

By: Senator(s) Tate

To: Finance

SENATE BILL NO. 3128
(As Passed the Senate)

1 AN ACT TO ENACT THE "STRENGTHENING TROOP RETENTION FOR OUR
2 NATIONAL GUARD (STRONG) ACT"; TO AMEND SECTION 27-7-15,
3 MISSISSIPPI CODE OF 1972, RELATING TO INCOME TAX EXEMPTIONS, TO
4 INCREASE THE INCOME TAX EXEMPTION FOR NATIONAL GUARD AND RESERVE
5 FORCES MEMBERS; TO CREATE A PROGRAM WITHIN THE MISSISSIPPI
6 MILITARY DEPARTMENT TO PROVIDE A REIMBURSEMENT FOR SERVICE MEMBERS
7 OF THE MISSISSIPPI NATIONAL GUARD FOR THE COST OF TRICARE RESERVE
8 SELECT FOR THE PURPOSE OF INCREASING MEDICAL READINESS AND
9 IMPACTING RECRUITING AND RETENTION WITHIN THE NATIONAL GUARD; AND
10 FOR RELATED PURPOSES.

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

12 **SECTION 1.** This act shall be known and may be cited as the
13 "Strengthening Troop Retention for Our National Guard (STRONG)
14 Act."

15 **SECTION 2.** Section 27-7-15, Mississippi Code of 1972, is
16 amended as follows:

17 27-7-15. (1) For the purposes of this article, except as
18 otherwise provided, the term "gross income" means and includes the
19 income of a taxpayer derived from salaries, wages, fees or
20 compensation for service, of whatever kind and in whatever form
21 paid, including income from governmental agencies and subdivisions
22 thereof; or from professions, vocations, trades, businesses,



23 commerce or sales, or renting or dealing in property, or
24 reacquired property; also from annuities, interest, rents,
25 dividends, securities, insurance premiums, reinsurance premiums,
26 considerations for supplemental insurance contracts, or the
27 transaction of any business carried on for gain or profit, or
28 gains, or profits, and income derived from any source whatever and
29 in whatever form paid. The amount of all such items of income
30 shall be included in the gross income for the taxable year in
31 which received by the taxpayer. The amount by which an eligible
32 employee's salary is reduced pursuant to a salary reduction
33 agreement authorized under Section 25-17-5 shall be excluded from
34 the term "gross income" within the meaning of this article.

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

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

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

43 (i) Prior to January 1, 2001, federal rules,
44 regulations and revenue procedures shall be followed with respect
45 to installment sales except they shall be applied and administered
46 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
47 106th Congress, had not been enacted. This provision will



48 generally affect taxpayers, reporting on the accrual method of
49 accounting, entering into installment note agreements on or after
50 December 17, 1999. Any gain or profit resulting from the casual
51 sale of property will be recognized in the year of sale.

52 (ii) From and after January 1, 2001, federal
53 rules, regulations and revenue procedures shall be followed with
54 respect to installment sales except as provided in this
55 subparagraph (ii). Gain or profit from the casual sale of
56 property shall be recognized in the year of sale. When a taxpayer
57 recognizes gain on the casual sale of property in which the gain
58 is deferred for federal income tax purposes, a taxpayer may elect
59 to defer the payment of tax resulting from the gain as allowed and
60 to the extent provided under regulations prescribed by the
61 commissioner. If the payment of the tax is made on a deferred
62 basis, the tax shall be computed based on the applicable rate for
63 the income reported in the year the payment is made. Except as
64 otherwise provided in subparagraph (iii) of this paragraph (b),
65 deferring the payment of the tax shall not affect the liability
66 for the tax. If at any time the installment note is sold,
67 contributed, transferred or disposed of in any manner and for any
68 purpose by the original note holder, or the original note holder
69 is merged, liquidated, dissolved or withdrawn from this state,
70 then all deferred tax payments under this section shall
71 immediately become due and payable.



