SENATE BILL NO. 2027

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

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:
SECTION 1. This act shall be known and may be cited as the "Family Savings Initiative Act."

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

(a) Provide individuals and families with limited means an opportunity to accumulate assets;
(b) Facilitate and mobilize savings;
(c) Promote homeownership, microenterprise development, education, saving for retirement, and automobile purchase; and
(d) Stabilize families and build communities.

SECTION 3. The Legislature hereby finds that:

(a) Americans of most economic classes are having increasing difficulty climbing the economic ladder. Fully, one-half (1/2) of all Americans have negligible or no investable assets just as the price of entry to the economic mainstream, such as the cost of a house, starting a business, an adequate education, establishing a retirement account, or purchasing an automobile, is increasing;
(b) Economic well-being does not come solely from income, spending and consumption, but also requires savings, investment and accumulation of assets, since assets can improve economic stability, connect people with a viable and hopeful future, stimulate development of human and other capital, enable
people to focus and specialize, yield personal and social
dividends, and enhance the welfare of offspring;

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

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

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

(f) Hundreds of thousands of Mississipians continue to
live in poverty. Poverty is a loss of human resources, an assault
on human dignity, and a drain on social and fiscal resources of
this state. Traditional public assistance programs, concentrating
on income and consumption, have rarely been successful in
promoting and supporting the transition to economic
self-sufficiency; and
(g) Income-based social policy should be complemented with asset-based social policy, because while income-based policies ensure that consumption needs, including food, childcare, rent, clothing and health care, are met, asset-based policies provide the means to achieve economic self-sufficiency and climb the economic ladder.

SECTION 4. As used in this act:

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

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

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

(i) An institution described in 20 USC, Section 1088(a)(1) or 1141(a), as such sections are in effect on January 1, 2000;

(ii) An area vocational education school, as defined in 20 USC, Section 2471(4), subparagraph (C) or (D), as such section is in effect on January 1, 2000; and

(iii) Any other accredited education or training organization.
(d) "Federal poverty level" means the poverty income guidelines published for a calendar year by the United States Department of Health and Human Services.

(e) "Fiduciary organization" means the organization that will serve as an intermediary between an individual development account holder and a financial institution holding account funds. A fiduciary organization shall be a not-for-profit organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, 26 USC, Section 501(c)(3), as in effect on January 1, 2000.

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

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

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

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

(j) "Postsecondary educational expenses" means:

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

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

(k) "Qualified acquisition costs" means:

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

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

(l) "Qualified business" means any business that does not contravene any law or public policy.
"Qualified business capitalization expenses" means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

"Qualified emergency withdrawals" means a withdrawal by an eligible individual that is a withdrawal of only those funds, or a portion of those funds, deposited by the individual in the individual development account of the individual, and is permitted by a fiduciary organization on a case-by-case basis in accordance with the rules established by the department.

"Qualified expenditures" means expenditures included in a qualified plan, including, but not limited to, capital, plant, equipment, working capital and inventory expenses.

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

"Qualified plan" means a plan for the operation of a business by an IDA account holder or an immediate family member thereof which:

(i) Is approved by a financial institution, or by a nonprofit microenterprise program or loan fund, having demonstrated business expertise;
(ii) Includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and

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

(r) "Qualified principal residence" means a principal residence within the meaning of Section 1034 of the Internal Revenue Code of 1986, 26 USC, Section 1034, as in effect on January 1, 2000, of an IDA account holder or an immediate family member thereof, the qualified acquisition costs of which do not exceed the average area purchase price applicable to such residence, determined in accordance with paragraphs (2) and (3) of Section 143(e) of the Internal Revenue Code, 26 USC, Section 143(e)(2) and (3), as in effect on January 1, 2000.

