

By: Representative Staples

To: Ways and Means

HOUSE BILL NO. 1571

1 AN ACT TO CREATE THE MISSISSIPPI SAVINGS INITIATIVE; 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 MISSISSIPPI DEPARTMENT OF
5 BANKING AND CONSUMER FINANCE TO CONTRACT WITH FIDUCIARY
6 ORGANIZATIONS TO SERVE AS INTERMEDIARIES BETWEEN INDIVIDUAL
7 DEVELOPMENT ACCOUNT HOLDERS AND FINANCIAL INSTITUTIONS HOLDING
8 ACCOUNT FUNDS; TO PROVIDE THAT THE GROSS HOUSEHOLD INCOME OF
9 INDIVIDUAL RETIREMENT ACCOUNT HOLDERS MAY NOT EXCEED 185% OF THE
10 POVERTY LEVEL AND THE ACCOUNT HOLDER'S NET WORTH MAY NOT EXCEED
11 \$10,000.00; TO REQUIRE INDIVIDUALS OPENING AN INDIVIDUAL
12 DEVELOPMENT ACCOUNT TO ENTER INTO AN AGREEMENT WITH A FIDUCIARY
13 ORGANIZATION; TO PROVIDE THAT THE FIDUCIARY ORGANIZATION SHALL
14 PROVIDE MATCHING FUNDS FOR AMOUNTS CONTRIBUTED TO THE INDIVIDUAL
15 DEVELOPMENT ACCOUNT BY THE INDIVIDUAL DEVELOPMENT ACCOUNT HOLDER;
16 TO LIMIT THE AMOUNT OF MATCHING FUNDS THAT MAY BE PROVIDED FOR AN
17 INDIVIDUAL DEVELOPMENT ACCOUNT; TO PROVIDE THE PURPOSES FOR WHICH
18 INDIVIDUAL DEVELOPMENT ACCOUNTS MAY BE UTILIZED; TO PROVIDE CIVIL
19 PENALTIES FOR THE WITHDRAWAL OF INDIVIDUAL DEVELOPMENT ACCOUNT
20 FUNDS FOR PURPOSES OTHER THAN THOSE AUTHORIZED UNDER THIS ACT; TO
21 REQUIRE FIDUCIARY ORGANIZATIONS TO MAKE QUARTERLY REPORTS TO THE
22 MISSISSIPPI DEPARTMENT OF BANKING AND CONSUMER FINANCE CONTAINING
23 CERTAIN INFORMATION; TO PROVIDE THAT FUNDS DEPOSITED IN AN
24 INDIVIDUAL DEVELOPMENT ACCOUNT, SHALL NOT BE COUNTED AS INCOME,
25 ASSETS OR RESOURCES OF THE INDIVIDUAL IN DETERMINING FINANCIAL
26 ELIGIBILITY FOR ASSISTANCE OR SERVICES PURSUANT TO ANY FEDERAL,
27 FEDERALLY ASSISTED, STATE OR MUNICIPAL PROGRAM BASED ON NEED; TO
28 AUTHORIZE A TAX BENEFIT AGAINST STATE INCOME TAX LIABILITY FOR
29 TAXPAYERS WHO CONTRIBUTE MATCHING FUNDS TO A FIDUCIARY
30 ORGANIZATION; TO LIMIT THE AMOUNT OF SUCH TAX BENEFIT; TO AMEND
31 SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO EXCLUDE FROM GROSS
32 INCOME INTEREST OR DIVIDEND EARNED ON AN INDIVIDUAL DEVELOPMENT
33 ACCOUNT AND ANY MONEY WITHDRAWN FROM AN INDIVIDUAL DEVELOPMENT



34 ACCOUNT THAT IS USED FOR A QUALIFIED PURPOSE; AND FOR RELATED
35 PURPOSES.

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

37 **SECTION 1.** Sections 1 through 15 of this act shall be known
38 and may be cited as the "Mississippi Savings Initiative."

