. Poverty is a loss of human resources, an assault  
77 on human dignity, and a drain on social and fiscal resources of  
78 this state. Traditional public assistance programs, concentrating  
79 on income and consumption, have rarely been successful in  
80 promoting and supporting the transition to economic  
81 self-sufficiency; and



82 (g) Income-based social policy should be complemented  
83 with asset-based social policy, because while income-based  
84 policies ensure that consumption needs, including food, childcare,  
85 rent, clothing and health care, are met, asset-based policies  
86 provide the means to achieve economic self-sufficiency and climb  
87 the economic ladder.

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

89 (a) "Administrative costs" includes, but is not limited  
90 to, soliciting matching funds, processing fees charged by the  
91 fiduciary organization or financial institution, and traditional  
92 overhead costs. Administrative costs shall be limited to not more  
93 than ten percent (10%) of the contract.

94 (b) "Department" means the Department of Human  
95 Services.

96 (c) "Eligible educational institution" means the  
97 following:

98 (i) An institution described in 20 USC Section  
99 1088 or 1141, as those sections are in effect on January 1, 2013;

100 (ii) An area vocational education school; and

101 (iii) Any other accredited education or training  
102 organization.

103 (d) "Federal poverty level" means the poverty income  
104 guidelines published for a calendar year by the United States  
105 Department of Health and Human Services.



106           (e) "Fiduciary organization" means the organization  
107 that will serve as an intermediary between an individual  
108 development account holder and a financial institution holding  
109 account funds. A fiduciary organization shall be a not-for-profit  
110 organization described in Section 501(c)(3) of the Internal  
111 Revenue Code of 1986, 26 USC Section 501(c)(3), as in effect on  
112 January 1, 2013.

113           (f) "Financial institution" means an organization  
114 authorized to do business under state or federal laws relating to  
115 financial institutions, and includes, but is not limited to, a  
116 bank, trust company, savings bank, building and loan association,  
117 savings and loan company or association, or credit union.

118           (g) "Individual development account" or "IDA" means an  
119 account created under to this act exclusively for the purpose of  
120 paying the expenses of an eligible individual or family for the  
121 purposes set forth in Section 7 of this act.

122           (h) "Net worth" means the aggregate market value of all  
123 assets that are owned, in whole or in part, by any member of the  
124 household, less the obligations or debts of any member of the  
125 household.

126           (i) "Operating costs" includes, but is not limited to,  
127 costs of training IDA participants in economic and financial  
128 literacy and IDA uses, marketing participation, counseling  
129 participants and conducting required verification and compliance  
130 activities.



131 (j) "Postsecondary educational expenses" means:

132 (i) Tuition and fees required for the enrollment  
133 or attendance of an IDA account holder or immediate family member  
134 thereof who is a student at an eligible educational institution;  
135 and

136 (ii) Fees, books, supplies, and equipment required  
137 for courses of instruction for an IDA account holder or immediate  
138 family member thereof who is a student at an eligible educational  
139 institution.

140 (k) "Qualified acquisition costs" means:

141 (i) The costs of acquiring, constructing, or  
142 reconstructing a residence to be occupied by an IDA account holder  
143 or an immediate family member thereof, including, but not limited  
144 to, any usual or reasonable settlement, financing, or other  
145 closing costs; and

146 (ii) The costs of acquiring or repairing a motor  
147 vehicle to be used by an IDA account holder or an immediate family  
148 member thereof, including, but not limited to, any taxes,  
149 insurance, or registration costs incurred in acquiring a motor  
150 vehicle.

151 (l) "Qualified business" means any business that does  
152 not contravene any law or public policy.

153 (m) "Qualified business capitalization expenses" means  
154 qualified expenditures for the capitalization of a qualified  
155 business under to a qualified plan.



