

By: Senator(s) Horhn

To: Public Health and  
Welfare; Finance

SENATE BILL NO. 2433

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32 DEVELOPMENT ACCOUNT AND ANY MONEY WITHDRAWN FROM AN INDIVIDUAL  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



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

36 **SECTION 1.** Sections 1 through 16 of this act shall be known  
37 and may be cited as the "Family Empowerment Initiative."

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

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

47 (b) Encourage and mobilize savings;

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

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

55 **SECTION 3.** The Legislature hereby finds that:

56 (a) Of the top one hundred (100) most unbanked places  
57 (city/town/census designated place with more than two hundred  
58 fifty (250) households), Mississippi is ranked No. 17. Jackson,  
59 Mississippi, is ranked No. 4 in the Top Ten Unbanked Mid-Sized



60 Cities. Because many hard-working Mississippians face  
61 insurmountable obstacles to accessing the financial mainstream,  
62 they often turn to alternative, high-fee providers thereby forcing  
63 them into a cycle of debt. By using such means, individuals are  
64 hard-pressed to build savings and assets.

65 (b) Individual Development Accounts (IDAs) have been  
66 used as a federal and state policy strategy for family economic  
67 security. Federal and state policies to fund IDAs have helped  
68 create accounts for numerous individuals and families across the  
69 country.

70 (c) IDAs, just like a bank or credit union account, can  
71 be the first step in saving, planning for the future, building  
72 credit and climbing the economic ladder. It assists individuals  
73 and families with modest means to save toward the purchase of a  
74 lifelong asset, such as a home or education.

75 (d) The U.S. Census Bureau highlights just one aspect  
76 of household finances, namely the percentage of people with  
77 insufficient income to cover their day-to-day expenses. It does  
78 not count the number of families who have insufficient resources  
79 (money in the bank or assets such as a home or a car, to meet  
80 emergencies or longer-term needs). When these longer-term needs  
81 are factored in, substantially more people in the United States  
82 today face a future of limited hope for long-term financial  
83 security. At a time of widening income disparities, these data  
84 paint a stark picture of diminishing financial security for



85 millions of families. It is clear that the recession and its  
86 aftermath have left unprecedented numbers of families barely able  
87 to make ends meet.

88 **SECTION 4.** As used in Sections 1 through 16 of this act:

89 (a) "Administrative costs" includes, but is not limited  
90 to, soliciting matching funds, processing fees charged by the  
91 fiduciary organization or financial institution, and traditional  
92 overhead costs. Administrative costs shall be limited to no more  
93 than fifteen percent (15%) of the contract.

94 (b) "Eligible educational institution" means the  
95 following:

96 (i) An institution described in 20 USC Section  
97 1088(a)(1) or 1141(a), as such sections are in effect on July 1,  
98 2017.

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

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

104 (c) "Emergency" means payments for necessary medical  
105 expenses of the account owner or family member, expenses to avoid  
106 the eviction of the account owner from the account owner's primary  
107 residence and for necessary living expenses following a loss of  
108 income.



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

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

117           (f) "Financial institution" means a federally insured  
118 bank, trust company, savings bank, building and loan association,  
119 savings and loan company or association, or credit union  
120 authorized to do business in this state.

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

124           (h) "Individual Development Account" or "IDA" means an  
125 account established for an eligible individual or family member as  
126 part of a qualified individual development account program with  
127 the following requirements:

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

130                   (ii) The holder of the account is a qualified  
131 financial institution;



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

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

138 (i) "MDA" means the Mississippi Development Authority.

139 (j) "Parallel account" means a separate parallel  
140 account for all matching funds and earnings dedicated to  
141 individual development account owners, the sole holder of which is  
142 a qualified financial institution, or a qualified fiduciary  
143 organization.

144 (k) "Postsecondary educational expenses" means:

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

149 (ii) Fees, books, supplies and equipment  
150 (including computer, software, etc.) required for courses of  
151 instruction for an IDA account holder or an immediate family  
152 member of the account holder who is a student at an eligible  
153 educational institution.

