

By: Senator(s) Harkins

To: Finance

SENATE BILL NO. 3024

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33 ACCOUNT AND ANY MONEY WITHDRAWN FROM AN INDIVIDUAL DEVELOPMENT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 underbanked
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) "MDBCF" 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 matching 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 6 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 Mississippi Department of Banking and Consumer Finance.

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 cost 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 MDBCFC to
361 administer funds allocated for family empowerment initiative
362 purposes shall provide the MDBCFC 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 MDBCFC 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 MDBCFC the following information:



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

381 (b) The amounts deposited in the IDA;

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

383 (d) The amounts withdrawn from the individual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385 withdrawn;

386 (e) The balances remaining in the IDAs;

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

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

394 (8) The MDA shall make all reasonable and necessary rules to
395 ensure the fiduciary organization's compliance with Sections 1
396 through 15 of this act.

397 **SECTION 10.** The MDBCF shall prepare a written report
398 annually regarding the implementation of the Mississippi Savings
399 Initiative and shall make recommendations for improving the
400 program. The report shall be filed with the Secretary of the
401 Senate and the Clerk of the House of Representatives on or before
402 August 1 of each year.



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

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

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

407 (c) Require the account to earn a market rate of
408 interest.

409 (d) Maintain the individual development accounts as fee
410 free.

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

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

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

425 (2) Except as otherwise provided in this section, funds
426 deposited in individual development accounts shall not be counted
427 as income, assets or resources of the account owner for the



428 purpose of determining financial eligibility for assistance or
429 service pursuant to any federal, federally assisted, state, or
430 municipal program based on need.

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

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

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

446 **SECTION 15.** (1) There shall be allowed a credit against the
447 income tax liability imposed by Chapter 7, Title 27, Mississippi
448 Code of 1972, to a taxpayer who contributes to a fiduciary
449 organization created under Sections 1 through 15 of this act in an
450 amount equal to fifty percent (50%) of the amount of matching
451 funds contributed to a fiduciary organization during the calendar
452 year.



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

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

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

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

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

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



478 27-7-15. (1) For the purposes of this article, except as
479 otherwise provided, the term "gross income" means and includes the
480 income of a taxpayer derived from salaries, wages, fees or
481 compensation for service, of whatever kind and in whatever form
482 paid, including income from governmental agencies and subdivisions
483 thereof; or from professions, vocations, trades, businesses,
484 commerce or sales, or renting or dealing in property, or
485 reacquired property; also from annuities, interest, rents,
486 dividends, securities, insurance premiums, reinsurance premiums,
487 considerations for supplemental insurance contracts, or the
488 transaction of any business carried on for gain or profit, or
489 gains, or profits, and income derived from any source whatever and
490 in whatever form paid. The amount of all such items of income
491 shall be included in the gross income for the taxable year in
492 which received by the taxpayer. The amount by which an eligible
493 employee's salary is reduced pursuant to a salary reduction
494 agreement authorized under Section 25-17-5 shall be excluded from
495 the term "gross income" within the meaning of this article.

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

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



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

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

513 (ii) From and after January 1, 2001, federal
514 rules, regulations and revenue procedures shall be followed with
515 respect to installment sales except as provided in this
516 subparagraph (ii). Gain or profit from the casual sale of
517 property shall be recognized in the year of sale. When a taxpayer
518 recognizes gain on the casual sale of property in which the gain
519 is deferred for federal income tax purposes, a taxpayer may elect
520 to defer the payment of tax resulting from the gain as allowed and
521 to the extent provided under regulations prescribed by the
522 commissioner. If the payment of the tax is made on a deferred
523 basis, the tax shall be computed based on the applicable rate for
524 the income reported in the year the payment is made. Except as
525 otherwise provided in subparagraph (iii) of this paragraph (b),
526 deferring the payment of the tax shall not affect the liability
527 for the tax. If at any time the installment note is sold,



528 contributed, transferred or disposed of in any manner and for any
529 purpose by the original note holder, or the original note holder
530 is merged, liquidated, dissolved or withdrawn from this state,
531 then all deferred tax payments under this section shall
532 immediately become due and payable.

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

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

547 (d) **Affiliated companies or persons.** As regards sales,
548 exchanges or payments for services from one to another of
549 affiliated companies or persons or under other circumstances where
550 the relation between the buyer and seller is such that gross
551 proceeds from the sale or the value of the exchange or the payment
552 for services are not indicative of the true value of the subject



553 matter of the sale, exchange or payment for services, the
554 commissioner shall prescribe uniform and equitable rules for
555 determining the true value of the gross income, gross sales,
556 exchanges or payment for services, or require consolidated returns
557 of affiliates.