156           (n) "Qualified emergency withdrawals" means a  
157 withdrawal by an eligible individual that is a withdrawal of only  
158 those funds, or a portion of those funds, deposited by the  
159 individual in the individual development account of the  
160 individual, and is permitted by a fiduciary organization on a  
161 case-by-case basis in accordance with the rules established by the  
162 department.

163           (o) "Qualified expenditures" means expenditures  
164 included in a qualified plan, including, but not limited to,  
165 capital, plant, equipment, working capital and inventory expenses.

166           (p) "Qualified first-time home buyer" means an  
167 individual who has no ownership interest in a principal residence  
168 during the three-year period ending on the date of acquisition of  
169 the principal residence to which this act applies.

170           (q) "Qualified plan" means a plan for the operation of  
171 a business by an IDA account holder or an immediate family member  
172 thereof which:

173               (i) Is approved by a financial institution, or by  
174 a nonprofit microenterprise program or loan fund, having  
175 demonstrated business expertise;

176               (ii) Includes a description of services or goods  
177 to be sold, a marketing plan, and projected financial statements;  
178 and

179               (iii) May require the eligible individual to  
180 obtain the assistance of an experienced entrepreneurial advisor.



181 (r) "Qualified principal residence" means a principal  
182 residence of an IDA account holder or an immediate family member  
183 thereof, the qualified acquisition costs of which do not exceed  
184 the average area purchase price applicable to such residence,  
185 determined in accordance with paragraphs (2) and (3) of Section  
186 143(e) of the Internal Revenue Code, 26 USC Section 143(e)(2) and  
187 (3), as in effect on January 1, 2013.

188 **SECTION 5.** (1) The Department of Human Services shall enter  
189 into contracts with one or more fiduciary organizations under the  
190 provisions of this section in such a manner that different regions  
191 of the state are served by one or more fiduciary organizations.  
192 An organization based in this state that desires to enter into  
193 such a contract shall submit a proposal to the department for the  
194 right to be approved as a fiduciary organization. Those proposals  
195 shall be made upon forms prescribed by the department and shall  
196 contain such information as the department may require.

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

200 (a) Ability to market the project to potential account  
201 holders;

202 (b) Ability to leverage additional matching and  
203 operating funds;

204 (c) Ability to provide safe and secure investments for  
205 individual accounts;





206 (d) Overall administrative capacity, including, but not  
207 limited to, the certifications or verifications required to assure  
208 compliance with eligibility requirements, authorized uses of the  
209 accounts, matching contributions by individuals or businesses, and  
210 penalties for unauthorized distributions;

211 (e) Capacity to provide financial counseling and other  
212 related service to potential participants;

213 (f) Capacity to provide other activities designed to  
214 increase the independence of individuals and families through  
215 homeownership, small business development, enhanced education and  
216 training, saving for retirement, and automobile purchase, or to  
217 provide links to such other activities; and

218 (g) Operating costs.

219 (3) For each contract entered into under the provisions of  
220 this section, the contract shall begin not later than October 1 of  
221 each year. The fiduciary organization shall use not less than  
222 seventy percent (70%) for matching funds and not more than thirty  
223 percent (30%) for operating and administrative costs.

224 Administrative costs shall be limited to ten percent (10%) of the  
225 contract.

226 (4) Responsibilities of a fiduciary organization shall  
227 include, but not be limited to, marketing participation,  
228 soliciting matching contributions, counseling project  
229 participants, conducting basic economic and financial literacy  
230 training and IDA use training for project participants, and



231 conducting required verification and compliance activities.  
232 Neither a fiduciary organization nor an employee of, or person  
233 associated with a fiduciary organization, shall receive anything  
234 of value, other than compensation for services, for any act  
235 performed in connection with the establishment of an IDA or in  
236 furtherance of the provisions of this act.

237 **SECTION 6.** (1) An individual who is a resident of this  
238 state may submit an application to open an individual development  
239 account to a fiduciary organization approved by the Department of  
240 Human Services under to the provisions of Section 5 of this act.