154 (l) "Operating costs" includes, but is not limited to,  
155 costs of training IDA participants in economic and financial  
156 literacy and IDA uses, marketing participation, counseling



157 participants and conducting required verification and compliance  
158 activities.

159 (m) "Qualified Purposes" means any of the purposes for  
160 which the account owner's accumulated savings and matching funds  
161 may be used as described in Section 7 of this act.

162 **SECTION 5.** (1) An individual who is a resident of this  
163 state may submit an application to open an individual development  
164 account to a fiduciary organization approved by the Mississippi  
165 Development Authority. The fiduciary organization shall approve  
166 the application only if:

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

171 (b) Individual household net worth at the time the IDA  
172 account is opened does not exceed Ten Thousand Dollars  
173 (\$10,000.00) disregarding the primary dwelling and one (1) motor  
174 vehicle owned by the household.

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

177 (3) The IDA agreement shall provide for the amount of the  
178 savings deposits, the match fund rate, the asset goal, the  
179 financial literacy classes to be completed, any additional  
180 training specific to the asset, the financial counseling the  
181 individual will attend and any other services designed to increase



182 the independence of the person through the achievement of the  
183 account's approved purpose.

184 (4) Before becoming eligible to receive matching funds to  
185 pay for qualified purposes, individual development account owners  
186 shall complete a financial literacy education course offered by a  
187 qualified financial institution, a qualified fiduciary  
188 organization, or a governmental entity in accordance with federal  
189 guidelines.

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

193 (6) Each fiduciary organization shall provide written  
194 notification to each of its eligible IDA account holders of the  
195 amount of matching funds provided by the fiduciary to which each  
196 such IDA account holder is entitled. Such notification shall be  
197 made at such intervals as the fiduciary organization deems  
198 appropriate, but shall be required to be made at least once each  
199 calendar year. The amount of the matching funds for each IDA  
200 account holder shall be Three Dollars (\$3.00) for each One Dollar  
201 (\$1.00) contributed to the IDA by the IDA account holder during  
202 the preceding calendar year. The amount of such matching funds  
203 shall not exceed Two Thousand Dollars (\$2,000.00) per IDA account  
204 holder or Four Thousand Dollars (\$4,000.00) per household.

205 (7) In order to receive matching funds, the account owner  
206 must:



207 (a) Have saved for a minimum of six (6) months;  
208 (b) Have reached his or her savings goal; and  
209 (c) Have completed a financial literacy education  
210 course offered by a qualified financial institution, a qualified  
211 fiduciary organization, or a governmental entity in accordance  
212 with federal guidelines.

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

217 (9) If the amount of matching funds available is  
218 insufficient to disburse the maximum amounts specified in this  
219 section, amounts of disbursements shall be reduced proportionately  
220 based upon available funds.

221 **SECTION 6.** (1) Deposits to individual development accounts  
222 made by the account owner shall come from earned income,  
223 including, but not limited to, wages, earned income tax credit  
224 returns, child support payments, supplemental security income  
225 (SSI), disability benefits, community service under Temporary  
226 Assistance For Needy Families (TANF), AmeriCorps stipends, VISTA  
227 stipends, and job training programs. Matching funds shall only be  
228 used for qualified purposes.

229 (2) Eligible individuals shall certify that their deposits  
230 do not exceed their income. The maximum amount of deposits made



231 by an account owner may not exceed Two Thousand Dollars  
232 (\$2,000.00).

233 (3) If an IDA account holder has gross household income from  
234 all sources for a calendar year which exceeds one hundred  
235 eighty-five percent (185%) of the federal poverty level, the IDA  
236 account holder shall not be eligible to receive funds pursuant to  
237 the provisions of Sections 1 through 16 of this act in the  
238 following year.