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

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

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



97 (e) **Alimony and separate maintenance payments.** The
98 federal rules, regulations and revenue procedures in determining
99 the deductibility and taxability of alimony payments shall be
100 followed in this state.

101 (f) **Reimbursement for expenses of moving.** There shall
102 be included in gross income (as compensation for services) any
103 amount received or accrued, directly or indirectly, by an
104 individual as a payment for or reimbursement of expenses of moving
105 from one (1) residence to another residence which is attributable
106 to employment or self-employment.

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

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

112 (a) The proceeds of life insurance policies and
113 contracts paid upon the death of the insured. However, the income
114 from the proceeds of such policies or contracts shall be included
115 in the gross income.

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



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

123 (d) Interest upon the obligations of the United States
124 or its possessions, or securities issued under the provisions of
125 the Federal Farm Loan Act of 1916, or bonds issued by the War
126 Finance Corporation, or obligations of the State of Mississippi or
127 political subdivisions thereof.

128 (e) The amounts received through accident or health
129 insurance as compensation for personal injuries or sickness, plus
130 the amount of any damages received for such injuries or such
131 sickness or injuries, or through the War Risk Insurance Act, or
132 any law for the benefit or relief of injured or disabled members
133 of the military or naval forces of the United States.

134 (f) Income received by any religious denomination or by
135 any institution or trust for moral or mental improvements,
136 religious, Bible, tract, charitable, benevolent, fraternal,
137 missionary, hospital, infirmary, educational, scientific,
138 literary, library, patriotic, historical or cemetery purposes or
139 for two (2) or more of such purposes, if such income be used
140 exclusively for carrying out one or more of such purposes.

141 (g) Income received by a domestic corporation which is
142 "taxable in another state" as this term is defined in this
143 article, derived from business activity conducted outside this
144 state. Domestic corporations taxable both within and without the



state shall determine Mississippi income on the same basis as provided for foreign corporations under the provisions of this article.

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

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

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

(k) Amounts received as retirement allowances, pensions, annuities or optional retirement allowances paid under the federal Social Security Act, the Railroad Retirement Act, the Federal Civil Service Retirement Act, or any other retirement system of the United States government, retirement allowances paid under the Mississippi Public Employees' Retirement System, Mississippi Highway Safety Patrol Retirement System or any other retirement system of the State of Mississippi or any political subdivision thereof. The exemption allowed under this paragraph



(k) shall be available to the spouse or other beneficiary at the death of the primary retiree.

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

(m) National Guard or Reserve Forces of the United States compensation not to exceed the aggregate sum of Five Thousand Dollars (\$5,000.00) for any taxable year through the 2005 taxable year, and not to exceed the aggregate sum of Fifteen Thousand Dollars (\$15,000.00) for taxable years 2006 through 2024, and not to exceed the aggregate sum of Twenty-five Thousand Dollars (\$25,000.00) for any taxable year thereafter.

(n) Compensation received for active service as a member below the grade of commissioned officer and so much of the compensation as does not exceed the maximum enlisted amount received for active service as a commissioned officer in the Armed Forces of the United States for any month during any part of which



195 such members of the Armed Forces (i) served in a combat zone as
196 designated by Executive Order of the President of the United
197 States or a qualified hazardous duty area as defined by federal
198 law, or both; or (ii) was hospitalized as a result of wounds,
199 disease or injury incurred while serving in such combat zone. For
200 the purposes of this paragraph (n), the term "maximum enlisted
201 amount" means and has the same definition as that term has in 26
202 USCS 112.

203 (o) The proceeds received from federal and state
204 forestry incentive programs.

205 (p) The amount representing the difference between the
206 increase of gross income derived from sales for export outside the
207 United States as compared to the preceding tax year wherein gross
208 income from export sales was highest, and the net increase in
209 expenses attributable to such increased exports. In the absence
210 of direct accounting, the ratio of net profits to total sales may
211 be applied to the increase in export sales. This paragraph (p)
212 shall only apply to businesses located in this state engaging in
213 the international export of Mississippi goods and services. Such
214 goods or services shall have at least fifty percent (50%) of value
215 added at a location in Mississippi.