241 The fiduciary organization shall approve the application only if:

242 (a) The individual has gross household income from all  
243 sources for the calendar year preceding the year in which the  
244 application is made that does not exceed two hundred percent  
245 (200%) of the federal poverty level; and

246 (b) Individual's household net worth at the time the  
247 IDA account is opened does not exceed Ten Thousand Dollars  
248 (\$10,000.00) disregarding the primary dwelling and one (1) motor  
249 vehicle owned by the household.

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

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



255           (4)   (a)   Each fiduciary organization shall provide written  
256 notification to each of its eligible IDA account holders of the  
257 amount of matching funds provided by the fiduciary to which each  
258 such IDA account holder is entitled. Such notification shall be  
259 made at such intervals as the fiduciary organization deems  
260 appropriate, but shall be required to be made at least once each  
261 calendar year. The amount of such matching funds for each IDA  
262 account holder shall be Three Dollars (\$3.00) for each One Dollar  
263 (\$1.00) contributed to the IDA by the IDA account holder during  
264 the preceding calendar year. The amount of such matching funds  
265 shall not exceed Two Thousand Dollars (\$2,000.00) per IDA account  
266 holder or Four Thousand Dollars (\$4,000.00) per household.

267           (b)   If the amount of matching funds available are  
268 insufficient to disburse the maximum amounts specified in this  
269 subsection, amounts of disbursements shall be reduced  
270 proportionately based upon available funds.

271           (5)   If an IDA account holder has gross household income from  
272 all sources for a calendar year that exceeds two hundred percent  
273 (200%) of the federal poverty level, the IDA account holder shall  
274 not be eligible to receive funds under to the provisions of  
275 subsection (4) of this section in the following year.

276           (6)   In the event of an IDA account holder's death, the  
277 account may be transferred to the ownership of a contingent  
278 beneficiary or beneficiaries. An account holder shall name a  
279 contingent beneficiary or beneficiaries at the time the account is



280 established and may change the beneficiary or beneficiaries at any  
281 time. If the named beneficiary or beneficiaries are deceased or  
282 cannot otherwise accept the transfer, the monies shall be  
283 transferred to the fiduciary organization to redistribute as  
284 matching funds.

285 **SECTION 7.** (1) Except as otherwise provided in subsection  
286 (2) of this section, individual development accounts may be used  
287 for any of the following qualified purposes:

288 (a) Qualified acquisition costs with respect to a  
289 qualified principal residence for a qualified first-time home  
290 buyer, or the costs of major repairs or improvements to a  
291 qualified principal residence, if paid directly to the persons to  
292 whom the amounts are due;

293 (b) Amounts paid directly to a business capitalization  
294 account that is established in a federally insured financial  
295 institution and is restricted to use solely for qualified business  
296 capitalization expenses consistent with a qualified plan;

297 (c) Postsecondary educational expenses paid directly to  
298 an eligible educational institution;

299 (d) Amounts paid directly to an individual retirement  
300 account or education IRA established under to federal law in the  
301 name of the IDA account holder or an immediate family member  
302 thereof;

303 (e) Qualified acquisition costs with respect to  
304 purchase of an automobile, or costs of repair of an automobile, if



305 paid directly to a licensed automobile dealer or repair shop.

306 Such a purpose cannot be the sole purpose of the IDA.

307 Participants must also save for another approved purpose; and

308 (f) Qualified emergency withdrawals.

309 (2) Federal Temporary Assistance For Needy Families matching

310 funds shall only be used for the purposes set forth in paragraphs

311 (a), (b) and (c) of subsection (1) of this section.

312 **SECTION 8.** (1) If the fiduciary organization receives

313 evidence that monies withdrawn from IDAs are withdrawn under false

314 pretenses or are used for purposes other than for the approved

315 purposes indicated at the time of the withdrawal, the fiduciary

316 organization shall make arrangements with the financial

317 institution to impose a penalty of loss of matches and may, at its

318 discretion, close the account. All penalties collected by

319 fiduciary organizations shall remain with the fiduciary

320 organization to distribute as matching funds to other eligible

321 individuals.