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

248 **SECTION 7.** (1) Individual development accounts shall be  
249 used for any of the following qualified purposes:

250 (a) Paying the expenses of securing postsecondary  
251 education, including, but not limited to, community college  
252 courses, courses at a four-year college or university or  
253 post-college graduate courses for the account owner or any member  
254 of the account owner's family that are paid directly to an  
255 eligible educational institution;



256 (b) Paying the expenses of securing of postsecondary  
257 occupational training, including, but not limited to, vocational  
258 or trade school training for the account owner or any training  
259 authorized under the Workforce Investment Act through the  
260 Mississippi Department of Employment Security; however, such  
261 payments must be made directly to the provider of such training;

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

267 (d) Amounts paid directly to a business capitalization  
268 account which is established in a federally insured financial  
269 institution and is restricted to use solely for qualified business  
270 capitalization expenses;

271 (e) Payments for the purchase of an automobile  
272 necessary to transport the account owner or a family member to a  
273 place of employment or education, or payments for costs of repair  
274 of such an automobile; however, payments must be paid directly to  
275 a licensed automobile dealer or repair shop and this purpose  
276 cannot be the sole purpose of the IDA;

277 (f) Purchase assistive technology for people with  
278 disabilities, including, but not limited to, screen readers for  
279 computers, assistive listening devices, accessible hand control



280 for automobiles and motorized wheelchairs; however, payments must  
281 be paid directly to the assistive technology provider;

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

284 (h) Any other activity based on a plan approved by MDA.

285 (2) If an emergency occurs, an account owner may withdraw  
286 all or part of the account owner's deposits to an individual  
287 development account with the approval of the fiduciary  
288 organization. The account owner shall reimburse his or her  
289 individual development account for the amount withdrawn under this  
290 section within twelve (12) months after the date of the  
291 withdrawal. Failure of the account owner to make a timely  
292 reimbursement to the account will remove the account owner from  
293 the program. Until the reimbursement has been made in full, an  
294 account owner may not withdraw any matching funds or accrued  
295 interest on matching funds from the account.

296 (3) If an account owner withdraws money from an individual  
297 development account for any purpose other than a qualified  
298 purpose, the fiduciary organization shall remove the account owner  
299 from the program.

300 **SECTION 8.** (1) If the fiduciary organization receives  
301 evidence that any money withdrawn from an IDA account is withdrawn  
302 under false pretenses or is used for purposes other than for the  
303 approved purposes indicated at the time of the withdrawal, the  
304 fiduciary organization shall make arrangements with the financial



305 institution to impose a penalty for the loss of matching funds and  
306 may, at its discretion, close the account. All penalties  
307 collected by fiduciary organizations shall remain with the  
308 fiduciary organization to distribute as matching funds to other  
309 eligible individuals.

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

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

318 **SECTION 9.** An organization based in this state which desires  
319 to enter into such a contract shall submit a proposal to the MDA  
320 for the right to be approved as a fiduciary organization. The MDA  
321 shall select fiduciary organizations through competitive  
322 processes. Proposals of organizations shall be evaluated and  
323 contracts awarded by the MDA on the basis of such items as  
324 geographic diversity and an organization's:

325 (a) Ability to implement and administer the individual  
326 development account program, including the ability to verify  
327 account owner eligibility, certify that matching funds are used  
328 only for qualified purposes, and exercise general fiscal  
329 accountability;



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

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

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

339 (e) Capacity to provide, or to arrange for the  
340 provisions of, financial counseling, financial literacy education  
341 and training specific to the assets the account owners will be  
342 purchasing, and other related services to account owners;

343 (f) Connection to other activities and programs  
344 designed to increase the independence of this state's low-income  
345 households and individuals through education and training,  
346 homeownership, small business capitalization, and other  
347 asset-building programs;

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

350 (h) Operating costs.

351 **SECTION 10.** (1) For each contract entered into pursuant to  
352 the provisions of this section, the contract shall begin no later  
353 than October 1 of each year. The fiduciary organization shall use  
354 not less than seventy percent (70%) for matching funds. The



355 fiduciary organization shall use not more than fifteen percent  
356 (15%) for operating cost and not more than fifteen percent (15%)  
357 for administrative costs.

