

By: Senator(s) Caughman

To: Business and Financial
Institutions; Finance

SENATE BILL NO. 2609

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 DEPARTMENT OF BANKING AND
5 CONSUMER FINANCE TO CONTRACT WITH FIDUCIARY ORGANIZATIONS TO SERVE
6 AS INTERMEDIARIES BETWEEN INDIVIDUAL DEVELOPMENT ACCOUNT HOLDERS
7 AND FINANCIAL INSTITUTIONS HOLDING ACCOUNT FUNDS; TO PROVIDE THAT
8 THE GROSS HOUSEHOLD INCOME OF INDIVIDUAL RETIREMENT ACCOUNT
9 HOLDERS MAY NOT EXCEED 185% OF THE POVERTY LEVEL AND THE ACCOUNT
10 HOLDER'S NET WORTH MAY NOT EXCEED \$10,000.00; TO REQUIRE
11 INDIVIDUALS OPENING AN INDIVIDUAL DEVELOPMENT ACCOUNT TO ENTER
12 INTO AN AGREEMENT WITH A FIDUCIARY ORGANIZATION; TO PROVIDE THAT
13 THE DEPARTMENT OF HUMAN SERVICES SHALL PROVIDE MATCHING FUNDS FOR
14 AMOUNTS 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
22 BANKING AND CONSUMER FINANCE CONTAINING CERTAIN INFORMATION; TO
23 PROVIDE THAT FUNDS DEPOSITED IN AN INDIVIDUAL DEVELOPMENT ACCOUNT
24 SHALL NOT BE COUNTED AS INCOME, ASSETS OR RESOURCES OF THE
25 INDIVIDUAL IN DETERMINING FINANCIAL ELIGIBILITY FOR ASSISTANCE OR
26 SERVICES PURSUANT TO ANY FEDERAL, FEDERALLY ASSISTED, STATE OR
27 MUNICIPAL PROGRAM BASED ON NEED; TO AMEND SECTION 27-7-15,
28 MISSISSIPPI CODE OF 1972, TO EXCLUDE FROM GROSS INCOME INTEREST OR
29 DIVIDEND EARNED ON AN INDIVIDUAL DEVELOPMENT ACCOUNT AND ANY MONEY
30 WITHDRAWN FROM AN INDIVIDUAL DEVELOPMENT ACCOUNT THAT IS USED FOR
31 A QUALIFIED PURPOSE; AND FOR RELATED PURPOSES.

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



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

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

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

44 (b) Encourage and mobilize savings;

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

50 (d) Strengthen families and build sustainable
51 communities within Mississippi.

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

53 (a) Of the top one hundred (100) most unbanked places
54 (city/town/census-designated place with more than two hundred
55 fifty (250) households), Mississippi is ranked No. 17. Jackson,
56 Mississippi, is ranked No. 4 in the Top Ten Unbanked Mid-Sized
57 Cities. Because many hard-working Mississippians face



58 insurmountable obstacles to accessing the financial mainstream,
59 they often turn to alternative, high-fee providers thereby forcing
60 them into a cycle of debt. By using such means, individuals are
61 hard-pressed to build savings and assets.

62 (b) Individual development accounts (IDAs) have been
63 used as a federal and state policy strategy for family economic
64 security. Federal and state policies to fund IDAs have helped
65 create accounts for numerous individuals and families across the
66 country.

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

72 (d) The U.S. Census Bureau highlights just one (1)
73 aspect of household finances, namely the percentage of people with
74 insufficient income to cover their day-to-day expenses. It does
75 not count the number of families who have insufficient resources
76 (money in the bank or assets such as a home or a car, to meet
77 emergencies or longer-term needs). When these longer-term needs
78 are factored in, substantially more people in the United States
79 today face a future of limited hope for long-term financial
80 security. At a time of widening income disparities, these data
81 paint a stark picture of diminishing financial security for
82 millions of families. It is clear that the recession and its



83 aftermath have left unprecedented numbers of families barely able
84 to make ends meet.

85 **SECTION 4.** As used in Sections 1 through 15 of this act:

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

91 (b) "Eligible educational institution" means the
92 following:

93 (i) An institution described in 20 USC Section
94 1088(a)(1) or 1141(a), as such sections are in effect on July 1,
95 2018.

96 (ii) An area vocational education school, as
97 defined in 20 USC Section 2471(4), subparagraph (C) or (D), as
98 such section is in effect on July 1, 2018; and

99 (iii) Any other accredited education or training
100 organization.