39 **SECTION 2.** The purpose of this act is to provide for the
40 establishment of individual development accounts and to authorize
41 the Mississippi Department of Banking and Consumer Finance to
42 contract with fiduciary organizations to serve as intermediaries
43 between individual development account holders and financial
44 institutions holding account funds. The accounts are designed to:

45 (a) Provide low-wealth, unbanked and under-banked
46 Mississippians an opportunity to gain economic stability to become
47 self-sufficient and less reliant on public assistance;

48 (b) Encourage and mobilize savings;

49 (c) Assist in purchasing a home or paying the cost of
50 major repairs to an existing home, starting or expanding a
51 business, paying the cost of postsecondary education, paying the
52 cost-assistive technology for people with disabilities, and paying
53 the cost of an automobile purchase; and

54 (d) Strengthen families and build sustainable
55 communities within Mississippi.

56 **SECTION 3.** As used in Sections 1 through 15 of this act:

57 (a) "Administrative costs" includes, but is not limited
58 to, soliciting matching funds, processing fees charged by the
59 fiduciary organization or financial institution, and traditional



60 overhead costs. Administrative costs shall be limited to no more
61 than fifteen percent (15%) of the contract.

62 (b) "Eligible educational institution" means the
63 following:

64 (i) An institution described in 20 USC Section
65 1088(a)(1) or 1141(a), as such sections are in effect on July 1,
66 2017;

67 (ii) An area vocational education school, as
68 defined in 20 USC Section 2471(4), subparagraph (C) or (D), as
69 such section is in effect on July 1, 2017; and

70 (iii) Any other accredited education or training
71 organization.

72 (c) "Emergency" means payments for necessary medical
73 expenses of the account owner or family member, expenses to avoid
74 the eviction of the account owner from the account owner's primary
75 residence and for necessary living expenses following a loss of
76 income.

77 (d) "Federal poverty level" means the poverty income
78 guidelines published for a calendar year by the United States
79 Department of Human Services.

80 (e) "Fiduciary organization" means any nonprofit,
81 fund-raising organization that is exempt from taxation under
82 Section 501(c)(3) of the Internal Revenue Code, as amended, any
83 certified community development financial institution or any
84 credit union chartered under federal or state law.



85 (f) "Financial institution" means a federally insured
86 bank, trust company, savings bank, building and loan association,
87 savings and loan company or association, or credit union
88 authorized to do business in this state.

89 (g) "First-time homebuyer" means a person who has not
90 been named on a legally recorded homeownership title for a minimum
91 of thirty-six (36) months.

92 (h) "Individual Development Account" or "IDA" means an
93 account established for an eligible individual or family member as
94 part of a qualified individual development account program with
95 the following requirements:

96 (i) The sole owner of the account is the
97 individual or family member for whom the account was created;

98 (ii) The holder of the account is a qualified
99 financial institution;

100 (iii) The assets of the account may not be
101 commingled with other property except in a common trust fund or
102 common investment fund; and

103 (iv) Any amount in the account shall be paid out
104 only for the qualified purposes of the account owner, except if it
105 meets the qualifications of an emergency use.

106 (i) "MDBCFC" means the Mississippi Department of Banking
107 and Consumer Finance.

108 (j) "Parallel account" means a separate parallel
109 account for all matching funds and earnings dedicated to



110 individual development account owners, the sole holder of which is
111 a qualified financial institution, or a qualified fiduciary
112 organization.

113 (k) "Postsecondary educational expenses" means:

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

118 (ii) Fees, books, supplies and equipment
119 (including computer, software, etc.) required for courses of
120 instruction for an IDA account holder or an immediate family
121 member of the account holder who is a student at an eligible
122 educational institution.

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

128 (m) "Qualified purposes" means any of the purposes for
129 which the account owner's accumulated savings and matching funds
130 may be used as described in Section 6 of this act.

