

By: Senator(s) Jackson (11th)

To: Finance

SENATE BILL NO. 2027

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 UTILIZED BY THE ACCOUNT HOLDER
4 FOR CERTAIN PURPOSES; TO AUTHORIZE THE DEPARTMENT OF HUMAN
5 SERVICES TO CONTRACT WITH FIDUCIARY ORGANIZATIONS TO SERVE AS
6 INTERMEDIARIES BETWEEN AN INDIVIDUAL DEVELOPMENT ACCOUNT HOLDER
7 AND A FINANCIAL INSTITUTION HOLDING ACCOUNT FUNDS; TO PROVIDE THAT
8 THE GROSS HOUSEHOLD INCOME OF INDIVIDUAL RETIREMENT ACCOUNT
9 HOLDERS MAY NOT EXCEED 200% OF THE POVERTY LEVEL AND THE ACCOUNT
10 HOLDER'S NET WORTH MAY NOT EXCEED \$10,000.00; TO REQUIRE
11 INDIVIDUALS OPENING AN INDIVIDUAL DEVELOPMENT ACCOUNT TO ENTER
12 INTO AN AGREEMENT WITH A FIDUCIARY ORGANIZATION; TO PROVIDE THAT
13 THE FIDUCIARY ORGANIZATION SHALL PROVIDE MATCHING FUNDS FOR THE
14 AMOUNT CONTRIBUTED TO THE INDIVIDUAL DEVELOPMENT ACCOUNT BY THE
15 INDIVIDUAL DEVELOPMENT ACCOUNT HOLDER; TO LIMIT THE AMOUNT OF
16 MATCHING FUNDS THAT MAY BE PROVIDED FOR AN INDIVIDUAL DEVELOPMENT
17 ACCOUNT; TO PROVIDE THE PURPOSES FOR WHICH INDIVIDUAL DEVELOPMENT
18 ACCOUNTS MAY BE UTILIZED; TO PROVIDE CIVIL PENALTIES FOR THE
19 WITHDRAWAL OF INDIVIDUAL DEVELOPMENT ACCOUNT FUNDS FOR PURPOSES
20 OTHER THAN THOSE AUTHORIZED UNDER THIS ACT; TO REQUIRE FIDUCIARY
21 ORGANIZATIONS TO MAKE QUARTERLY REPORTS TO THE DEPARTMENT OF HUMAN
22 SERVICES CONTAINING CERTAIN INFORMATION; TO PROVIDE THAT FUNDS
23 DEPOSITED IN AN INDIVIDUAL DEVELOPMENT ACCOUNT, SHALL NOT BE
24 COUNTED AS INCOME, ASSETS OR RESOURCES OF THE INDIVIDUAL IN
25 DETERMINING FINANCIAL ELIGIBILITY FOR ASSISTANCE OR SERVICES
26 PURSUANT TO ANY FEDERAL, FEDERALLY ASSISTED, STATE OR MUNICIPAL
27 PROGRAM BASED ON NEED; TO AUTHORIZE A CREDIT AGAINST STATE INCOME
28 TAX LIABILITY FOR TAXPAYERS WHO CONTRIBUTE MATCHING FUNDS TO A
29 FIDUCIARY ORGANIZATION; TO LIMIT THE AMOUNT OF SUCH CREDIT; TO
30 AMEND SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO EXCLUDE FROM
31 GROSS INCOME INTEREST OR DIVIDEND EARNED ON AN INDIVIDUAL
32 DEVELOPMENT ACCOUNT; 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 hereby 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(a)(1) or 1141(a), as such sections are in effect on January
100 1, 2000;

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

104 (iii) Any other accredited education or training
105 organization.



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

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

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

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

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

129 (i) "Operating costs" includes, but is not limited to,
130 costs of training IDA participants in economic and financial



131 literacy and IDA uses, marketing participation, counseling
132 participants and conducting required verification and compliance
133 activities.

134 (j) "Postsecondary educational expenses" means:

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

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

143 (k) "Qualified acquisition costs" means:

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

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

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



156 (m) "Qualified business capitalization expenses" means
157 qualified expenditures for the capitalization of a qualified
158 business pursuant to a qualified plan.