322 (2) The fiduciary organization shall establish a grievance

323 committee and a procedure to hear, review, and decide in writing

324 any grievance made by an IDA account holder who disputes a

325 decision of the operating organization that a withdrawal is

326 subject to penalty.

327 (3) Each fiduciary organization shall establish such

328 procedures as are necessary, including prohibiting eligibility for

329 further matching funds, to ensure compliance with this section.



330           **SECTION 9.** Each fiduciary organization shall provide  
331 quarterly to the department the following information:  
332           (a) The number of individuals making deposits into an  
333 IDA;  
334           (b) The amounts deposited in the IDA;  
335           (c) The amounts not yet allocated to IDAs;  
336           (d) The amounts withdrawn from the individual  
337 development accounts and the purposes for which the amounts were  
338 withdrawn;  
339           (e) The balances remaining in the IDAs;  
340           (f) The service configurations (such as peer support,  
341 structured planning exercises, mentoring, and case management)  
342 which increased the rate and consistency of participation in the  
343 demonstration project and how those configurations varied among  
344 different populations or communities; and  
345           (g) The number of grievances filed, the resolution of  
346 the grievances, and any penalties imposed.

347           **SECTION 10.** The department shall prepare a written report  
348 annually regarding the implementation of the Family Savings  
349 Initiative Act and shall make recommendations for improving the  
350 program. The report shall be transmitted to the Legislature on or  
351 before December 1 of each year.

352           **SECTION 11.** The department shall be responsible for  
353 implementation of this act and shall promulgate rules as necessary  
354 in accordance with the provisions of this act.



355           **SECTION 12.** Funds deposited in an IDA shall not be counted  
356 as income, assets or resources of the individual in determining  
357 financial eligibility for assistance or services under to any  
358 federal, federally assisted, state or municipal program based on  
359 need.

360           **SECTION 13.** (1) Any individual, business, organization, or  
361 other entity may contribute matching funds to a fiduciary  
362 organization. The funds shall be designated to the fiduciary  
363 organization to allocate to all its participants on a  
364 proportionate basis.

365           (2) A credit shall be allowed against the income tax  
366 liability imposed by Section 27-7-5 for any Mississippi taxpayer  
367 who contributes to a fiduciary organization created under to this  
368 act in an amount equal to fifty percent (50%) of the amount of  
369 matching funds contributed to a fiduciary organization during the  
370 calendar year.

371           (3) The amount of the credit that may be used by a taxpayer  
372 for a taxable year shall not exceed the lesser of Twenty-five  
373 Thousand Dollars (\$25,000.00) or the amount of income tax  
374 otherwise due. Any unused credit may be carried over for a  
375 maximum of three (3) years.

376           (4) (a) To claim the benefits of this section, a taxpayer  
377 must notify the fiduciary organization that the taxpayer intends  
378 to make a contribution and the amount of the contribution. The  
379 fiduciary organization shall then notify the department and



380 request a certification from the department certifying the amount  
381 of the tax credit to which the taxpayer is entitled. The  
382 fiduciary organization shall deliver the certification to the  
383 taxpayer upon receipt of the contribution.

384 (b) A taxpayer shall file the certificate with the  
385 taxpayer's income tax return for the first year in which the  
386 taxpayer claims a tax credit under this section.

387 (5) The total amount of tax credits certified under this act  
388 shall not exceed One Hundred Thousand Dollars (\$100,000.00) per  
389 calendar year.

390 (6) The Department of Revenue shall promulgate any  
391 regulations necessary to carry out the provisions of this section.