131 **SECTION 4.** (1) An individual who is a resident of this
132 state may submit an application to open an individual development
133 account to a fiduciary organization approved by the MDBCFC. The
134 fiduciary organization shall approve the application only if:



135 (a) The individual has gross household income from all
136 sources for the calendar year preceding the year in which the
137 application is made which does not exceed one hundred eighty-five
138 percent (185%) of the federal poverty level; and

139 (b) Individual household net worth at the time the IDA
140 account is opened does not exceed Ten Thousand Dollars
141 (\$10,000.00) disregarding the primary dwelling and one (1) motor
142 vehicle owned by the household.

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

145 (3) The IDA agreement shall provide for the amount of the
146 savings deposits, the match fund rate, the asset goal, the
147 financial literacy classes to be completed, any additional
148 training specific to the asset, the financial counseling the
149 individual will attend and any other services designed to increase
150 the independence of the person through the achievement of the
151 account's approved purpose.

152 (4) Before becoming eligible to receive matching funds to
153 pay for qualified purposes, individual development account owners
154 shall complete a financial literacy education course offered by a
155 qualified financial institution, a qualified fiduciary
156 organization, or a governmental entity in accordance with federal
157 guidelines.



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

161 (6) Each fiduciary organization shall provide written
162 notification to each of its eligible IDA account holders of the
163 amount of matching funds provided by the fiduciary to which each
164 such IDA account holder is entitled. Such notification shall be
165 made at such intervals as the fiduciary organization deems
166 appropriate, but shall be required to be made at least once each
167 calendar year. The amount of the matching funds for each IDA
168 account holder shall be Three Dollars (\$3.00) for each One Dollar
169 (\$1.00) contributed to the IDA by the IDA account holder during
170 the preceding calendar year.

171 (7) In order to receive matching funds, the account owner
172 must:

- 173 (a) Have saved for a minimum of six (6) months;
- 174 (b) Have reached his or her savings goal; and
- 175 (c) Have completed a financial literacy education
176 course offered by a qualified financial institution, a qualified
177 fiduciary organization, or a governmental entity in accordance
178 with federal guidelines.

179 (8) Once requirements in Section 7 of this act have been
180 fulfilled, the appropriate matching funds shall be transferred
181 from the parallel account directly to the vendor or service
182 provider of the approved asset.



183 (9) If the amount of matching funds available is
184 insufficient to disburse the maximum amounts specified in this
185 section, amounts of disbursements shall be reduced proportionately
186 based upon available funds.

187 **SECTION 5.** (1) Deposits to individual development accounts
188 made by the account owner shall come from earned income,
189 including, but not limited to, wages, earned income tax credit
190 returns, child support payments, supplemental security income
191 (SSI), disability benefits, community service under Temporary
192 Assistance For Needy Families (TANF), AmeriCorps stipends, VISTA
193 stipends, and job training programs. Matching funds shall only be
194 used for qualified purposes.

195 (2) Eligible individuals shall certify that their deposits
196 do not exceed their income. The maximum amount of deposits made
197 by an account owner may not exceed Two Thousand Dollars
198 (\$2,000.00).

199 (3) If an IDA account holder has gross household income from
200 all sources for a calendar year which exceeds one hundred
201 eighty-five percent (185%) of the federal poverty level, the IDA
202 account holder shall not be eligible to receive funds pursuant to
203 the provisions of Sections 1 through 15 of this act in the
204 following year.

205 (4) In the event of an IDA account holder's death, the
206 account may be transferred to the ownership of a contingent
207 beneficiary or beneficiaries. An account holder shall name a



208 contingent beneficiary or beneficiaries at the time the account is
209 established and may change such beneficiary or beneficiaries at
210 any time. If the named beneficiary or beneficiaries are deceased
211 or cannot otherwise accept the transfer, the monies shall be
212 transferred to the fiduciary organization to redistribute as
213 matching funds.