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



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

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

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

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

121 (h) "Individual development account" or "IDA" means an
122 account established for an eligible individual or family member as
123 part of a qualified individual development account program with
124 the following requirements:

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

127 (ii) The holder of the account is a qualified
128 financial institution;



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

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

135 (i) "MDBCFC" means the Mississippi Department of Banking
136 and Consumer Finance.

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

142 (k) "Postsecondary educational expenses" means:

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

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

152 (l) "Operating costs" includes, but is not limited to,
153 costs of training IDA participants in economic and financial



154 literacy and IDA uses, marketing participation, counseling
155 participants and conducting required verification and compliance
156 activities.

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

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

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

168 (b) Individual household net worth at the time the IDA
169 account is opened does not exceed Ten Thousand Dollars
170 (\$10,000.00) disregarding the primary dwelling and one (1) motor
171 vehicle owned by the household.

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

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



179 the independence of the person through the achievement of the
180 account's approved purpose.

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

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

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

202 (7) In order to receive matching funds, the account owner
203 must:



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

210 (8) Once requirements in subsection (7) of this section have
211 been fulfilled, the appropriate matching funds shall be
212 transferred from the parallel account directly to the vendor or
213 service provider of the approved asset.

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

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

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



228 by an account owner may not exceed Two Thousand Dollars
229 (\$2,000.00).

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

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

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

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



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

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

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

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

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



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

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

281 (h) Any other activity based on a plan approved by
282 MDBCf.

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

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

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



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

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

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

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

323 (a) Ability to implement and administer the individual
324 development account program, including the ability to verify
325 account owner eligibility, certify that matching funds are used



326 only for qualified purposes, and exercise general fiscal
327 accountability;

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

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

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

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

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

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

348 (h) Operating costs.

349 **SECTION 10.** (1) For each contract entered into pursuant to
350 the provisions of this section, the contract shall begin no later



351 than October 1 of each year. The fiduciary organization shall use
352 not less than seventy percent (70%) for matching funds. The
353 fiduciary organization shall use not more than fifteen percent
354 (15%) for operating cost and not more than fifteen percent (15%)
355 for administrative costs.

356 (2) Responsibilities of a fiduciary organization shall
357 include, but not be limited to, marketing participation,
358 soliciting matching contributions, counseling project
359 participants, conducting basic economic and financial literacy
360 training and IDA use training for project participants and
361 conducting required verification and compliance activities.
362 Neither a fiduciary organization nor an employee of, or person
363 associated with, a fiduciary organization, shall receive anything
364 of value, other than compensation for services, for any act
365 performed in connection with the establishment of an IDA or in
366 furtherance of the provisions of Sections 1 through 15 of this
367 act.

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



376 The fiduciary organization may establish program provisions as the
377 organization believes necessary to ensure account owner compliance
378 with Sections 1 through 15 of this act.

379 (4) A fiduciary organization may act in partnership with
380 other entities, including businesses, government agencies,
381 corporations, nonprofit organizations, community action programs,
382 community development corporations, housing authorities and
383 faith-based entities, to assist in the fulfillment of its
384 responsibilities under Sections 1 through 15 of this act.

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

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



400 (a) The number of individual development accounts
401 administered by the fiduciary organization.

402 (b) The amount of deposits and matching funds for each
403 account.

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

405 (d) The number of withdrawals made.

406 (e) Any other information the MDBCFC may require for the
407 purpose of determining whether the Family Empowerment Initiative
408 program is achieving the purposes for which it was established.

409 (7) Each fiduciary organization shall provide quarterly to
410 the MDBCFC the following information:

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

413 (b) The amounts deposited in the IDA;

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

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

418 (e) The balances remaining in the IDAs;

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



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

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

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

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

437 (a) Keep the account in the name of the account owner;

438 (b) Permit deposits to be made in the account;

439 (c) Require the account to earn a market rate of
440 interest;

441 (d) Maintain the individual development accounts as fee
442 free; and

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

446 **SECTION 13.** (1) An amount of Five Hundred Thousand Dollars
447 (\$500,000.00) shall be made available from Temporary Assistance
448 for Needy Families (TANF) funds administered by the Mississippi



449 Department of Human Services for use as matching funds as allowed
450 by Section 404 of the U.S. Social Security Act. The funds shall
451 be designated to the fiduciary organization to allocate to all its
452 participants on a proportionate basis.

453 (2) The Department of Human Services shall promulgate any
454 regulations necessary to carry out the provisions of this section.