392 **SECTION 14.** Section 27-7-15, Mississippi Code of 1972, is  
393 amended as follows:

394 27-7-15. (1) For the purposes of this article, except as  
395 otherwise provided, the term "gross income" means and includes the  
396 income of a taxpayer derived from salaries, wages, fees or  
397 compensation for service, of whatever kind and in whatever form  
398 paid, including income from governmental agencies and subdivisions  
399 thereof; or from professions, vocations, trades, businesses,  
400 commerce or sales, or renting or dealing in property, or  
401 reacquired property; also from annuities, interest, rents,  
402 dividends, securities, insurance premiums, reinsurance premiums,  
403 considerations for supplemental insurance contracts, or the  
404 transaction of any business carried on for gain or profit, or





405 gains, or profits, and income derived from any source whatever and  
406 in whatever form paid. The amount of all such items of income  
407 shall be included in the gross income for the taxable year in  
408 which received by the taxpayer. The amount by which an eligible  
409 employee's salary is reduced pursuant to a salary reduction  
410 agreement authorized under Section 25-17-5 shall be excluded from  
411 the term "gross income" within the meaning of this article.

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

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

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

420 (i) Prior to January 1, 2001, federal rules,  
421 regulations and revenue procedures shall be followed with respect  
422 to installment sales except they shall be applied and administered  
423 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the  
424 106th Congress, had not been enacted. This provision will  
425 generally affect taxpayers, reporting on the accrual method of  
426 accounting, entering into installment note agreements on or after  
427 December 17, 1999. Any gain or profit resulting from the casual  
428 sale of property will be recognized in the year of sale.



429 (ii) From and after January 1, 2001, federal  
430 rules, regulations and revenue procedures shall be followed with  
431 respect to installment sales except as provided in this  
432 subparagraph (ii). Gain or profit from the casual sale of  
433 property shall be recognized in the year of sale. When a taxpayer  
434 recognizes gain on the casual sale of property in which the gain  
435 is deferred for federal income tax purposes, a taxpayer may elect  
436 to defer the payment of tax resulting from the gain as allowed and  
437 to the extent provided under regulations prescribed by the  
438 commissioner. If the payment of the tax is made on a deferred  
439 basis, the tax shall be computed based on the applicable rate for  
440 the income reported in the year the payment is made. Except as  
441 otherwise provided in subparagraph (iii) of this paragraph (b),  
442 deferring the payment of the tax shall not affect the liability  
443 for the tax. If at any time the installment note is sold,  
444 contributed, transferred or disposed of in any manner and for any  
445 purpose by the original note holder, or the original note holder  
446 is merged, liquidated, dissolved or withdrawn from this state,  
447 then all deferred tax payments under this section shall  
448 immediately become due and payable.

449 (iii) If the selling price of the property is  
450 reduced by any alteration in the terms of an installment note,  
451 including default by the purchaser, the gain to be recognized is  
452 recomputed based on the adjusted selling price in the same manner  
453 as for federal income tax purposes. The tax on this amount, less



454 the previously paid tax on the recognized gain, is payable over  
455 the period of the remaining installments. If the tax on the  
456 previously recognized gain has been paid in full to this state,  
457 the return on which the payment was made may be amended for this  
458 purpose only. The statute of limitations in Section 27-7-49 shall  
459 not bar an amended return for this purpose.

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

463 (d) **Affiliated companies or persons.** As regards sales,  
464 exchanges or payments for services from one to another of  
465 affiliated companies or persons or under other circumstances where  
466 the relation between the buyer and seller is such that gross  
467 proceeds from the sale or the value of the exchange or the payment  
468 for services are not indicative of the true value of the subject  
469 matter of the sale, exchange or payment for services, the  
470 commissioner shall prescribe uniform and equitable rules for  
471 determining the true value of the gross income, gross sales,  
472 exchanges or payment for services, or require consolidated returns  
473 of affiliates.

474 (e) **Alimony and separate maintenance payments.** The  
475 federal rules, regulations and revenue procedures in determining  
476 the deductibility and taxability of alimony payments shall be  
477 followed in this state.