358 (2) Responsibilities of a fiduciary organization shall  
359 include, but not be limited to, marketing participation,  
360 soliciting matching contributions, counseling project  
361 participants, conducting basic economic and financial literacy  
362 training and IDA use training for project participants and  
363 conducting required verification and compliance activities.  
364 Neither a fiduciary organization nor an employee of, or person  
365 associated with, a fiduciary organization, shall receive anything  
366 of value, other than compensation for services, for any act  
367 performed in connection with the establishment of an IDA or in  
368 furtherance of the provisions of Sections 1 through 16 of this  
369 act.

370 (3) Subject to rules promulgated by the MDA, a fiduciary  
371 organization has sole authority over, and responsibility for, the  
372 administration of individual development accounts. The  
373 responsibility of the fiduciary organization extends to all  
374 aspects of the account program, including marketing to all  
375 eligible individuals and families, soliciting matching funds,  
376 counseling account owners, providing financial literacy education  
377 and conducting required verification and compliance activities.  
378 The fiduciary organization may establish program provisions as the



379 organization believes necessary to ensure account owner compliance  
380 with Sections 1 through 16 of this act.

381 (4) A fiduciary organization may act in partnership with  
382 other entities, including businesses, government agencies,  
383 corporations, nonprofit organizations, community action programs,  
384 community development corporations, housing authorities and  
385 faith-based entities, to assist in the fulfillment of its  
386 responsibilities under Sections 1 through 16 of this act.

387 (5) A fiduciary organization may use a reasonable portion of  
388 money allocated by the Legislature to the individual development  
389 account program for administration, operation and research, and  
390 evaluation purposes. A fiduciary organization may not expend more  
391 than fifteen percent (15%) of allocated funds for those purposes.  
392 Research can be conducted in partnership with a university or  
393 state-funding organization.

394 (6) A fiduciary organization selected by the MDA to  
395 administer funds allocated by the MDA for family empowerment  
396 initiative purposes shall provide the MDA an annual report based  
397 on regularly collected data of the fiduciary organization's family  
398 empowerment initiative program activity. The report shall be  
399 filed not later than ninety (90) days after the end of the fiscal  
400 year. The report shall include, but is not limited to, the  
401 following:

402 (a) The number of individual development accounts  
403 administered by the fiduciary organization.



404 (b) The amount of deposits and matching funds for each  
405 account.

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

407 (d) The number of withdrawals made.

408 (e) Any other information the MDA may require for the  
409 purpose of determining whether the family empowerment initiative  
410 program is achieving the purposes for which it was established.

411 (7) Each fiduciary organization shall provide quarterly to  
412 the MDA the following information:

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

415 (b) The amounts deposited in the IDA;

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

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

420 (e) The balances remaining in the IDAs;

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

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



428 (8) The MDA shall make all reasonable and necessary rules to  
429 ensure the fiduciary organization's compliance with Sections 1  
430 through 16 of this act.

431 **SECTION 11.** The MDA shall prepare a written report annually  
432 regarding the implementation of the Family Empowerment Initiative  
433 and shall make recommendations for improving the program. The  
434 report shall be filed with the Secretary of the Senate and the  
435 Clerk of the House of Representative on or before August 1 of each  
436 year.

437 **SECTION 12.** Financial institutions holding individual  
438 development accounts, at a minimum, shall:

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

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

441 (c) Require the account to earn a market rate of  
442 interest.

443 (d) Maintain the individual development accounts as fee  
444 free.

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

448 **SECTION 13.** Any individual, business, organization or other  
449 entity may contribute matching funds to a fiduciary organization.  
450 The funds shall be designated to the fiduciary organization to  
451 allocate to all its participants on a proportionate basis.



452           **SECTION 14.** (1) An account owner's savings and matching  
453 funds shall not affect his or her eligibility for any means tested  
454 public benefits, including, but not limited to, Medicaid, state  
455 children's health insurance programs, Temporary Assistance to  
456 Needy Families (TANF), Supplemental Nutrition Assistance Program,  
457 supplemental security income, government subsidized foster care  
458 and adoption payments and child care or housing payments.