455 **SECTION 14.** (1) An account owner's savings and matching
456 funds shall not affect his or her eligibility for any means tested
457 public benefits, including, but not limited to, Medicaid, state
458 Children's Health Insurance Program (CHIP), Temporary Assistance
459 for Needy Families (TANF), Supplemental Nutrition Assistance
460 Program, Supplemental Security Income (SSI), government subsidized
461 foster care and adoption payments and child care or housing
462 payments.

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

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



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

477 **SECTION 15.** The MDBCF shall not be obligated to fund
478 individual development parallel accounts or be obligated to enter
479 into contracts with fiduciary organizations unless the Legislature
480 appropriates funding for the establishment of a Family Empowerment
481 Initiative program, nor shall the MDBCF be obligated to spend
482 funds on a Family Empowerment Initiative program above the amount
483 appropriated by the Legislature for the program.

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

486 27-7-15. (1) For the purposes of this article, except as
487 otherwise provided, the term "gross income" means and includes the
488 income of a taxpayer derived from salaries, wages, fees or
489 compensation for service, of whatever kind and in whatever form
490 paid, including income from governmental agencies and subdivisions
491 thereof; or from professions, vocations, trades, businesses,
492 commerce or sales, or renting or dealing in property, or
493 reacquired property; also from annuities, interest, rents,
494 dividends, securities, insurance premiums, reinsurance premiums,
495 considerations for supplemental insurance contracts, or the
496 transaction of any business carried on for gain or profit, or
497 gains, or profits, and income derived from any source whatever and
498 in whatever form paid. The amount of all such items of income



499 shall be included in the gross income for the taxable year in
500 which received by the taxpayer. The amount by which an eligible
501 employee's salary is reduced pursuant to a salary reduction
502 agreement authorized under Section 25-17-5 shall be excluded from
503 the term "gross income" within the meaning of this article.

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

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

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

512 (i) Prior to January 1, 2001, federal rules,
513 regulations and revenue procedures shall be followed with respect
514 to installment sales except they shall be applied and administered
515 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
516 106th Congress, had not been enacted. This provision will
517 generally affect taxpayers, reporting on the accrual method of
518 accounting, entering into installment note agreements on or after
519 December 17, 1999. Any gain or profit resulting from the casual
520 sale of property will be recognized in the year of sale.

521 (ii) From and after January 1, 2001, federal
522 rules, regulations and revenue procedures shall be followed with
523 respect to installment sales except as provided in this



524 subparagraph (ii). Gain or profit from the casual sale of
525 property shall be recognized in the year of sale. When a taxpayer
526 recognizes gain on the casual sale of property in which the gain
527 is deferred for federal income tax purposes, a taxpayer may elect
528 to defer the payment of tax resulting from the gain as allowed and
529 to the extent provided under regulations prescribed by the
530 commissioner. If the payment of the tax is made on a deferred
531 basis, the tax shall be computed based on the applicable rate for
532 the income reported in the year the payment is made. Except as
533 otherwise provided in subparagraph (iii) of this paragraph (b),
534 deferring the payment of the tax shall not affect the liability
535 for the tax. If at any time the installment note is sold,
536 contributed, transferred or disposed of in any manner and for any
537 purpose by the original note holder, or the original note holder
538 is merged, liquidated, dissolved or withdrawn from this state,
539 then all deferred tax payments under this section shall
540 immediately become due and payable.

541 (iii) If the selling price of the property is
542 reduced by any alteration in the terms of an installment note,
543 including default by the purchaser, the gain to be recognized is
544 recomputed based on the adjusted selling price in the same manner
545 as for federal income tax purposes. The tax on this amount, less
546 the previously paid tax on the recognized gain, is payable over
547 the period of the remaining installments. If the tax on the
548 previously recognized gain has been paid in full to this state,



549 the return on which the payment was made may be amended for this
550 purpose only. The statute of limitations in Section 27-7-49 shall
551 not bar an amended return for this purpose.

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

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

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

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



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

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

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

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

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

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

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

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



599 the amount of any damages received for such injuries or such
600 sickness or injuries, or through the War Risk Insurance Act, or
601 any law for the benefit or relief of injured or disabled members
602 of the military or naval forces of the United States.

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

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

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

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



624 dividends may be specifically identified in the possession of the
625 recipient.

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

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

641 (l) Amounts received as retirement allowances,
642 pensions, annuities or optional retirement allowances paid by any
643 public or governmental retirement system not designated in
644 paragraph (k) or any private retirement system or plan of which
645 the recipient was a member at any time during the period of his
646 employment. Amounts received as a distribution under a Roth
647 Individual Retirement Account shall be treated in the same manner
648 as provided under the Internal Revenue Code of 1986, as amended.



