

By: Representative Fleming

To: Ways and Means

HOUSE BILL NO. 13

1 AN ACT TO AMEND SECTION 27-7-17, MISSISSIPPI CODE OF 1972; TO
2 AUTHORIZE AN INCOME TAX DEDUCTION FOR TAXPAYERS WHO INCUR EXPENSES
3 FOR MEDICAL CARE OR PRESCRIBED DRUGS, OR BOTH, FOR THE TAXPAYER,
4 THE TAXPAYER'S SPOUSE OR DEPENDENTS, REGARDLESS OF THE AMOUNT OF
5 SUCH EXPENSES INCURRED DURING A TAXABLE YEAR; AND FOR RELATED
6 PURPOSES.

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

8 **SECTION 1.** Section 27-7-17, Mississippi Code of 1972, is
9 amended as follows:

10 **[Through December 31, 2001, this section shall read as**
11 **follows:]**

12 27-7-17. In computing taxable income, there shall be allowed
13 as deductions:

14 (1) **Business deductions.**

15 (a) Business expenses. All the ordinary and necessary
16 expenses paid or incurred during the taxable year in carrying on
17 any trade or business, including a reasonable allowance for
18 salaries or other compensation for personal services actually
19 rendered; nonreimbursable traveling expenses incident to current
20 employment, including a reasonable amount expended for meals and
21 lodging while away from home in the pursuit of a trade or
22 business; and rentals or other payments required to be made as a
23 condition of the continued use or possession, for purposes of the
24 trade or business of property to which the taxpayer has not taken
25 or is not taking title or in which he had no equity. Expense
26 incurred in connection with earning and distributing nontaxable
27 income is not an allowable deduction. Limitations on
28 entertainment expenses shall conform to the provisions of the
29 Internal Revenue Code of 1986.



30 (b) Interest. All interest paid or accrued during the
31 taxable year on business indebtedness, except interest upon the
32 indebtedness for the purchase of tax-free bonds, or any stocks,
33 the dividends from which are nontaxable under the provisions of
34 this article; provided, however, in the case of securities
35 dealers, interest payments or accruals on loans, the proceeds of
36 which are used to purchase tax-exempt securities, shall be
37 deductible if income from otherwise tax-free securities is
38 reported as income. Investment interest expense shall be limited
39 to investment income. Interest expense incurred for the purchase
40 of treasury stock, to pay dividends, or incurred as a result of an
41 undercapitalized affiliated corporation may not be deducted unless
42 an ordinary and necessary business purpose can be established to
43 the satisfaction of the commissioner. For the purposes of this
44 paragraph, the phrase "interest upon the indebtedness for the
45 purchase of tax-free bonds" applies only to the indebtedness
46 incurred for the purpose of directly purchasing tax-free bonds and
47 does not apply to any other indebtedness incurred in the regular
48 course of the taxpayer's business. Any corporation, association,
49 organization or other entity taxable under Section 27-7-23(c)
50 shall allocate interest expense as provided in Section
51 27-7-23(c)(3)(I).

52 (c) Taxes. Taxes paid or accrued within the taxable
53 year, except state and federal income taxes, excise taxes based on
54 or measured by net income, estate and inheritance taxes, gift
55 taxes, cigar and cigarette taxes, gasoline taxes, and sales and
56 use taxes unless incurred as an item of expense in a trade or
57 business or in the production of taxable income. In the case of
58 an individual, taxes permitted as an itemized deduction under the
59 provisions of subsection (3)(a) of this section are to be claimed
60 thereunder.

61 (d) Business losses.



62 (i) Losses sustained during the taxable year not
63 compensated for by insurance or otherwise, if incurred in trade or
64 business, or nonbusiness transactions entered into for profit.

65 (ii) Limitations on losses from passive activities
66 and rental real estate shall conform to the provisions of the
67 Internal Revenue Code of 1986.