SECTION 5. (1) The Department of Human Services shall enter into contracts with one or more fiduciary organizations pursuant to the provisions of this section in such a manner that different regions of the state are served by one or more fiduciary organizations. An organization based in this state which desires to enter into such a contract shall submit a proposal to the department for the right to be approved as a fiduciary organization. Such proposals shall be made upon forms prescribed by the department and shall contain such information as the department may require.
(2) Organizations' proposals shall be evaluated and contracts awarded by the department on the basis of such items as geographic diversity and an organization's:

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

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

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

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

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

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

(g) Operating costs.

(3) For each contract entered into pursuant to the provisions of this section, the contract shall begin not later than October 1 of each year. The fiduciary organization shall use
not less than seventy percent (70%) for matching funds and not
more than thirty percent (30%) for operating and administrative
costs. Administrative costs shall be limited to ten percent (10%)
of the contract.

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

SECTION 6. (1) An individual who is a resident of this
state may submit an application to open an individual development
account to a fiduciary organization approved by the Department of
Human Services pursuant to the provisions of Section 5 of this
act. The fiduciary organization shall approve the application
only if:

(a) The individual has gross household income from all
sources for the calendar year preceding the year in which the
application is made which does not exceed two hundred percent
(200%) of the federal poverty level; and
(b) Individual's household net worth at the time the IDA account is opened does not exceed Ten Thousand Dollars ($10,000.00) disregarding the primary dwelling and one (1) motor vehicle owned by the household.

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

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

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

(b) If the amount of matching funds available are insufficient to disburse the maximum amounts specified in this subsection, amounts of disbursements shall be reduced proportionately based upon available funds.
(5) If an IDA account holder has gross household income from all sources for a calendar year which exceeds two hundred percent (200%) of the federal poverty level, the IDA account holder shall not be eligible to receive funds pursuant to the provisions of subsection (4) of this section in the following year.

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

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

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

(b) Amounts paid directly to a business capitalization account which is established in a federally insured financial
institution and is restricted to use solely for qualified business
capitalization expenses consistent with a qualified plan;
(c) Postsecondary educational expenses paid directly to
an eligible educational institution;
(d) Amounts paid directly to an individual retirement
account or education IRA established pursuant to federal law in
the name of the IDA account holder or an immediate family member
thereof;
(e) Qualified acquisition costs with respect to
purchase of an automobile, or costs of repair of an automobile, if
paid directly to a licensed automobile dealer or repair shop.
Such a purpose cannot be the sole purpose of the IDA.
Participants must also save for another approved purpose; and
(f) Qualified emergency withdrawals.
(2) Federal Temporary Assistance For Needy Families matching
funds shall only be used for the purposes set forth in paragraphs
(a), (b) and (c) of subsection (1) of this section.

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

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

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

SECTION 9. Each fiduciary organization shall provide quarterly to the Department of Human Services the following information:

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

(b) The amounts deposited in the IDA;

(c) The amounts not yet allocated to IDAs;

(d) The amounts withdrawn from the individual development accounts and the purposes for which the amounts were withdrawn;

(e) The balances remaining in the IDAs;

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

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

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

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

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

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

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

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

(4) (a) To claim the benefits of this section, a taxpayer must notify the fiduciary organization that the taxpayer intends to make a contribution and the amount of the contribution. The fiduciary organization shall then notify the department and request a certification from the department certifying the amount of the tax credit to which the taxpayer is entitled. The fiduciary organization shall deliver the certification to the taxpayer upon receipt of the contribution.

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

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

(6) The Department of Revenue shall promulgate any regulations necessary to carry out the provisions of this section.
SECTION 14. Section 27-7-15, Mississippi Code of 1972, is amended as follows:

27-7-15. (1) For the purposes of this article, except as otherwise provided, the term "gross income" means and includes the income of a taxpayer derived from salaries, wages, fees or compensation for service, of whatever kind and in whatever form paid, including income from governmental agencies and subdivisions thereof; or from professions, vocations, trades, businesses, commerce or sales, or renting or dealing in property, or reacquired property; also from annuities, interest, rents, dividends, securities, insurance premiums, reinsurance premiums, considerations for supplemental insurance contracts, or the transaction of any business carried on for gain or profit, or gains, or profits, and income derived from any source whatever and in whatever form paid. The amount of all such items of income shall be included in the gross income for the taxable year in which received by the taxpayer. The amount by which an eligible employee's salary is reduced pursuant to a salary reduction agreement authorized under Section 25-17-5 shall be excluded from the term "gross income" within the meaning of this article.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) National Guard or Reserve Forces of the United States compensation not to exceed the aggregate sum of Five Thousand Dollars ($5,000.00) for any taxable year through the 2005 taxable year, and not to exceed the aggregate sum of Fifteen Thousand Dollars ($15,000.00) for any taxable year thereafter.
(n) Compensation received for active service as a member below the grade of commissioned officer and so much of the compensation as does not exceed the maximum enlisted amount received for active service as a commissioned officer in the Armed Forces of the United States for any month during any part of which such members of the Armed Forces (i) served in a combat zone as designated by Executive Order of the President of the United States or a qualified hazardous duty area as defined by federal law, or both; or (ii) was hospitalized as a result of wounds, disease or injury incurred while serving in such combat zone. For the purposes of this paragraph (n), the term "maximum enlisted amount" means and has the same definition as that term has in 26 USCS 112.

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

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

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

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

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

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

(u) Interest, dividends, gains or income of any kind on any account in the Mississippi Affordable College Savings Trust Fund, as established in Sections 37-155-101 through 37-155-125, to the extent that such amounts remain on deposit in the MACS Trust Fund or are withdrawn pursuant to a qualified withdrawal, as defined in Section 37-155-105.
(v) Interest, dividends or gains accruing on the payments made pursuant to a prepaid tuition contract, as provided for in Section 37-155-17.

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

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

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

(z) Interest, dividends, gains or income of any kind on any account in a qualified tuition program and amounts received as distributions under a qualified tuition program shall be treated in the same manner as provided under the United States Internal Revenue Code, as amended. For the purposes of this paragraph (z), the term "qualified tuition program" means and has the same definition as that term has in 26 USCS 529.
(aa) The amount deposited in a health savings account, and any interest accrued thereon, that is a part of a health savings account program as specified in the Health Savings Accounts Act created in Sections 83-62-1 through 83-62-9; however, any amount withdrawn from such account for purposes other than paying qualified medical expenses or to procure health coverage shall be included in gross income, except as otherwise provided by Sections 83-62-7 and 83-62-9.

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

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

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

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

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

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

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

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

(iv) "Qualified housing expenses" means:

1. With respect to rental assistance, an amount not to exceed Two Thousand Dollars ($2,000.00) paid for the purpose of assisting employees with security deposits and rental subsidies; and
2. With respect to homeownership assistance, an amount not to exceed the lesser of Ten Thousand Dollars ($10,000.00) or six percent (6%) of the purchase price of the employee's principal residence that is paid for the purpose of
assisting employees with down payments, payment of closing costs, reduced interest mortgages, mortgage guarantee programs, mortgage forgiveness programs, equity contribution programs, or contributions to home buyer education and/or homeownership counseling of eligible employees.

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

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

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

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

(b) Civilian employees. Gross income does not include compensation received for active service as an employee for any month during any part of which such employee is in a missing status during the Vietnam Conflict as a result of such conflict.
(c) **Period of conflict.** For the purpose of this subsection, the Vietnam Conflict began February 28, 1961, and ends on the date designated by the President by Executive Order as the date of the termination of combatant activities in Vietnam. For the purpose of this subsection, an individual is in a missing status as a result of the Vietnam Conflict if immediately before such status began he was performing service in Vietnam or was performing service in Southeast Asia in direct support of military operations in Vietnam. "Southeast Asia," as used in this paragraph, is defined to include Cambodia, Laos, Thailand and waters adjacent thereto.

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

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

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

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

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

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

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

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