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

652 (m) National Guard or Reserve Forces of the United
653 States compensation not to exceed the aggregate sum of Five
654 Thousand Dollars (\$5,000.00) for any taxable year through the 2005
655 taxable year, and not to exceed the aggregate sum of Fifteen
656 Thousand Dollars (\$15,000.00) for any taxable year thereafter.

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

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

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



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

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

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

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



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

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

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

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

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

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



721 establishments not licensed under the Mississippi Gaming Control
722 Act.

723 (z) Interest, dividends, gains or income of any kind on
724 any account in a qualified tuition program and amounts received as
725 distributions under a qualified tuition program shall be treated
726 in the same manner as provided under the United States Internal
727 Revenue Code, as amended. For the purposes of this paragraph (z),
728 the term "qualified tuition program" means and has the same
729 definition as that term has in 26 USCS 529.

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

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

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



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

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

752 (i) "Qualified individual" means any individual
753 whose household income does not exceed one hundred twenty percent
754 (120%) of the area median gross income (as defined by the United
755 States Department of Housing and Urban Development), adjusted for
756 household size, for the area in which the housing is located.

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

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

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



769 housing expenses to assist the employer's employees in securing
770 affordable housing.

771 (iv) "Qualified housing expenses" means:

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

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

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

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



794 (hh) The amount deposited in a catastrophe savings
795 account established under Sections 27-7-1001 through 27-7-1007,
796 interest income earned on the catastrophe savings account, and
797 distributions from the catastrophe savings account; however, any
798 amount withdrawn from a catastrophe savings account for purposes
799 other than paying qualified catastrophe expenses shall be included
800 in gross income, except as otherwise provided by Sections
801 27-7-1001 through 27-7-1007.

802 (ii) Interest, dividends, gains or income of any kind
803 on any account in the Mississippi Achieving a Better Life
804 Experience (ABLE) Trust Fund, as established in Chapter 28, Title
805 43, to the extent that such amounts remain on deposit in the ABLE
806 Trust Fund or are withdrawn pursuant to a qualified withdrawal, as
807 defined in Section 43-28-11.

808 (jj) Subject to the limitations provided under Section
809 27-7-1103, amounts deposited into a first-time homebuyer savings
810 account and any interest or other income earned attributable to an
811 account and monies or funds withdrawn or distributed from an
812 account for the payment of eligible costs by or on behalf of a
813 qualified beneficiary; however, any monies or funds withdrawn or
814 distributed from a first-time homebuyer savings account for any
815 purpose other than the payment of eligible costs by or on behalf
816 of a qualified beneficiary shall be included in gross income. For
817 the purpose of this paragraph (jj), the terms "first-time
818 homebuyer savings account," "eligible costs" and "qualified



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

821 (kk) Amounts paid by an agricultural disaster program
822 as compensation to an agricultural producer, cattle farmer or
823 cattle rancher who has suffered a loss as the result of a disaster
824 or emergency, including, but not limited to, the following United
825 States Department of Agriculture programs:

826 (i) Livestock Forage Disaster Program;

827 (ii) Livestock Indemnity Program;

828 (iii) Emergency Assistance for Livestock, Honey
829 Bees and Farm-raised Fish Program;

830 (iv) Emergency Conservation Program;

831 (v) Noninsured Crop Disaster Assistance Program;

832 (vi) Pasture, Rangeland, Forage Pilot Insurance
833 Program;

834 (vii) Annual Forage Pilot Program;

835 (viii) Livestock Risk Protection Insurance

836 Program; and

837 (ix) Livestock Gross Margin Insurance Plan.

838 (ll) Amounts received as advances and/or grants under
839 the federal Coronavirus Aid, Relief, and Economic Security Act.

840 (mm) Any and all cancelled indebtedness provided for
841 under the Coronavirus Aid, Relief, and Economic Security Act.

842 (nn) Amounts received as payments under Section 4 of
843 Senate Bill No. 2772, 2020 Regular Session.



844 (oo) Amounts received as grants under the 2020 COVID-19
845 Mississippi Business Assistance Act.

846 (pp) Amounts received as grants under Section 57-1-521.

847 (qq) Interest or dividends earned on individual
848 development accounts established under Sections 1 through 15 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 17.** This act shall take effect and be in force from
909 and after July 1, 2021.