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

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

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

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

176 (i) Is approved by a financial institution, or by
177 a nonprofit microenterprise program or loan fund, having
178 demonstrated business expertise;



179 (ii) Includes a description of services or goods
180 to be sold, a marketing plan, and projected financial statements;
181 and

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

184 (r) "Qualified principal residence" means a principal
185 residence within the meaning of Section 1034 of the Internal
186 Revenue Code of 1986, 26 USC, Section 1034, as in effect on
187 January 1, 2000, of an IDA account holder or an immediate family
188 member thereof, the qualified acquisition costs of which do not
189 exceed the average area purchase price applicable to such
190 residence, determined in accordance with paragraphs (2) and (3) of
191 Section 143(e) of the Internal Revenue Code, 26 USC, Section
192 143(e) (2) and (3), as in effect on January 1, 2000.

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



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

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

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

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

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

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

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

224 (g) Operating costs.

225 (3) For each contract entered into pursuant to the
226 provisions of this section, the contract shall begin not later
227 than October 1 of each year. The fiduciary organization shall use



228 not less than seventy percent (70%) for matching funds and not
229 more than thirty percent (30%) for operating and administrative
230 costs. Administrative costs shall be limited to ten percent (10%)
231 of the contract.

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

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

249 (a) The individual has gross household income from all
250 sources for the calendar year preceding the year in which the
251 application is made which does not exceed two hundred percent
252 (200%) of the federal poverty level; and



253 (b) Individual's household net worth at the time the
254 IDA account is opened does not exceed Ten Thousand Dollars
255 (\$10,000.00) disregarding the primary dwelling and one (1) motor
256 vehicle owned by the household.

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

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

262 (4) (a) Each fiduciary organization shall provide written
263 notification to each of its eligible IDA account holders of the
264 amount of matching funds provided by the fiduciary to which each
265 such IDA account holder is entitled. Such notification shall be
266 made at such intervals as the fiduciary organization deems
267 appropriate, but shall be required to be made at least once each
268 calendar year. The amount of such matching funds for each IDA
269 account holder shall be Three Dollars (\$3.00) for each One Dollar
270 (\$1.00) contributed to the IDA by the IDA account holder during
271 the preceding calendar year. The amount of such matching funds
272 shall not exceed Two Thousand Dollars (\$2,000.00) per IDA account
273 holder or Four Thousand Dollars (\$4,000.00) per household.

274 (b) If the amount of matching funds available are
275 insufficient to disburse the maximum amounts specified in this
276 subsection, amounts of disbursements shall be reduced
277 proportionately based upon available funds.



278 (5) If an IDA account holder has gross household income from
279 all sources for a calendar year which exceeds two hundred percent
280 (200%) of the federal poverty level, the IDA account holder shall
281 not be eligible to receive funds pursuant to the provisions of
282 subsection (4) of this section in the following year.

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

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

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

300 (b) Amounts paid directly to a business capitalization
301 account which is established in a federally insured financial



302 institution and is restricted to use solely for qualified business
303 capitalization expenses consistent with a qualified plan;

304 (c) Postsecondary educational expenses paid directly to
305 an eligible educational institution;

306 (d) Amounts paid directly to an individual retirement
307 account or education IRA established pursuant to federal law in
308 the name of the IDA account holder or an immediate family member
309 thereof;

310 (e) Qualified acquisition costs with respect to
311 purchase of an automobile, or costs of repair of an automobile, if
312 paid directly to a licensed automobile dealer or repair shop.

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

314 Participants must also save for another approved purpose; and

315 (f) Qualified emergency withdrawals.

316 (2) Federal Temporary Assistance For Needy Families matching
317 funds shall only be used for the purposes set forth in paragraphs
318 (a), (b) and (c) of subsection (1) of this section.

319 **SECTION 8.** (1) If the fiduciary organization receives
320 evidence that monies withdrawn from IDAs are withdrawn under false
321 pretenses or are used for purposes other than for the approved
322 purposes indicated at the time of the withdrawal, the fiduciary
323 organization shall make arrangements with the financial
324 institution to impose a penalty of loss of matches and may, at its
325 discretion, close the account. All penalties collected by
326 fiduciary organizations shall remain with the fiduciary



327 organization to distribute as matching funds to other eligible
328 individuals.