68 (e) Bad debts. Losses from debts ascertained to be
69 worthless and charged off during the taxable year, if sustained in
70 the conduct of the regular trade or business of the taxpayer;
71 provided, that such losses shall be allowed only when the taxpayer
72 has reported as income, on the accrual basis, the amount of such
73 debt or account.

74 (f) Depreciation. A reasonable allowance for
75 exhaustion, wear and tear of property used in the trade or
76 business, or rental property, and depreciation upon buildings
77 based upon their reasonable value as of March 16, 1912, if
78 acquired prior thereto, and upon cost if acquired subsequent to
79 that date.

80 (g) Depletion. In the case of mines, oil and gas
81 wells, other natural deposits and timber, a reasonable allowance
82 for depletion and for depreciation of improvements, based upon
83 cost, including cost of development, not otherwise deducted, or
84 fair market value as of March 16, 1912, if acquired prior to that
85 date, such allowance to be made upon regulations prescribed by the
86 commissioner, with the approval of the Governor.

87 (h) Contributions or gifts. Except as otherwise
88 provided in subsection (3)(a) of this section for individuals,
89 contributions or gifts made by corporations within the taxable
90 year to corporations, organizations, associations or institutions,
91 including Community Chest funds, foundations and trusts created
92 solely and exclusively for religious, charitable, scientific or
93 educational purposes, or for the prevention of cruelty to children
94 or animals, no part of the net earnings of which inure to the



95 benefit of any private stockholder or individual. This deduction
96 shall be allowed in an amount not to exceed twenty percent (20%)
97 of the net income. Such contributions or gifts shall be allowable
98 as deductions only if verified under rules and regulations
99 prescribed by the commissioner, with the approval of the Governor.
100 Contributions made in any form other than cash shall be allowed as
101 a deduction, subject to the limitations herein provided, in an
102 amount equal to the actual market value of the contributions at
103 the time the contribution is actually made and consummated.

104 (i) Reserve funds - insurance companies. In the case
105 of insurance companies the net additions required by law to be
106 made within the taxable year to reserve funds when such reserve
107 funds are maintained for the purpose of liquidating policies at
108 maturity.

109 (j) Annuity income. The sums, other than dividends,
110 paid within the taxpayer year on policy or annuity contracts when
111 such income has been included in gross income.

112 (k) Contributions to employee pension plans.
113 Contributions made by an employer to a plan or a trust forming
114 part of a pension plan, stock bonus plan, disability or
115 death-benefit plan, or profit-sharing plan of such employer for
116 the exclusive benefit of some or all of his, their, or its
117 employees, or their beneficiaries, shall be deductible from his,
118 their, or its income only to the extent that, and for the taxable
119 year in which, the contribution is deductible for federal income
120 tax purposes under the Internal Revenue Code of 1986 and any other
121 provisions of similar purport in the Internal Revenue Laws of the
122 United States, and the rules, regulations, rulings and
123 determinations promulgated thereunder, provided that:

124 (i) The plan or trust be irrevocable.

125 (ii) The plan or trust constitute a part of a
126 pension plan, stock bonus plan, disability or death-benefit plan,
127 or profit-sharing plan for the exclusive benefit of some or all of



128 the employer's employees and/or officers, or their beneficiaries,
129 for the purpose of distributing the corpus and income of the plan
130 or trust to such employees and/or officers, or their
131 beneficiaries.

132 (iii) No part of the corpus or income of the plan
133 or trust can be used for purposes other than for the exclusive
134 benefit of employees and/or officers, or their beneficiaries.

135 Contributions to all plans or to all trusts of real or
136 personal property (or real and personal property combined) or to
137 insured plans created under a retirement plan for which provision
138 has been made under the laws of the United States of America,
139 making such contributions deductible from income for federal
140 income tax purposes, shall be deductible only to the same extent
141 under the Income Tax Laws of the State of Mississippi.