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

465           (3) Except as otherwise provided in this section, money  
466 deposited into individual development accounts shall not be  
467 included in gross income for income tax purposes. Any amount  
468 withdrawn from a parallel account shall not be included in an  
469 eligible individual's gross income for income tax purposes.

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

473           **SECTION 15.** The MDA shall not be obligated to fund  
474 individual development parallel accounts or be obligated to enter  
475 into contracts with fiduciary organizations unless the Legislature  
476 appropriates funding for the establishment of a family empowerment



477 initiative program, nor shall the MDA be obligated to spend funds  
478 on a family empowerment initiative program above the amount  
479 appropriated by the Legislature for the program.

480         **SECTION 16.** (1) There shall be allowed a credit against the  
481 income tax liability imposed by Chapter 7, Title 27, Mississippi  
482 Code of 1972, to a taxpayer who contributes to a fiduciary  
483 organization created under Sections 1 through 16 of this act in an  
484 amount equal to fifty percent (50%) of the amount of matching  
485 funds contributed to a fiduciary organization during the calendar  
486 year.

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

493         (3) To claim the credit authorized by this section, a  
494 taxpayer must notify the fiduciary organization that the taxpayer  
495 intends to make a contribution and the amount of the contribution.  
496 The fiduciary organization shall then notify the Department of  
497 Revenue and request a certification from the department certifying  
498 the amount of the tax credit to which the taxpayer is entitled if  
499 the contribution is made. The fiduciary organization shall  
500 deliver the certification to the taxpayer upon receipt of the  
501 contribution.



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

505 (5) The total amount of tax credits certified under this  
506 section shall not exceed One Hundred Thousand Dollars  
507 (\$100,000.00) per calendar year.

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

510 **SECTION 17.** Section 27-7-15, Mississippi Code of 1972, is  
511 amended as follows:

512 27-7-15. (1) For the purposes of this article, except as  
513 otherwise provided, the term "gross income" means and includes the  
514 income of a taxpayer derived from salaries, wages, fees or  
515 compensation for service, of whatever kind and in whatever form  
516 paid, including income from governmental agencies and subdivisions  
517 thereof; or from professions, vocations, trades, businesses,  
518 commerce or sales, or renting or dealing in property, or  
519 reacquired property; also from annuities, interest, rents,  
520 dividends, securities, insurance premiums, reinsurance premiums,  
521 considerations for supplemental insurance contracts, or the  
522 transaction of any business carried on for gain or profit, or  
523 gains, or profits, and income derived from any source whatever and  
524 in whatever form paid. The amount of all such items of income  
525 shall be included in the gross income for the taxable year in  
526 which received by the taxpayer. The amount by which an eligible



527 employee's salary is reduced pursuant to a salary reduction  
528 agreement authorized under Section 25-17-5 shall be excluded from  
529 the term "gross income" within the meaning of this article.

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

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

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

538 (i) Prior to January 1, 2001, federal rules,  
539 regulations and revenue procedures shall be followed with respect  
540 to installment sales except they shall be applied and administered  
541 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the  
542 106th Congress, had not been enacted. This provision will  
543 generally affect taxpayers, reporting on the accrual method of  
544 accounting, entering into installment note agreements on or after  
545 December 17, 1999. Any gain or profit resulting from the casual  
546 sale of property will be recognized in the year of sale.

547 (ii) From and after January 1, 2001, federal  
548 rules, regulations and revenue procedures shall be followed with  
549 respect to installment sales except as provided in this  
550 subparagraph (ii). Gain or profit from the casual sale of  
551 property shall be recognized in the year of sale. When a taxpayer



552 recognizes gain on the casual sale of property in which the gain  
553 is deferred for federal income tax purposes, a taxpayer may elect  
554 to defer the payment of tax resulting from the gain as allowed and  
555 to the extent provided under regulations prescribed by the  
556 commissioner. If the payment of the tax is made on a deferred  
557 basis, the tax shall be computed based on the applicable rate for  
558 the income reported in the year the payment is made. Except as  
559 otherwise provided in subparagraph (iii) of this paragraph (b),  
560 deferring the payment of the tax shall not affect the liability  
561 for the tax. If at any time the installment note is sold,  
562 contributed, transferred or disposed of in any manner and for any  
563 purpose by the original note holder, or the original note holder  
564 is merged, liquidated, dissolved or withdrawn from this state,  
565 then all deferred tax payments under this section shall  
566 immediately become due and payable.