478           (f) **Reimbursement for expenses of moving.** There shall  
479 be included in gross income (as compensation for services) any  
480 amount received or accrued, directly or indirectly, by an  
481 individual as a payment for or reimbursement of expenses of moving  
482 from one \* \* \* residence to another residence which is  
483 attributable to employment or self-employment.

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

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

489           (a) The proceeds of life insurance policies and  
490 contracts paid upon the death of the insured. However, the income  
491 from the proceeds of such policies or contracts shall be included  
492 in the gross income.

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

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

500           (d) Interest upon the obligations of the United States  
501 or its possessions, or securities issued under the provisions of  
502 the Federal Farm Loan Act of July 17, 1916, or bonds issued by the



503 War Finance Corporation, or obligations of the State of  
504 Mississippi or political subdivisions thereof.

505 (e) The amounts received through accident or health  
506 insurance as compensation for personal injuries or sickness, plus  
507 the amount of any damages received for such injuries or such  
508 sickness or injuries, or through the War Risk Insurance Act, or  
509 any law for the benefit or relief of injured or disabled members  
510 of the military or naval forces of the United States.

511 (f) Income received by any religious denomination or by  
512 any institution or trust for moral or mental improvements,  
513 religious, Bible, tract, charitable, benevolent, fraternal,  
514 missionary, hospital, infirmary, educational, scientific,  
515 literary, library, patriotic, historical or cemetery purposes or  
516 for two (2) or more of such purposes, if such income be used  
517 exclusively for carrying out one or more of such purposes.

518 (g) Income received by a domestic corporation which is  
519 "taxable in another state" as this term is defined in this  
520 article, derived from business activity conducted outside this  
521 state. Domestic corporations taxable both within and without the  
522 state shall determine Mississippi income on the same basis as  
523 provided for foreign corporations under the provisions of this  
524 article.

525 (h) In case of insurance companies, there shall be  
526 excluded from gross income such portion of actual premiums  
527 received from an individual policyholder as is paid back or



528 credited to or treated as an abatement of premiums of such  
529 policyholder within the taxable year.

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

534 (j) Amounts paid by the United States to a person as  
535 added compensation for hazardous duty pay as a member of the Armed  
536 Forces of the United States in a combat zone designated by  
537 Executive Order of the President of the United States.

538 (k) Amounts received as retirement allowances,  
539 pensions, annuities or optional retirement allowances paid under  
540 the federal Social Security Act, the Railroad Retirement Act, the  
541 Federal Civil Service Retirement Act, or any other retirement  
542 system of the United States government, retirement allowances paid  
543 under the Mississippi Public Employees' Retirement System,  
544 Mississippi Highway Safety Patrol Retirement System or any other  
545 retirement system of the State of Mississippi or any political  
546 subdivision thereof. The exemption allowed under this paragraph  
547 (k) shall be available to the spouse or other beneficiary at the  
548 death of the primary retiree.

549 (l) Amounts received as retirement allowances,  
550 pensions, annuities or optional retirement allowances paid by any  
551 public or governmental retirement system not designated in  
552 paragraph (k) or any private retirement system or plan of which



553 the recipient was a member at any time during the period of his  
554 employment. Amounts received as a distribution under a Roth  
555 Individual Retirement Account shall be treated in the same manner  
556 as provided under the Internal Revenue Code of 1986, as amended.  
557 The exemption allowed under this paragraph (l) shall be available  
558 to the spouse or other beneficiary at the death of the primary  
559 retiree.

560 (m) National Guard or Reserve Forces of the United  
561 States compensation not to exceed the aggregate sum of Five  
562 Thousand Dollars (\$5,000.00) for any taxable year through the 2005  
563 taxable year, and not to exceed the aggregate sum of Fifteen  
564 Thousand Dollars (\$15,000.00) for any taxable year thereafter.