142 (1) Net operating loss carrybacks and carryovers. A
143 net operating loss for any taxable year ending after December 31,
144 1993, and taxable years thereafter, shall be a net operating loss
145 carryback to each of the three (3) taxable years preceding the
146 taxable year of the loss. If the net operating loss for any
147 taxable year is not exhausted by carrybacks to the three (3)
148 taxable years preceding the taxable year of the loss, then there
149 shall be a net operating loss carryover to each of the fifteen
150 (15) taxable years following the taxable year of the loss
151 beginning with any taxable year after December 31, 1991.

152 For any taxable year ending after December 31, 1997, the
153 period for net operating loss carrybacks and net operating loss
154 carryovers shall be the same as those established by the Internal
155 Revenue Code and the rules, regulations, rulings and
156 determinations promulgated thereunder.

157 The term "net operating loss," for the purposes of this
158 paragraph, shall be the excess of the deductions allowed over the
159 gross income; provided, however, the following deductions shall
160 not be allowed in computing same:



161 (i) No net operating loss deduction shall be
162 allowed.

163 (ii) No personal exemption deduction shall be
164 allowed.

165 (iii) Allowable deductions which are not
166 attributable to taxpayer's trade or business shall be allowed only
167 to the extent of the amount of gross income not derived from such
168 trade or business.

169 Any taxpayer entitled to a carryback period as provided by
170 this paragraph may elect to relinquish the entire carryback period
171 with respect to a net operating loss for any taxable year ending
172 after December 31, 1991. The election shall be made in the manner
173 prescribed by the State Tax Commission and shall be made by the
174 due date, including extensions of time, for filing the taxpayer's
175 return for the taxable year of the net operating loss for which
176 the election is to be in effect. The election, once made for any
177 taxable year, shall be irrevocable for that taxable year.

178 (m) Amortization of pollution or environmental control
179 facilities. Allowance of deduction. Every taxpayer, at his
180 election, shall be entitled to a deduction for pollution or
181 environmental control facilities to the same extent as that
182 allowed under the Internal Revenue Code and the rules,
183 regulations, rulings and determinations promulgated thereunder.

184 (n) Dividend distributions - real estate investment
185 trusts. "Real estate investment trust" (hereinafter referred to
186 as REIT) shall have the meaning ascribed to such term in Section
187 856 of the federal Internal Revenue Code of 1986, as amended. A
188 REIT is allowed a dividend distributed deduction if the dividend
189 distributions meet the requirements of Section 857 or are
190 otherwise deductible under Section 858 or 860, federal Internal
191 Revenue Code of 1986, as amended. In addition:

192 (i) A dividend distributed deduction shall only be
193 allowed for dividends paid by a publicly traded REIT. A qualified



194 REIT subsidiary shall be allowed a dividend distributed deduction
195 if its owner is a publicly traded REIT.

196 (ii) Income generated from real estate contributed
197 or sold to a REIT by a shareholder or related party shall not give
198 rise to a dividend distributed deduction, unless the shareholder
199 or related party would have received the dividend distributed
200 deduction under this chapter.

201 (iii) A holding corporation receiving a dividend
202 from a REIT shall not be allowed the deduction in Section
203 27-7-15(4)(t).

204 (iv) Any REIT not allowed the dividend distributed
205 deduction in the federal Internal Revenue Code of 1986, as
206 amended, shall not be allowed a dividend distributed deduction
207 under this chapter.

208 The commissioner is authorized to promulgate rules and
209 regulations consistent with the provisions in Section 269 of the
210 federal Internal Revenue Code of 1986, as amended, so as to
211 prevent the evasion or avoidance of state income tax.

212 (o) Contributions to college savings trust fund
213 accounts. Contributions or payments to a Mississippi Affordable
214 College Savings Program account are deductible as provided under
215 Section 37-155-113. Payments made under a prepaid tuition
216 contract entered into under the Mississippi Prepaid Affordable
217 College Tuition Program are deductible as provided under Section
218 37-155-17.