567 (iii) If the selling price of the property is  
568 reduced by any alteration in the terms of an installment note,  
569 including default by the purchaser, the gain to be recognized is  
570 recomputed based on the adjusted selling price in the same manner  
571 as for federal income tax purposes. The tax on this amount, less  
572 the previously paid tax on the recognized gain, is payable over  
573 the period of the remaining installments. If the tax on the  
574 previously recognized gain has been paid in full to this state,  
575 the return on which the payment was made may be amended for this



576 purpose only. The statute of limitations in Section 27-7-49 shall  
577 not bar an amended return for this purpose.

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

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

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

596 (f) **Reimbursement for expenses of moving.** There shall  
597 be included in gross income (as compensation for services) any  
598 amount received or accrued, directly or indirectly, by an  
599 individual as a payment for or reimbursement of expenses of moving



600 from one (1) residence to another residence which is attributable  
601 to employment or self-employment.

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

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

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

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

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

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

623 (e) The amounts received through accident or health  
624 insurance as compensation for personal injuries or sickness, plus



625 the amount of any damages received for such injuries or such  
626 sickness or injuries, or through the War Risk Insurance Act, or  
627 any law for the benefit or relief of injured or disabled members  
628 of the military or naval forces of the United States.

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

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

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

648 (i) Income from dividends that has already borne a tax  
649 as dividend income under the provisions of this article, when such



650 dividends may be specifically identified in the possession of the  
651 recipient.

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

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

667 (l) Amounts received as retirement allowances,  
668 pensions, annuities or optional retirement allowances paid by any  
669 public or governmental retirement system not designated in  
670 paragraph (k) or any private retirement system or plan of which  
671 the recipient was a member at any time during the period of his  
672 employment. Amounts received as a distribution under a Roth  
673 Individual Retirement Account shall be treated in the same manner  
674 as provided under the Internal Revenue Code of 1986, as amended.



675 The exemption allowed under this paragraph (l) shall be available  
676 to the spouse or other beneficiary at the death of the primary  
677 retiree.

678 (m) National Guard or Reserve Forces of the United  
679 States compensation not to exceed the aggregate sum of Five  
680 Thousand Dollars (\$5,000.00) for any taxable year through the 2005  
681 taxable year, and not to exceed the aggregate sum of Fifteen  
682 Thousand Dollars (\$15,000.00) for any taxable year thereafter.

683 (n) Compensation received for active service as a  
684 member below the grade of commissioned officer and so much of the  
685 compensation as does not exceed the maximum enlisted amount  
686 received for active service as a commissioned officer in the Armed  
687 Forces of the United States for any month during any part of which  
688 such members of the Armed Forces (i) served in a combat zone as  
689 designated by Executive Order of the President of the United  
690 States or a qualified hazardous duty area as defined by federal  
691 law, or both; or (ii) was hospitalized as a result of wounds,  
692 disease or injury incurred while serving in such combat zone. For  
693 the purposes of this paragraph (n), the term "maximum enlisted  
694 amount" means and has the same definition as that term has in 26  
695 USCS 112.

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

698 (p) The amount representing the difference between the  
699 increase of gross income derived from sales for export outside the



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

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

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

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



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

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

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

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

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

745 (y) Amounts that are subject to the tax levied pursuant  
746 to Section 27-7-903, and are paid to patrons by gaming



747 establishments not licensed under the Mississippi Gaming Control  
748 Act.