214 **SECTION 6.** (1) Individual development accounts shall be
215 used for any of the following qualified purposes:

216 (a) Paying the expenses of securing postsecondary
217 education, including, but not limited to, community college
218 courses, courses at a four-year college or university or
219 post-college graduate courses for the account owner or any member
220 of the account owner's family that are paid directly to an
221 eligible educational institution;

222 (b) Paying the expenses of securing of postsecondary
223 occupational training, including, but not limited to, vocational
224 or trade school training for the account owner or any training
225 authorized under the Workforce Investment Act through the
226 Mississippi Department of Employment Security; however, such
227 payments must be made directly to the provider of such training;

228 (c) Payments for a principal residence for an account
229 owner who is a first-time homebuyer, or the costs of major repairs
230 or improvements to the principal residence of an account holder;
231 however, such payments must be paid directly to the persons to
232 whom the amounts are due;



233 (d) Amounts paid directly to a business capitalization
234 account which is established in a federally insured financial
235 institution and is restricted to use solely for qualified business
236 capitalization expenses;

237 (e) Payments for the purchase of an automobile
238 necessary to transport the account owner or a family member to a
239 place of employment or education, or payments for costs of repair
240 of such an automobile; however, payments must be paid directly to
241 a licensed automobile dealer or repair shop and this purpose
242 cannot be the sole purpose of the IDA;

243 (f) Purchase assistive technology for people with
244 disabilities, including, but not limited to, screen readers for
245 computers, assistive listening devices, accessible hand control
246 for automobiles and motorized wheelchairs; however, payments must
247 be paid directly to the assistive technology provider;

248 (g) Qualified emergency withdrawals as provided in
249 subsection (2) of this section; and

250 (h) Any other activity based on a plan approved by
251 MDBCF.

252 (2) If an emergency occurs, an account owner may withdraw
253 all or part of the account owner's deposits to an individual
254 development account with the approval of the fiduciary
255 organization. The account owner shall reimburse his or her
256 individual development account for the amount withdrawn under this
257 section within twelve (12) months after the date of the



258 withdrawal. Failure of the account owner to make a timely
259 reimbursement to the account will remove the account owner from
260 the program. Until the reimbursement has been made in full, an
261 account owner may not withdraw any matching funds or accrued
262 interest on matching funds from the account.

263 (3) If an account owner withdraws money from an individual
264 development account for any purpose other than a qualified
265 purpose, the fiduciary organization shall remove the account owner
266 from the program.

267 **SECTION 7.** (1) If the fiduciary organization receives
268 evidence that any money withdrawn from an IDA account is withdrawn
269 under false pretenses or is used for purposes other than for the
270 approved purposes indicated at the time of the withdrawal, the
271 fiduciary organization shall make arrangements with the financial
272 institution to impose a penalty for the loss of matching funds and
273 may, at its discretion, close the account. All penalties
274 collected by fiduciary organizations shall remain with the
275 fiduciary organization to distribute as matching funds to other
276 eligible individuals.

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



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

284 **SECTION 8.** An organization based in this state which desires
285 to enter into such a contract shall submit a proposal to the MDBC
286 for the right to be approved as a fiduciary organization. The
287 MDBC shall select fiduciary organizations through competitive
288 processes. Proposals of organizations shall be evaluated and
289 contracts awarded by the MDBC on the basis of such items as
290 geographic diversity and an organization's:

291 (a) Ability to implement and administer the individual
292 development account program, including the ability to verify
293 account owner eligibility, certify that matching funds are used
294 only for qualified purposes, and exercise general fiscal
295 accountability;

296 (b) Capacity to provide or raise matching funds for the
297 deposits of account owners;

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

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



305 (e) Capacity to provide, or to arrange for the
306 provisions of, financial counseling, financial literacy education
307 and training specific to the assets the account owners will be
308 purchasing, and other related services to account owners;

309 (f) Connection to other activities and programs
310 designed to increase the independence of this state's low-income
311 households and individuals through education and training,
312 homeownership, small business capitalization, and other
313 asset-building programs;

314 (g) Program design, including match rates and savings
315 goals, to lead to asset purchase; and

316 (h) Operating costs.

317 **SECTION 9.** (1) For each contract entered into pursuant to
318 the provisions of this section, the contract shall begin no later
319 than October 1 of each year. The fiduciary organization shall use
320 not less than seventy percent (70%) for matching funds. The
321 fiduciary organization shall use not more than fifteen percent
322 (15%) for operating costs and not more than fifteen percent (15%)
323 for administrative costs.