219 (2) **Restrictions on the deductibility of certain intangible**
220 **expenses and interest expenses with a related member.**

221 (a) As used in this subsection (2):

222 (i) "Intangible expenses and costs" include:

223 1. Expenses, losses and costs for, related
224 to, or in connection directly or indirectly with the direct or
225 indirect acquisition, use, maintenance or management, ownership,
226 sale, exchange or any other disposition of intangible property to



227 the extent such amounts are allowed as deductions or costs in
228 determining taxable income under this chapter;

229 2. Expenses or losses related to or incurred
230 in connection directly or indirectly with factoring transactions
231 or discounting transactions;

232 3. Royalty, patent, technical and copyright
233 fees;

234 4. Licensing fees; and

235 5. Other similar expenses and costs.

236 (ii) "Intangible property" means patents, patent
237 applications, trade names, trademarks, service marks, copyrights
238 and similar types of intangible assets.

239 (iii) "Interest expenses and cost" means amounts
240 directly or indirectly allowed as deductions for purposes of
241 determining taxable income under this chapter to the extent such
242 interest expenses and costs are directly or indirectly for,
243 related to, or in connection with the direct or indirect
244 acquisition maintenance, management, ownership, sale, exchange or
245 disposition of intangible property.

246 (iv) "Related member" means an entity or person
247 that, with respect to the taxpayer during all or any portion of
248 the taxable year, is a related entity, a component member as
249 defined in the Internal Revenue Code, or is an entity or a person
250 to or from whom there is attribution of stock ownership in
251 accordance with Section 1563(e) of the Internal Revenue Code.

252 (v) "Related entity" means:

253 1. A stockholder who is an individual or a
254 member of the stockholder's family, as defined in regulations
255 prescribed by the commissioner, if the stockholder and the members
256 of the stockholder's family own, directly, indirectly,
257 beneficially or constructively, in the aggregate, at least fifty
258 percent (50%) of the value of the taxpayer's outstanding stock;



259 2. A stockholder, or a stockholder's
260 partnership, limited liability company, estate, trust or
261 corporation, if the stockholder and the stockholder's
262 partnerships, limited liability companies, estates, trusts and
263 corporations own, directly, indirectly, beneficially or
264 constructively, in the aggregate, at least fifty percent (50%) of
265 the value of the taxpayer's outstanding stock;

266 3. A corporation, or a party related to the
267 corporation in a manner that would require an attribution of stock
268 from the corporation to the party or from the party to the
269 corporation, if the taxpayer owns, directly, indirectly,
270 beneficially or constructively, at least fifty percent (50%) of
271 the value of the corporation's outstanding stock under regulation
272 prescribed by the commissioner;

273 4. Any entity or person which would be a
274 related member under this section if the taxpayer were considered
275 a corporation for purposes of this section.

276 (b) In computing net income, a taxpayer shall add back
277 otherwise deductible interest expenses and costs and intangible
278 expenses and costs directly or indirectly paid, accrued to or
279 incurred, in connection directly or indirectly with one or more
280 direct or indirect transactions with one or more related members.

281 (c) The adjustments required by this subsection shall
282 not apply to such portion of interest expenses and costs and
283 intangible expenses and costs that the taxpayer can establish
284 meets one (1) of the following:

285 (i) The related member directly or indirectly
286 paid, accrued or incurred such portion to a person during the same
287 income year who is not a related member; or

288 (ii) The transaction giving rise to the interest
289 expenses and costs or intangible expenses and costs between the
290 taxpayer and related member was done primarily for a valid
291 business purpose other than the avoidance of taxes, and the



292 related member is not primarily engaged in the acquisition, use,
293 maintenance or management, ownership, sale, exchange or any other
294 disposition of intangible property.

295 (d) Nothing in this subsection shall require a taxpayer
296 to add to its net income more than once any amount of interest
297 expenses and costs or intangible expenses and costs that the
298 taxpayer pays, accrues or incurs to a related member.