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



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

226 (s) Amounts paid by the Mississippi Soil and Water
227 Conservation Commission from the Mississippi Soil and Water
228 Cost-Share Program for the installation of water quality best
229 management practices.

230 (t) Dividends received by a holding corporation, as
231 defined in Section 27-13-1, from a subsidiary corporation, as
232 defined in Section 27-13-1.

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

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

242 (w) Income resulting from transactions with a related
243 member where the related member subject to tax under this chapter



was required to, and did in fact, add back the expense of such transactions as required by Section 27-7-17(2). Under no circumstances may the exclusion from income exceed the deduction add-back of the related member, nor shall the exclusion apply to any income otherwise excluded under this chapter.

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

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

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

(aa) The amount deposited in a health savings account, and any interest accrued thereon, that is a part of a health savings account program as specified in the Health Savings Accounts Act created in Sections 83-62-1 through 83-62-9; however, any amount withdrawn from such account for purposes other than paying qualified medical expenses or to procure health coverage



shall be included in gross income, except as otherwise provided by Sections 83-62-7 and 83-62-9.

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

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

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

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

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

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



294 1. Homeownership education or counseling;
295 2. The development of affordable housing; or
296 3. The development or administration of
297 employer-assisted housing programs.

298 (iii) "Employer-assisted housing program" means a
299 separate written plan of any employer (including, without
300 limitation, tax-exempt organizations and public employers) for the
301 exclusive benefit of the employer's employees to pay qualified
302 housing expenses to assist the employer's employees in securing
303 affordable housing.

304 (iv) "Qualified housing expenses" means:

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

309 2. With respect to homeownership assistance,
310 an amount not to exceed the lesser of Ten Thousand Dollars
311 (\$10,000.00) or six percent (6%) of the purchase price of the
312 employee's principal residence that is paid for the purpose of
313 assisting employees with down payments, payment of closing costs,
314 reduced interest mortgages, mortgage guarantee programs, mortgage
315 forgiveness programs, equity contribution programs, or
316 contributions to homebuyer education and/or homeownership
317 counseling of eligible employees.



318 (ff) For the 2010 taxable year and any taxable year
319 thereafter, amounts converted in accordance with the United States
320 Internal Revenue Code, as amended, from a traditional Individual
321 Retirement Account to a Roth Individual Retirement Account. The
322 exemption allowed under this paragraph (ff) shall be available to
323 the spouse or other beneficiary at the death of the primary
324 retiree.

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

327 (hh) The amount deposited in a catastrophe savings
328 account established under Sections 27-7-1001 through 27-7-1007,
329 interest income earned on the catastrophe savings account, and
330 distributions from the catastrophe savings account; however, any
331 amount withdrawn from a catastrophe savings account for purposes
332 other than paying qualified catastrophe expenses shall be included
333 in gross income, except as otherwise provided by Sections
334 27-7-1001 through 27-7-1007.

335 (ii) Interest, dividends, gains or income of any kind
336 on any account in the Mississippi Achieving a Better Life
337 Experience (ABLE) Trust Fund, as established in Chapter 28, Title
338 43, to the extent that such amounts remain on deposit in the ABLE
339 Trust Fund or are withdrawn pursuant to a qualified withdrawal, as
340 defined in Section 43-28-11.

341 (jj) Subject to the limitations provided under Section
342 27-7-1103, amounts deposited into a first-time homebuyer savings



343 account and any interest or other income earned attributable to an
344 account and monies or funds withdrawn or distributed from an
345 account for the payment of eligible costs by or on behalf of a
346 qualified beneficiary; however, any monies or funds withdrawn or
347 distributed from a first-time homebuyer savings account for any
348 purpose other than the payment of eligible costs by or on behalf
349 of a qualified beneficiary shall be included in gross income. For
350 the purpose of this paragraph (jj), the terms "first-time
351 homebuyer savings account," "eligible costs" and "qualified
352 beneficiary" mean and have the same definitions as such terms have
353 in Section 27-7-1101.