749 (z) Interest, dividends, gains or income of any kind on  
750 any account in a qualified tuition program and amounts received as  
751 distributions under a qualified tuition program shall be treated  
752 in the same manner as provided under the United States Internal  
753 Revenue Code, as amended. For the purposes of this paragraph (z),  
754 the term "qualified tuition program" means and has the same  
755 definition as that term has in 26 USCS 529.

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

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

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



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

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

778 (i) "Qualified individual" means any individual  
779 whose household income does not exceed one hundred twenty percent  
780 (120%) of the area median gross income (as defined by the United  
781 States Department of Housing and Urban Development), adjusted for  
782 household size, for the area in which the housing is located.

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

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

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



795 housing expenses to assist the employer's employees in securing  
796 affordable housing.

797 (iv) "Qualified housing expenses" means:

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

802 2. With respect to homeownership assistance,  
803 an amount not to exceed the lesser of Ten Thousand Dollars  
804 (\$10,000.00) or six percent (6%) of the purchase price of the  
805 employee's principal residence that is paid for the purpose of  
806 assisting employees with down payments, payment of closing costs,  
807 reduced interest mortgages, mortgage guarantee programs, mortgage  
808 forgiveness programs, equity contribution programs, or  
809 contributions to homebuyer education and/or homeownership  
810 counseling of eligible employees.

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

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



820           (hh) The amount deposited in a catastrophe savings  
821 account established under Sections 27-7-1001 through 27-7-1007,  
822 interest income earned on the catastrophe savings account, and  
823 distributions from the catastrophe savings account; however, any  
824 amount withdrawn from a catastrophe savings account for purposes  
825 other than paying qualified catastrophe expenses shall be included  
826 in gross income, except as otherwise provided by Sections  
827 27-7-1001 through 27-7-1007.

828           (ii) Interest, dividends, gains or income of any kind  
829 on any account in the Mississippi Achieving a Better Life  
830 Experience (ABLE) Trust Fund, as established in Chapter 28, Title  
831 43, to the extent that such amounts remain on deposit in the ABLE  
832 Trust Fund or are withdrawn pursuant to a qualified withdrawal, as  
833 defined in Section 43-28-11.

834           (jj) Subject to the limitations provided under Section  
835 27-7-1103, amounts deposited into a first-time homebuyer savings  
836 account and any interest or other income earned attributable to an  
837 account and monies or funds withdrawn or distributed from an  
838 account for the payment of eligible costs by or on behalf of a  
839 qualified beneficiary; however, any monies or funds withdrawn or  
840 distributed from a first-time homebuyer savings account for any  
841 purpose other than the payment of eligible costs by or on behalf  
842 of a qualified beneficiary shall be included in gross income. For  
843 the purpose of this paragraph (jj), the terms "first-time  
844 homebuyer savings account," "eligible costs" and "qualified



845 beneficiary" mean and have the same definitions as such terms have  
846 in Section 27-7-1101.

847 (kk) Interest or dividends earned on individual  
848 development accounts established under Sections 1 through 16 of  
849 this act and any money withdrawn from an individual development  
850 account and used for a qualified purpose as defined in Section 4  
851 of this act.

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

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

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

863 (c) **Period of conflict.** For the purpose of this  
864 subsection, the Vietnam Conflict began February 28, 1961, and ends  
865 on the date designated by the President by Executive Order as the  
866 date of the termination of combatant activities in Vietnam. For  
867 the purpose of this subsection, an individual is in a missing  
868 status as a result of the Vietnam Conflict if immediately before  
869 such status began he was performing service in Vietnam or was



870 performing service in Southeast Asia in direct support of military  
871 operations in Vietnam. "Southeast Asia," as used in this  
872 paragraph, is defined to include Cambodia, Laos, Thailand and  
873 waters adjacent thereto.

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

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

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

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



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

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

904           (6) A shareholder of an S corporation, as defined in Section  
905 27-8-3(1)(g), shall take into account the income, loss, deduction  
906 or credit of the S corporation only to the extent provided in  
907 Section 27-8-7(2).

908           **SECTION 18.** This act shall take effect and be in force from  
909 and after July 1, 2018.