299 (e) The commissioner may prescribe such regulations as
300 necessary or appropriate to carry out the purposes of this
301 subsection, including, but not limited to, clarifying definitions
302 of terms, rules of stock attribution, factoring and discount
303 transactions.

304 (3) **Individual nonbusiness deductions.**

305 (a) Except as otherwise provided in this subsection
306 (3), the amount allowable for individual nonbusiness itemized
307 deductions for federal income tax purposes, except the deduction
308 for state income taxes paid, where the individual is eligible to
309 elect, for the taxable year, to itemize deductions on his federal
310 return; or

311 (b) In lieu of the individual nonbusiness itemized
312 deductions authorized in paragraph (a), for all purposes other
313 than ordinary and necessary expenses paid or incurred during the
314 taxable year in carrying on any trade or business, an optional
315 standard deduction of:

316 (i) Three Thousand Four Hundred Dollars
317 (\$3,400.00) through calendar year 1997, Four Thousand Two Hundred
318 Dollars (\$4,200.00) for the calendar year 1998 and Four Thousand
319 Six Hundred Dollars (\$4,600.00) for each calendar year thereafter
320 in the case of married individuals filing a joint or combined
321 return;

322 (ii) One Thousand Seven Hundred Dollars
323 (\$1,700.00) through calendar year 1997, Two Thousand One Hundred
324 Dollars (\$2,100.00) for the calendar year 1998 and Two Thousand



325 Three Hundred Dollars (\$2,300.00) for each calendar year
326 thereafter in the case of married individuals filing separate
327 returns;

328 (iii) Three Thousand Four Hundred Dollars
329 (\$3,400.00) in the case of a head of family; or

330 (iv) Two Thousand Three Hundred Dollars
331 (\$2,300.00) in the case of an individual who is not married.

332 In the case of a husband and wife living together, having
333 separate incomes, and filing combined returns, the standard
334 deduction authorized may be divided in any manner they choose. In
335 the case of separate returns by a husband and wife, the standard
336 deduction shall not be allowed to either if the taxable income of
337 one of the spouses is determined without regard to the standard
338 deduction.

339 (c) An individual eligible for the itemized deductions
340 authorized in paragraph (a) of this subsection (3) or the standard
341 deduction authorized in paragraph (b) of this subsection (3) may
342 claim a deduction for expenses incurred for medical care or
343 prescribed drugs, or both, for the individual, the individual's
344 spouse or dependents, regardless of the amount of such expenses
345 incurred during the taxable year. An individual may not claim a
346 deduction for expenses that are compensated for by insurance or
347 otherwise. For the purposes of this paragraph (c), the terms
348 "medical care" and "prescribed drugs" have the same definitions as
349 those terms have in 26 USCS 213.

350 (d) A nonresident individual shall be allowed the same
351 individual nonbusiness deductions as are authorized for resident
352 individuals in * * * this subsection (3); however, the nonresident
353 individual is entitled only to that proportion of the individual
354 nonbusiness deductions as his net income from sources within the
355 State of Mississippi bears to his total or entire net income from
356 all sources.



357 (3) Nothing in this section shall permit the same item to be
358 deducted more than once, either in fact or in effect.

359 [From and after January 1, 2002, through June 30, 2003, this
360 section shall read as follows:]

361 27-7-17. In computing taxable income, there shall be allowed
362 as deductions:

363 (1) **Business deductions.**

364 (a) Business expenses. All the ordinary and necessary
365 expenses paid or incurred during the taxable year in carrying on
366 any trade or business, including a reasonable allowance for
367 salaries or other compensation for personal services actually
368 rendered; nonreimbursable traveling expenses incident to current
369 employment, including a reasonable amount expended for meals and
370 lodging while away from home in the pursuit of a trade or
371 business; and rentals or other payments required to be made as a
372 condition of the continued use or possession, for purposes of the
373 trade or business of property to which the taxpayer has not taken
374 or is not taking title or in which he had no equity. Expense
375 incurred in connection with earning and distributing nontaxable
376 income is not an allowable deduction. Limitations on
377 entertainment expenses shall conform to the provisions of the
378 Internal Revenue Code of 1986.