324 (2) Responsibilities of a fiduciary organization shall
325 include, but not be limited to, marketing participation,
326 soliciting matching contributions, counseling project
327 participants, conducting basic economic and financial literacy
328 training and IDA use training for project participants and
329 conducting required verification and compliance activities.



330 Neither a fiduciary organization nor an employee of, or person
331 associated with, a fiduciary organization, shall receive anything
332 of value, other than compensation for services, for any act
333 performed in connection with the establishment of an IDA or in
334 furtherance of the provisions of Sections 1 through 15 of this
335 act.

336 (3) Subject to rules promulgated by the MDBCF, a fiduciary
337 organization has sole authority over, and responsibility for, the
338 administration of individual development accounts. The
339 responsibility of the fiduciary organization extends to all
340 aspects of the account program, including marketing to all
341 eligible individuals and families, soliciting matching funds,
342 counseling account owners, providing financial literacy education
343 and conducting required verification and compliance activities.
344 The fiduciary organization may establish program provisions as the
345 organization believes necessary to ensure account owner compliance
346 with Sections 1 through 15 of this act.

347 (4) A fiduciary organization may act in partnership with
348 other entities, including businesses, government agencies,
349 corporations, nonprofit organizations, community action programs,
350 community development corporations, housing authorities and
351 faith-based entities, to assist in the fulfillment of its
352 responsibilities under Sections 1 through 15 of this act.

353 (5) A fiduciary organization may use a reasonable portion of
354 money allocated by the Legislature to the individual development



355 account program for administration, operation and research, and
356 evaluation purposes. A fiduciary organization may not expend more
357 than fifteen percent (15%) of allocated funds for those purposes.
358 Research can be conducted in partnership with a university or
359 state-funding organization.

360 (6) A fiduciary organization selected by the MDBCF to
361 administer funds allocated for family empowerment initiative
362 purposes shall provide the MDBCF an annual report based on
363 regularly collected data of the fiduciary organization's family
364 empowerment initiative program activity. The report shall be
365 filed not later than ninety (90) days after the end of the fiscal
366 year. The report shall include, but is not limited to, the
367 following:

368 (a) The number of individual development accounts
369 administered by the fiduciary organization.

370 (b) The amount of deposits and matching funds for each
371 account.

372 (c) The asset purchase goal of each account.

373 (d) The number of withdrawals made.

374 (e) Any other information the MDBCF may require for the
375 purpose of determining whether the family empowerment initiative
376 program is achieving the purposes for which it was established.

377 (7) Each fiduciary organization shall provide quarterly to
378 the MDBCF the following information:



379 (a) The number of individuals making deposits into an
380 individual development account;

381 (b) The amounts deposited in the individual development
382 account;

383 (c) The amounts not yet allocated to individual
384 development accounts;

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

388 (e) The balances remaining in the individual
389 development accounts;

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

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

397 (8) The MDBCf shall make all reasonable and necessary rules
398 to ensure the fiduciary organization's compliance with Sections 1
399 through 15 of this act.

400 **SECTION 10.** The MDBCf shall prepare a written report
401 annually regarding the implementation of the Mississippi Savings
402 Initiative and shall make recommendations for improving the
403 program. The report shall be filed with the Secretary of the



404 Senate and the Clerk of the House of Representatives on or before
405 August 1 of each year.

406 **SECTION 11.** Financial institutions holding individual
407 development accounts, at a minimum, shall:

408 (a) Keep the account in the name of the account owner.

409 (b) Permit deposits to be made in the account.

410 (c) Require the account to earn a market rate of
411 interest.

412 (d) Maintain the individual development accounts as fee
413 free.

414 (e) Permit the account owner, after obtaining the
415 written authorization of the fiduciary organization, to withdraw
416 money from the account for any qualified purpose.