565 (n) Compensation received for active service as a  
566 member below the grade of commissioned officer and so much of the  
567 compensation as does not exceed the maximum enlisted amount  
568 received for active service as a commissioned officer in the Armed  
569 Forces of the United States for any month during any part of which  
570 such members of the Armed Forces (i) served in a combat zone as  
571 designated by Executive Order of the President of the United  
572 States or a qualified hazardous duty area as defined by federal  
573 law, or both; or (ii) was hospitalized as a result of wounds,  
574 disease or injury incurred while serving in such combat zone. For  
575 the purposes of this paragraph (n), the term "maximum enlisted  
576 amount" means and has the same definition as that term has in 26  
577 USCS 112.



578 (o) The proceeds received from federal and state  
579 forestry \* \* \* incentive programs.

580 (p) The amount representing the difference between the  
581 increase of gross income derived from sales for export outside the  
582 United States as compared to the preceding tax year wherein gross  
583 income from export sales was highest, and the net increase in  
584 expenses attributable to such increased exports. In the absence  
585 of direct accounting, the ratio of net profits to total sales may  
586 be applied to the increase in export sales. This paragraph (p)  
587 shall only apply to businesses located in this state engaging in  
588 the international export of Mississippi goods and services. Such  
589 goods or services shall have at least fifty percent (50%) of value  
590 added at a location in Mississippi.

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

594 (r) The amount deposited in a medical savings account,  
595 and any interest accrued thereon, that is a part of a medical  
596 savings account program as specified in the Medical Savings  
597 Account Act under Sections 71-9-1 through 71-9-9; provided,  
598 however, that any amount withdrawn from such account for purposes  
599 other than paying eligible medical expense or to procure health  
600 coverage shall be included in gross income.

601 (s) Amounts paid by the Mississippi Soil and Water  
602 Conservation Commission from the Mississippi Soil and Water





603 Cost-Share Program for the installation of water quality best  
604 management practices.

605 (t) Dividends received by a holding corporation, as  
606 defined in Section 27-13-1, from a subsidiary corporation, as  
607 defined in Section 27-13-1.

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

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

617 (w) Income resulting from transactions with a related  
618 member where the related member subject to tax under this chapter  
619 was required to, and did in fact, add back the expense of such  
620 transactions as required by Section 27-7-17(2). Under no  
621 circumstances may the exclusion from income exceed the deduction  
622 add-back of the related member, nor shall the exclusion apply to  
623 any income otherwise excluded under this chapter.

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



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

631           (z) Interest, dividends, gains or income of any kind on  
632 any account in a qualified tuition program and amounts received as  
633 distributions under a qualified tuition program shall be treated  
634 in the same manner as provided under the United States Internal  
635 Revenue Code, as amended. For the purposes of this paragraph (z),  
636 the term "qualified tuition program" means and has the same  
637 definition as that term has in 26 USCS 529.

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

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

649           (cc) Amounts received as a "qualified Hurricane Katrina  
650 distribution" as defined in the United States Internal Revenue  
651 Code, as amended.



652 (dd) Amounts received by an individual which may be  
653 excluded from income as foreign earned income for federal income  
654 tax purposes.

655 (ee) Amounts received by a qualified individual,  
656 directly or indirectly, from an employer or nonprofit housing  
657 organization that are qualified housing expenses associated with  
658 an employer-assisted housing program. For purposes of this  
659 paragraph (ee):

660 (i) "Qualified individual" means any individual  
661 whose household income does not exceed one hundred twenty percent  
662 (120%) of the area median gross income (as defined by the United  
663 States Department of Housing and Urban Development), adjusted for  
664 household size, for the area in which the housing is located.

665 (ii) "Nonprofit housing organization" means an  
666 organization that is organized as a not-for-profit organization  
667 under the laws of this state or another state and has as one \* \* \*  
668 of its purposes:

669 1. Homeownership education or counseling;  
670 2. The development of affordable housing; or  
671 3. The development or administration of  
672 employer-assisted housing programs.