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

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

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

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

342 (b) The amounts deposited in the IDA;

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

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

347 (e) The balances remaining in the IDAs;

348 (f) The service configurations (such as peer support,
349 structured planning exercises, mentoring, and case management)
350 which increased the rate and consistency of participation in the



351 demonstration project and how such configurations varied among
352 different populations or communities; and

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

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

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

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

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

373 (2) A credit shall be allowed against the income tax
374 liability imposed by Section 27-7-5 for any Mississippi taxpayer
375 who contributes to a fiduciary organization created pursuant to



376 this act in an amount equal to fifty percent (50%) of the amount
377 of matching funds contributed to a fiduciary organization during
378 the calendar year.

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

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

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

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

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



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

402 27-7-15. (1) For the purposes of this article, except as
403 otherwise provided, the term "gross income" means and includes the
404 income of a taxpayer derived from salaries, wages, fees or
405 compensation for service, of whatever kind and in whatever form
406 paid, including income from governmental agencies and subdivisions
407 thereof; or from professions, vocations, trades, businesses,
408 commerce or sales, or renting or dealing in property, or
409 reacquired property; also from annuities, interest, rents,
410 dividends, securities, insurance premiums, reinsurance premiums,
411 considerations for supplemental insurance contracts, or the
412 transaction of any business carried on for gain or profit, or
413 gains, or profits, and income derived from any source whatever and
414 in whatever form paid. The amount of all such items of income
415 shall be included in the gross income for the taxable year in
416 which received by the taxpayer. The amount by which an eligible
417 employee's salary is reduced pursuant to a salary reduction
418 agreement authorized under Section 25-17-5 shall be excluded from
419 the term "gross income" within the meaning of this article.

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

423 (a) **Dealers in property.** Federal rules, regulations
424 and revenue procedures shall be followed with respect to



425 installment sales unless a transaction results in the shifting of
426 income from inside the state to outside the state.

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

428 (i) Prior to January 1, 2001, federal rules,
429 regulations and revenue procedures shall be followed with respect
430 to installment sales except they shall be applied and administered
431 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
432 106th Congress, had not been enacted. This provision will
433 generally affect taxpayers, reporting on the accrual method of
434 accounting, entering into installment note agreements on or after
435 December 17, 1999. Any gain or profit resulting from the casual
436 sale of property will be recognized in the year of sale.

437 (ii) From and after January 1, 2001, federal
438 rules, regulations and revenue procedures shall be followed with
439 respect to installment sales except as provided in this
440 subparagraph (ii). Gain or profit from the casual sale of
441 property shall be recognized in the year of sale. When a taxpayer
442 recognizes gain on the casual sale of property in which the gain
443 is deferred for federal income tax purposes, a taxpayer may elect
444 to defer the payment of tax resulting from the gain as allowed and
445 to the extent provided under regulations prescribed by the
446 commissioner. If the payment of the tax is made on a deferred
447 basis, the tax shall be computed based on the applicable rate for
448 the income reported in the year the payment is made. Except as
449 otherwise provided in subparagraph (iii) of this paragraph (b),



450 deferring the payment of the tax shall not affect the liability
451 for the tax. If at any time the installment note is sold,
452 contributed, transferred or disposed of in any manner and for any
453 purpose by the original note holder, or the original note holder
454 is merged, liquidated, dissolved or withdrawn from this state,
455 then all deferred tax payments under this section shall
456 immediately become due and payable.

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

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

471 (d) **Affiliated companies or persons.** As regards sales,
472 exchanges or payments for services from one to another of
473 affiliated companies or persons or under other circumstances where
474 the relation between the buyer and seller is such that gross



475 proceeds from the sale or the value of the exchange or the payment
476 for services are not indicative of the true value of the subject
477 matter of the sale, exchange or payment for services, the
478 commissioner shall prescribe uniform and equitable rules for
479 determining the true value of the gross income, gross sales,
480 exchanges or payment for services, or require consolidated returns
481 of affiliates.