417 **SECTION 12.** Any individual, business, organization or other
418 entity may contribute matching funds to a fiduciary organization.
419 The funds shall be designated to the fiduciary organization to
420 allocate to all its participants on a proportionate basis.

421 **SECTION 13.** (1) An account owner's savings and matching
422 funds shall not affect his or her eligibility for any means tested
423 public benefits, including, but not limited to, Medicaid, state
424 children's health insurance programs, Temporary Assistance to
425 Needy Families (TANF), Supplemental Nutrition Assistance Program
426 (SNAP), supplemental security income, government subsidized foster
427 care and adoption payments and child care or housing payments.



428 (2) Except as otherwise provided in this section, funds
429 deposited in individual development accounts shall not be counted
430 as income, assets or resources of the account owner for the
431 purpose of determining financial eligibility for assistance or
432 service pursuant to any federal, federally assisted, state, or
433 municipal program based on need.

434 (3) Except as otherwise provided in this section, money
435 deposited into individual development accounts shall not be
436 included in gross income for income tax purposes. Any amount
437 withdrawn from a parallel account shall not be included in an
438 eligible individual's gross income for income tax purposes.

439 (4) Money withdrawn from an individual development account
440 shall not be included in gross income unless it is not used for a
441 qualified purpose.

442 **SECTION 14.** The MDBCFC shall not be obligated to fund
443 individual development parallel accounts or be obligated to enter
444 into contracts with fiduciary organizations unless the Legislature
445 appropriates funding for the establishment of a family empowerment
446 initiative program, nor shall the MDBCFC be obligated to spend
447 funds on a family empowerment initiative program above the amount
448 appropriated by the Legislature for the program.

449 **SECTION 15.** (1) There shall be allowed a benefit or credit
450 against the income tax liability imposed by Chapter 7, Title 27,
451 Mississippi Code of 1972, to a taxpayer who contributes to a
452 fiduciary organization created under Sections 1 through 15 of this



453 act in an amount equal to fifty percent (50%) of the amount of
454 matching funds contributed to a fiduciary organization during the
455 calendar year.

456 (2) The amount of the credit that may be used by a taxpayer
457 for a taxable year shall not exceed the lesser of Twenty-five
458 Thousand Dollars (\$25,000.00) or the amount of income tax
459 otherwise due. Any unused portion of the credit may be carried
460 forward for three (3) consecutive years from the close of the tax
461 year in which the credit was earned.

462 (3) To claim the credit authorized by this section, a
463 taxpayer must notify the fiduciary organization that the taxpayer
464 intends to make a contribution and the amount of the contribution.
465 The fiduciary organization shall then notify the Department of
466 Revenue and request a certification from the department certifying
467 the amount of the tax credit to which the taxpayer is entitled if
468 the contribution is made. The fiduciary organization shall
469 deliver the certification to the taxpayer upon receipt of the
470 contribution.

471 (4) A taxpayer shall file the certificate with the
472 taxpayer's income tax return for the first year in which the
473 taxpayer claims the tax credit authorized by this section.

474 (5) The total amount of tax credits certified under this
475 section shall not exceed Three Million Dollars (\$3,000,000.00) per
476 calendar year.



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

479 **SECTION 16.** Section 27-7-15, Mississippi Code of 1972, is
480 amended as follows:

481 27-7-15. (1) For the purposes of this article, except as
482 otherwise provided, the term "gross income" means and includes the
483 income of a taxpayer derived from salaries, wages, fees or
484 compensation for service, of whatever kind and in whatever form
485 paid, including income from governmental agencies and subdivisions
486 thereof; or from professions, vocations, trades, businesses,
487 commerce or sales, or renting or dealing in property, or
488 reacquired property; also from annuities, interest, rents,
489 dividends, securities, insurance premiums, reinsurance premiums,
490 considerations for supplemental insurance contracts, or the
491 transaction of any business carried on for gain or profit, or
492 gains, or profits, and income derived from any source whatever and
493 in whatever form paid. The amount of all such items of income
494 shall be included in the gross income for the taxable year in
495 which received by the taxpayer. The amount by which an eligible
496 employee's salary is reduced pursuant to a salary reduction
497 agreement authorized under Section 25-17-5 shall be excluded from
498 the term "gross income" within the meaning of this article.

