

By: Representative West

To: Ways and Means

HOUSE BILL NO. 1472

1 AN ACT TO EXEMPT BUSINESS PROPERTY OF CERTAIN SMALL
2 BUSINESSES FROM AD VALOREM TAXATION; TO AMEND SECTION 27-7-29,
3 MISSISSIPPI CODE OF 1972, TO EXEMPT CERTAIN SMALL BUSINESSES FROM
4 STATE INCOME TAX; TO AMEND SECTION 27-8-3, MISSISSIPPI CODE OF
5 1972, IN CONFORMITY THERETO; AND FOR RELATED PURPOSES.

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

7 SECTION 1. (1) All business property of a small business
8 with annual gross income or gross proceeds of sales of One Hundred
9 Thousand Dollars (\$100,000.00) or less, which is owned by a person
10 who is sixty-five (65) years of age or older and who has owned and
11 operated the small business for at least twenty-five (25) years
12 shall be exempt from ad valorem taxation. The exemption granted
13 in this section shall be for a period of ten (10) years, and the
14 exemption shall be in addition to any other exemption granted by
15 law. For purposes of this section, "small business" means any
16 commercial enterprise with less than one hundred (100) full-time
17 employees or less than Two Million Dollars (\$2,000,000.00) in net
18 worth.

19 SECTION 2. Section 27-7-29, Mississippi Code of 1972, is
20 amended as follows:

21 27-7-29. The following organizations shall be exempt from
22 taxation under this article:

- 23 (1) Fraternal beneficiary societies, orders or associations.
24 (2) Mutual savings banks, domestic or foreign when organized
25 and operated on a nonprofit basis and for public purposes; and
26 farm loan associations when organized and operated on a nonprofit
27 basis and for public purposes.

28 (3) Cemetery corporations; religious, charitable,
29 educational or scientific associations or institutions, including
30 any community chest, funds or foundations, organized and operated
31 exclusively for religious, charitable, scientific or educational
32 purposes, or for the prevention of cruelty to children or animals,
33 no part of the net earnings of which inures to the benefit of any
34 private stockholder or individual.

35 (4) Business leagues, labor organizations, agricultural or
36 horticultural associations, chambers of commerce, or boards of
37 trade not organized for profit, and no part of the net earnings of
38 which inures to the benefit of any private stockholder or
39 individual.

40 (5) Civic leagues and social clubs or organizations not
41 organized for profit, but operated exclusively for the promotion
42 of social welfare.

43 (6) Clubs organized and operated exclusively for pleasure,
44 recreation and other nonprofitable purposes, no part of the net
45 earnings of which inures to the benefit of any private stockholder
46 or member.

47 (7) Farmers and fruit growers cooperatives or other like
48 organizations organized and operated as sales agents for the
49 purpose of marketing the products of members and turning back to
50 them the proceeds of sales, less the necessary selling expenses
51 and on the basis of the quantity of produce furnished by them, and
52 other nonprofit agricultural associations organized and operated
53 under the provisions of the cooperative marketing laws of this
54 state. Corporations that are treated as cooperatives for federal
55 income tax purposes will be exempt from income taxation under this
56 chapter to the same extent as provided for federal income tax
57 purposes.

58 (8) Nonprofit cooperative electric power associations or
59 corporations, or like associations, when organized and operated
60 for public purposes and when no part of the income inures to the

61 benefit of any private stockholder or individual.

62 (9) Any nonprofit corporation that is required to be
63 organized and formed for the purpose of operating and managing the
64 state's prison industries.

65 (10) Any small business with annual gross income or gross
66 proceeds of sales of One Hundred Thousand Dollars (\$100,000.00) or
67 less, which is owned by a person who is sixty-five (65) years of
68 age or older and who has owned and operated the small business for
69 at least twenty-five (25) years. For purposes of this exemption,
70 "small business" means any commercial enterprise with less than
71 one hundred (100) full-time employees or less than Two Million
72 Dollars (\$2,000,000.00) in net worth.

73 SECTION 3. Section 27-8-3, Mississippi Code of 1972, is
74 amended as follows:

75 27-8-3. (1) For purposes of this chapter, the following
76 terms shall have meanings ascribed below:

77 (a) "C corporation" means a corporation which is not an
78 S corporation.

79 (b) "Code" means the Internal Revenue Code of 1986, as
80 amended and as applicable to the taxable period; references to
81 sections of the Code shall be deemed to refer to corresponding
82 provisions of prior and subsequent federal tax laws.

83 (c) "Income attributable to the state" means items of
84 income, loss, deduction or credit of the S corporation apportioned
85 to this state under Section 27-7-23(c)(2) or allocated to this
86 state under Section 27-7-23(c)(4). However, "income attributable
87 to the state" shall not include income of a business exempted from
88 income tax in Section 2 of House Bill No. _____, 1999 Regular
89 Session.

90 (d) "Income not attributable to the state" means all
91 items of income, loss, deduction or credit of the S corporation
92 other than income attributable to the state.

93 (e) "Post-termination transition period" means that

94 period defined in Section 1377(b)(1) of the Code.

95 (f) "Pro rata share" means the portion of any item
96 attributable to an S corporation shareholder for a taxable period
97 determined in the manner provided in, and subject to any election
98 made under, Section 1377(a) or 1362(e), as the case may be, of the
99 Code.

100 (g) "S corporation" means a corporation for which a
101 valid election under Section 1362(a) of the Code is in effect.

102 (h) "Taxable period" means any taxable year or portion
103 of a taxable year during which a corporation is an S corporation.

104 (2) Except as otherwise expressly provided or clearly
105 appearing from the context, any term used in this chapter shall
106 have the same meaning as when used in a comparable context in the
107 Code, or in any statute relating to federal income taxes, in
108 effect for the taxable period. Due consideration shall be given
109 in the interpretation of this chapter to applicable sections of
110 the Code in effect from time to time and to federal rulings and
111 regulations interpreting such sections, provided such Code,
112 rulings and regulations do not conflict with the provisions of
113 this chapter.

114 SECTION 4. Nothing in this act shall affect or defeat any
115 claim, assessment, appeal, suit, right or cause of action for
116 taxes due or accrued under the ad valorem tax laws or the income
117 tax laws before the date on which this act becomes effective,
118 whether such claims, assessments, appeals, suits or actions have
119 been begun before the date on which this act becomes effective or
120 are begun thereafter; and the provisions of the ad valorem tax
121 laws and the income tax laws are expressly continued in full
122 force, effect and operation for the purpose of the assessment,
123 collection and enrollment of liens for any taxes due or accrued
124 and the execution of any warrant under such laws before the date
125 on which this act becomes effective, and for the imposition of any
126 penalties, forfeitures or claims for failure to comply with such

127 laws.

128 SECTION 5. This act shall take effect and be in force from
129 and after January 1, 2000.