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

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

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

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

497 (a) The proceeds of life insurance policies and
498 contracts paid upon the death of the insured. However, the income



499 from the proceeds of such policies or contracts shall be included
500 in the gross income.

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

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

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

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

519 (f) Income received by any religious denomination or by
520 any institution or trust for moral or mental improvements,
521 religious, Bible, tract, charitable, benevolent, fraternal,
522 missionary, hospital, infirmary, educational, scientific,
523 literary, library, patriotic, historical or cemetery purposes or



524 for two (2) or more of such purposes, if such income be used
525 exclusively for carrying out one or more of such purposes.

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

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

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

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

546 (k) Amounts received as retirement allowances,
547 pensions, annuities or optional retirement allowances paid under
548 the federal Social Security Act, the Railroad Retirement Act, the



549 Federal Civil Service Retirement Act, or any other retirement
550 system of the United States government, retirement allowances paid
551 under the Mississippi Public Employees' Retirement System,
552 Mississippi Highway Safety Patrol Retirement System or any other
553 retirement system of the State of Mississippi or any political
554 subdivision thereof. The exemption allowed under this paragraph
555 (k) shall be available to the spouse or other beneficiary at the
556 death of the primary retiree.

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

568 (m) National Guard or Reserve Forces of the United
569 States compensation not to exceed the aggregate sum of Five
570 Thousand Dollars (\$5,000.00) for any taxable year through the 2005
571 taxable year, and not to exceed the aggregate sum of Fifteen
572 Thousand Dollars (\$15,000.00) for any taxable year thereafter.



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

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

588 (p) The amount representing the difference between the
589 increase of gross income derived from sales for export outside the
590 United States as compared to the preceding tax year wherein gross
591 income from export sales was highest, and the net increase in
592 expenses attributable to such increased exports. In the absence
593 of direct accounting, the ratio of net profits to total sales may
594 be applied to the increase in export sales. This paragraph (p)
595 shall only apply to businesses located in this state engaging in
596 the international export of Mississippi goods and services. Such



597 goods or services shall have at least fifty percent (50%) of value
598 added at a location in Mississippi.

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

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

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

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

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



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

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

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

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

639 (z) Interest, dividends, gains or income of any kind on
640 any account in a qualified tuition program and amounts received as
641 distributions under a qualified tuition program shall be treated
642 in the same manner as provided under the United States Internal
643 Revenue Code, as amended. For the purposes of this paragraph (z),
644 the term "qualified tuition program" means and has the same
645 definition as that term has in 26 USCS 529.



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

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

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

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

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

668 (i) "Qualified individual" means any individual
669 whose household income does not exceed one hundred twenty percent
670 (120%) of the area median gross income (as defined by the United



671 States Department of Housing and Urban Development), adjusted for
672 household size, for the area in which the housing is located.

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

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

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

687 (iv) "Qualified housing expenses" means:

- 688 1. With respect to rental assistance, an
689 amount not to exceed Two Thousand Dollars (\$2,000.00) paid for the
690 purpose of assisting employees with security deposits and rental
691 subsidies; and

- 692 2. With respect to homeownership assistance,
693 an amount not to exceed the lesser of Ten Thousand Dollars
694 (\$10,000.00) or six percent (6%) of the purchase price of the
695 employee's principal residence that is paid for the purpose of



696 assisting employees with down payments, payment of closing costs,
697 reduced interest mortgages, mortgage guarantee programs, mortgage
698 forgiveness programs, equity contribution programs, or
699 contributions to home buyer education and/or homeownership
700 counseling of eligible employees.

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

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

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

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

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



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

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

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

744 (f) "Employee" means one who is a citizen or national
745 of the United States or an alien admitted to the United States for



746 permanent residence and is a resident of the State of Mississippi
747 and is employed in or under a federal executive agency or
748 department of the Armed Forces.

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

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

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

762 (6) A shareholder of an S corporation, as defined in Section
763 27-8-3(1)(g), shall take into account the income, loss, deduction
764 or credit of the S corporation only to the extent provided in
765 Section 27-8-7(2).

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