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



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

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

507 (i) Prior to January 1, 2001, federal rules,
508 regulations and revenue procedures shall be followed with respect
509 to installment sales except they shall be applied and administered
510 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
511 106th Congress, had not been enacted. This provision will
512 generally affect taxpayers, reporting on the accrual method of
513 accounting, entering into installment note agreements on or after
514 December 17, 1999. Any gain or profit resulting from the casual
515 sale of property will be recognized in the year of sale.

516 (ii) From and after January 1, 2001, federal
517 rules, regulations and revenue procedures shall be followed with
518 respect to installment sales except as provided in this
519 subparagraph (ii). Gain or profit from the casual sale of
520 property shall be recognized in the year of sale. When a taxpayer
521 recognizes gain on the casual sale of property in which the gain
522 is deferred for federal income tax purposes, a taxpayer may elect
523 to defer the payment of tax resulting from the gain as allowed and
524 to the extent provided under regulations prescribed by the
525 commissioner. If the payment of the tax is made on a deferred
526 basis, the tax shall be computed based on the applicable rate for



527 the income reported in the year the payment is made. Except as
528 otherwise provided in subparagraph (iii) of this paragraph (b),
529 deferring the payment of the tax shall not affect the liability
530 for the tax. If at any time the installment note is sold,
531 contributed, transferred or disposed of in any manner and for any
532 purpose by the original note holder, or the original note holder
533 is merged, liquidated, dissolved or withdrawn from this state,
534 then all deferred tax payments under this section shall
535 immediately become due and payable.

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

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

550 (d) **Affiliated companies or persons.** As regards sales,
551 exchanges or payments for services from one to another of



552 affiliated companies or persons or under other circumstances where
553 the relation between the buyer and seller is such that gross
554 proceeds from the sale or the value of the exchange or the payment
555 for services are not indicative of the true value of the subject
556 matter of the sale, exchange or payment for services, the
557 commissioner shall prescribe uniform and equitable rules for
558 determining the true value of the gross income, gross sales,
559 exchanges or payment for services, or require consolidated returns
560 of affiliates.

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

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

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

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



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

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

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

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

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

598 (f) Income received by any religious denomination or by
599 any institution or trust for moral or mental improvements,
600 religious, Bible, tract, charitable, benevolent, fraternal,



601 missionary, hospital, infirmary, educational, scientific,
602 literary, library, patriotic, historical or cemetery purposes or
603 for two (2) or more of such purposes, if such income be used
604 exclusively for carrying out one or more of such purposes.

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

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

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

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



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

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

647 (m) National Guard or Reserve Forces of the United
648 States compensation not to exceed the aggregate sum of Five
649 Thousand Dollars (\$5,000.00) for any taxable year through the 2005



650 taxable year, and not to exceed the aggregate sum of Fifteen
651 Thousand Dollars (\$15,000.00) for any taxable year thereafter.

652 (n) Compensation received for active service as a
653 member below the grade of commissioned officer and so much of the
654 compensation as does not exceed the maximum enlisted amount
655 received for active service as a commissioned officer in the Armed
656 Forces of the United States for any month during any part of which
657 such members of the Armed Forces (i) served in a combat zone as
658 designated by Executive Order of the President of the United
659 States or a qualified hazardous duty area as defined by federal
660 law, or both; or (ii) was hospitalized as a result of wounds,
661 disease or injury incurred while serving in such combat zone. For
662 the purposes of this paragraph (n), the term "maximum enlisted
663 amount" means and has the same definition as that term has in 26
664 USCS 112.