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

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

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

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

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



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

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

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

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

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



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

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

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

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

622 (k) Amounts received as retirement allowances,
623 pensions, annuities or optional retirement allowances paid under
624 the federal Social Security Act, the Railroad Retirement Act, the
625 Federal Civil Service Retirement Act, or any other retirement
626 system of the United States government, retirement allowances paid



627 under the Mississippi Public Employees' Retirement System,
628 Mississippi Highway Safety Patrol Retirement System or any other
629 retirement system of the State of Mississippi or any political
630 subdivision thereof. The exemption allowed under this paragraph
631 (k) shall be available to the spouse or other beneficiary at the
632 death of the primary retiree.

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

644 (m) National Guard or Reserve Forces of the United
645 States compensation not to exceed the aggregate sum of Five
646 Thousand Dollars (\$5,000.00) for any taxable year through the 2005
647 taxable year, and not to exceed the aggregate sum of Fifteen
648 Thousand Dollars (\$15,000.00) for any taxable year thereafter.

649 (n) Compensation received for active service as a
650 member below the grade of commissioned officer and so much of the
651 compensation as does not exceed the maximum enlisted amount



652 received for active service as a commissioned officer in the Armed
653 Forces of the United States for any month during any part of which
654 such members of the Armed Forces (i) served in a combat zone as
655 designated by Executive Order of the President of the United
656 States or a qualified hazardous duty area as defined by federal
657 law, or both; or (ii) was hospitalized as a result of wounds,
658 disease or injury incurred while serving in such combat zone. For
659 the purposes of this paragraph (n), the term "maximum enlisted
660 amount" means and has the same definition as that term has in 26
661 USCS 112.

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

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



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

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

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

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

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



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

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

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

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

715 (z) Interest, dividends, gains or income of any kind on
716 any account in a qualified tuition program and amounts received as
717 distributions under a qualified tuition program shall be treated
718 in the same manner as provided under the United States Internal
719 Revenue Code, as amended. For the purposes of this paragraph (z),
720 the term "qualified tuition program" means and has the same
721 definition as that term has in 26 USCS 529.



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

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

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

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

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

744 (i) "Qualified individual" means any individual
745 whose household income does not exceed one hundred twenty percent
746 (120%) of the area median gross income (as defined by the United



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

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

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

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

763 (iv) "Qualified housing expenses" means:

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

768 2. With respect to homeownership assistance,
769 an amount not to exceed the lesser of Ten Thousand Dollars
770 (\$10,000.00) or six percent (6%) of the purchase price of the
771 employee's principal residence that is paid for the purpose of



772 assisting employees with down payments, payment of closing costs,
773 reduced interest mortgages, mortgage guarantee programs, mortgage
774 forgiveness programs, equity contribution programs, or
775 contributions to homebuyer education and/or homeownership
776 counseling of eligible employees.

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

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

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

794 (ii) Interest or dividends earned on an individual
795 development account established under Sections 1 through 15 of
796 this act and any money withdrawn from an individual development



797 account and used for a qualified purpose as defined in Section 6
798 of this act.

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

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

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

810 (c) **Period of conflict.** For the purpose of this
811 subsection, the Vietnam Conflict began February 28, 1961, and ends
812 on the date designated by the President by Executive Order as the
813 date of the termination of combatant activities in Vietnam. For
814 the purpose of this subsection, an individual is in a missing
815 status as a result of the Vietnam Conflict if immediately before
816 such status began he was performing service in Vietnam or was
817 performing service in Southeast Asia in direct support of military
818 operations in Vietnam. "Southeast Asia," as used in this
819 paragraph, is defined to include Cambodia, Laos, Thailand and
820 waters adjacent thereto.



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

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

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

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

842 (h) If refund or credit of any overpayment of tax for
843 any taxable year resulting from the application of this subsection
844 (5) is prevented by the operation of any law or rule of law, such
845 refund or credit of such overpayment of tax may, nevertheless, be



846 made or allowed if claim therefor is filed with the Department of
847 Revenue within three (3) years after the date of the enactment of
848 this subsection.

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

851 (6) A shareholder of an S corporation, as defined in Section
852 27-8-3(1)(g), shall take into account the income, loss, deduction
853 or credit of the S corporation only to the extent provided in
854 Section 27-8-7(2).

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