354 (kk) Amounts paid by an agricultural disaster program
355 as compensation to an agricultural producer, cattle farmer or
356 cattle rancher who has suffered a loss as the result of a disaster
357 or emergency, including, but not limited to, the following United
358 States Department of Agriculture programs:

- 359 (i) Livestock Forage Disaster Program;
360 (ii) Livestock Indemnity Program;
361 (iii) Emergency Assistance for Livestock, Honey
362 Bees and Farm-raised Fish Program;
363 (iv) Emergency Conservation Program;
364 (v) Noninsured Crop Disaster Assistance Program;
365 (vi) Pasture, Rangeland, Forage Pilot Insurance
366 Program;
367 (vii) Annual Forage Pilot Program;



(viii) Livestock Risk Protection Insurance Program; and

(ix) Livestock Gross Margin Insurance Plan.

(ll) Amounts received as advances and/or grants under the federal Coronavirus Aid, Relief, and Economic Security Act, the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act.

(mm) Any and all cancelled indebtedness provided for under the Coronavirus Aid, Relief, and Economic Security Act and the Consolidated Appropriations Act of 2021.

(nn) Amounts received as payments under Section 27-3-85.

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

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

(* * * qq) Amounts received as grants under the Shuttered Venue Operators Grant Program and Restaurant Revitalization Fund authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act.

(* * * rr) Amounts received as grants under the Mississippi Agriculture Stabilization Act.

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

(a) **Members of the Armed Forces.** Gross income does not include compensation received for active service as a member of



the Armed Forces of the United States for any month during any part of which such member is in a missing status, as defined in paragraph (d) of this subsection, during the Vietnam Conflict as a result of such conflict.

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

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

(d) "Missing status" means the status of an employee or member of the Armed Forces who is in active service and is officially carried or determined to be absent in a status of (i) missing; (ii) missing in action; (iii) interned in a foreign country; (iv) captured, beleaguered or besieged by a hostile force; or (v) detained in a foreign country against his will; but



does not include the status of an employee or member of the Armed Forces for a period during which he is officially determined to be absent from his post of duty without authority.

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

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

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

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

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



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

SECTION 3. Mississippi National Guard Tricare Premium

Reimbursement Program. (1) There is hereby established within the State Military Department the "Mississippi National Guard Tricare Premium Reimbursement Program" (hereinafter referred to as the "program").

(2) The purpose of the program is to award grants to reimburse certain members of the Mississippi National Guard for portions of the cost of premiums for Tricare Reserve Select health care plans; require the department to promulgate rules to administer and implement the program in order to enhance the medical readiness of the Mississippi National Guard and assist members with their healthcare needs, thereby promoting retention of qualified personnel.

(3) A member of the Mississippi National Guard shall be eligible for this program if he or she meets the following criteria:

(a) The member is eligible for Tricare Reserve Select Coverage; and

(b) The member is an actively drilling member in good standing of the Mississippi National Guard.



(4) Eligible members who meet the reimbursement application requirements as established by the department shall receive a reimbursement for eligible Tricare Reserve Select premiums paid at the current member-only Tricare Reserve Select premium rate.

(5) The Adjutant General of the Mississippi National Guard shall administer the program and shall promulgate rules and regulations necessary for its implementation, including procedures for application, verification of eligibility, disbursement of funds and tracking of program impact on readiness and retention.

(6) The funds for this program shall be subject to annual appropriation by the Legislature.

(7) The Adjutant General shall provide an annual report to the Legislature on the effectiveness of the program, including the number of participants, the impact on medical readiness and any recommendations for improvement.

SECTION 4. This act shall take effect and be in force from and after its passage.