673 (iii) "Employer-assisted housing program" means a  
674 separate written plan of any employer (including, without  
675 limitation, tax-exempt organizations and public employers) for the  
676 exclusive benefit of the employer's employees to pay qualified



677 housing expenses to assist the employer's employees in securing  
678 affordable housing.

679 (iv) "Qualified housing expenses" means:

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

684 2. With respect to homeownership assistance,  
685 an amount not to exceed the lesser of Ten Thousand Dollars  
686 (\$10,000.00) or six percent (6%) of the purchase price of the  
687 employee's principal residence that is paid for the purpose of  
688 assisting employees with down payments, payment of closing costs,  
689 reduced interest mortgages, mortgage guarantee programs, mortgage  
690 forgiveness programs, equity contribution programs, or  
691 contributions to home buyer education and/or homeownership  
692 counseling of eligible employees.

693 (ff) For the 2010 taxable year and any taxable year  
694 thereafter, amounts converted in accordance with the United States  
695 Internal Revenue Code, as amended, from a traditional Individual  
696 Retirement Account to a Roth Individual Retirement Account. The  
697 exemption allowed under this paragraph (ff) shall be available to  
698 the spouse or other beneficiary at the death of the primary  
699 retiree.

700 (gg) Interest or dividends earned on an Individual  
701 Development Account as defined in Section 4 of this act.



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

703 (a) **Members of the Armed Forces.** Gross income does not  
704 include compensation received for active service as a member of  
705 the Armed Forces of the United States for any month during any  
706 part of which such member is in a missing status, as defined in  
707 paragraph (d) of this subsection, during the Vietnam Conflict as a  
708 result of such conflict.

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

713 (c) **Period of conflict.** For the purpose of this  
714 subsection, the Vietnam Conflict began February 28, 1961, and ends  
715 on the date designated by the President by Executive Order as the  
716 date of the termination of combatant activities in Vietnam. For  
717 the purpose of this subsection, an individual is in a missing  
718 status as a result of the Vietnam Conflict if immediately before  
719 such status began he was performing service in Vietnam or was  
720 performing service in Southeast Asia in direct support of military  
721 operations in Vietnam. "Southeast Asia," as used in this  
722 paragraph, is defined to include Cambodia, Laos, Thailand and  
723 waters adjacent thereto.

724 (d) "Missing status" means the status of an employee or  
725 member of the Armed Forces who is in active service and is  
726 officially carried or determined to be absent in a status of (i)



727 missing; (ii) missing in action; (iii) interned in a foreign  
728 country; (iv) captured, beleaguered or besieged by a hostile  
729 force; or (v) detained in a foreign country against his will; but  
730 does not include the status of an employee or member of the Armed  
731 Forces for a period during which he is officially determined to be  
732 absent from his post of duty without authority.

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

736 (f) "Employee" means one who is a citizen or national  
737 of the United States or an alien admitted to the United States for  
738 permanent residence and is a resident of the State of Mississippi  
739 and is employed in or under a federal executive agency or  
740 department of the Armed Forces.

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

745 (h) If refund or credit of any overpayment of tax for  
746 any taxable year resulting from the application of subsection (5)  
747 of this section is prevented by the operation of any law or rule  
748 of law, such refund or credit of such overpayment of tax may,  
749 nevertheless, be made or allowed if claim therefor is filed with  
750 the \* \* \* Department of Revenue within three (3) years after the  
751 date of the enactment of this subsection.



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

754 (6) A shareholder of an S corporation, as defined in Section  
755 27-8-3(1)(g), shall take into account the income, loss, deduction  
756 or credit of the S corporation only to the extent provided in  
757 Section 27-8-7(2).

758 **SECTION 15.** This act shall take effect and be in force from  
759 and after July 1, 2013.