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

667 (p) The amount representing the difference between the
668 increase of gross income derived from sales for export outside the
669 United States as compared to the preceding tax year wherein gross
670 income from export sales was highest, and the net increase in
671 expenses attributable to such increased exports. In the absence
672 of direct accounting, the ratio of net profits to total sales may
673 be applied to the increase in export sales. This paragraph (p)
674 shall only apply to businesses located in this state engaging in



675 the international export of Mississippi goods and services. Such
676 goods or services shall have at least fifty percent (50%) of value
677 added at a location in Mississippi.

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

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

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

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

695 (u) Interest, dividends, gains or income of any kind on
696 any account in the Mississippi Affordable College Savings Trust
697 Fund, as established in Sections 37-155-101 through 37-155-125, to
698 the extent that such amounts remain on deposit in the MACS Trust



699 Fund or are withdrawn pursuant to a qualified withdrawal, as
700 defined in Section 37-155-105.

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

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

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

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

718 (z) Interest, dividends, gains or income of any kind on
719 any account in a qualified tuition program and amounts received as
720 distributions under a qualified tuition program shall be treated
721 in the same manner as provided under the United States Internal
722 Revenue Code, as amended. For the purposes of this paragraph (z),



723 the term "qualified tuition program" means and has the same
724 definition as that term has in 26 USCS 529.

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

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

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

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

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



747 (i) "Qualified individual" means any individual
748 whose household income does not exceed one hundred twenty percent
749 (120%) of the area median gross income (as defined by the United
750 States Department of Housing and Urban Development), adjusted for
751 household size, for the area in which the housing is located.

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

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

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

766 (iv) "Qualified housing expenses" means:

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



771 2. With respect to homeownership assistance,
772 an amount not to exceed the lesser of Ten Thousand Dollars
773 (\$10,000.00) or six percent (6%) of the purchase price of the
774 employee's principal residence that is paid for the purpose of
775 assisting employees with down payments, payment of closing costs,
776 reduced interest mortgages, mortgage guarantee programs, mortgage
777 forgiveness programs, equity contribution programs, or
778 contributions to home buyer education and/or homeownership
779 counseling of eligible employees.

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

787 (gg) Amounts received for the performance of disaster
788 or emergency-related work as defined in Section 27-113-5.

789 (hh) The amount deposited in a catastrophe savings
790 account established under Sections 27-7-1001 through 27-7-1007,
791 interest income earned on the catastrophe savings account, and
792 distributions from the catastrophe savings account; however, any
793 amount withdrawn from a catastrophe savings account for purposes
794 other than paying qualified catastrophe expenses shall be included



795 in gross income, except as otherwise provided by Sections
796 27-7-1001 through 27-7-1007.

797 (ii) Interest or dividends earned on an individual
798 development account established under Sections 1 through 15 of
799 this act and any money withdrawn from an individual development
800 account and used for a qualified purpose. For the purposes of
801 this paragraph (ii), the terms "individual development account"
802 and "qualified purpose" mean and have the same definitions as such
803 terms have in Section 3 of this act.

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

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

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

815 (c) **Period of conflict.** For the purpose of this
816 subsection, the Vietnam Conflict began February 28, 1961, and ends
817 on the date designated by the President by Executive Order as the
818 date of the termination of combatant activities in Vietnam. For
819 the purpose of this subsection, an individual is in a missing



820 status as a result of the Vietnam Conflict if immediately before
821 such status began he was performing service in Vietnam or was
822 performing service in Southeast Asia in direct support of military
823 operations in Vietnam. "Southeast Asia," as used in this
824 paragraph, is defined to include Cambodia, Laos, Thailand and
825 waters adjacent thereto.

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

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

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

843 (g) "Compensation" means (i) basic pay; (ii) special
844 pay; (iii) incentive pay; (iv) basic allowance for quarters; (v)



845 basic allowance for subsistence; and (vi) station per diem
846 allowances for not more than ninety (90) days.

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

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

856 (6) A shareholder of an S corporation, as defined in Section
857 27-8-3(1)(g), shall take into account the income, loss, deduction
858 or credit of the S corporation only to the extent provided in
859 Section 27-8-7(2).

860 **SECTION 17.** This act shall take effect and be in force from
861 and after July 1, 2017.