379 (b) Interest. All interest paid or accrued during the
380 taxable year on business indebtedness, except interest upon the
381 indebtedness for the purchase of tax-free bonds, or any stocks,
382 the dividends from which are nontaxable under the provisions of
383 this article; provided, however, in the case of securities
384 dealers, interest payments or accruals on loans, the proceeds of
385 which are used to purchase tax-exempt securities, shall be
386 deductible if income from otherwise tax-free securities is
387 reported as income. Investment interest expense shall be limited
388 to investment income. Interest expense incurred for the purchase
389 of treasury stock, to pay dividends, or incurred as a result of an



390 undercapitalized affiliated corporation may not be deducted unless
391 an ordinary and necessary business purpose can be established to
392 the satisfaction of the commissioner. For the purposes of this
393 paragraph, the phrase "interest upon the indebtedness for the
394 purchase of tax-free bonds" applies only to the indebtedness
395 incurred for the purpose of directly purchasing tax-free bonds and
396 does not apply to any other indebtedness incurred in the regular
397 course of the taxpayer's business. Any corporation, association,
398 organization or other entity taxable under Section 27-7-23(c)
399 shall allocate interest expense as provided in Section
400 27-7-23(c)(3)(I).

401 (c) Taxes. Taxes paid or accrued within the taxable
402 year, except state and federal income taxes, excise taxes based on
403 or measured by net income, estate and inheritance taxes, gift
404 taxes, cigar and cigarette taxes, gasoline taxes, and sales and
405 use taxes unless incurred as an item of expense in a trade or
406 business or in the production of taxable income. In the case of
407 an individual, taxes permitted as an itemized deduction under the
408 provisions of subsection (3)(a) of this section are to be claimed
409 thereunder.

410 (d) Business losses.

411 (i) Losses sustained during the taxable year not
412 compensated for by insurance or otherwise, if incurred in trade or
413 business, or nonbusiness transactions entered into for profit.

414 (ii) Limitations on losses from passive activities
415 and rental real estate shall conform to the provisions of the
416 Internal Revenue Code of 1986.

417 (e) Bad debts. Losses from debts ascertained to be
418 worthless and charged off during the taxable year, if sustained in
419 the conduct of the regular trade or business of the taxpayer;
420 provided, that such losses shall be allowed only when the taxpayer
421 has reported as income, on the accrual basis, the amount of such
422 debt or account.



423 (f) Depreciation. A reasonable allowance for
424 exhaustion, wear and tear of property used in the trade or
425 business, or rental property, and depreciation upon buildings
426 based upon their reasonable value as of March 16, 1912, if
427 acquired prior thereto, and upon cost if acquired subsequent to
428 that date.

429 (g) Depletion. In the case of mines, oil and gas
430 wells, other natural deposits and timber, a reasonable allowance
431 for depletion and for depreciation of improvements, based upon
432 cost, including cost of development, not otherwise deducted, or
433 fair market value as of March 16, 1912, if acquired prior to that
434 date, such allowance to be made upon regulations prescribed by the
435 commissioner, with the approval of the Governor.

436 (h) Contributions or gifts. Except as otherwise
437 provided in subsection (3)(a) of this section for individuals,
438 contributions or gifts made by corporations within the taxable
439 year to corporations, organizations, associations or institutions,
440 including Community Chest funds, foundations and trusts created
441 solely and exclusively for religious, charitable, scientific or
442 educational purposes, or for the prevention of cruelty to children
443 or animals, no part of the net earnings of which inure to the
444 benefit of any private stockholder or individual. This deduction
445 shall be allowed in an amount not to exceed twenty percent (20%)
446 of the net income. Such contributions or gifts shall be allowable
447 as deductions only if verified under rules and regulations
448 prescribed by the commissioner, with the approval of the Governor.
449 Contributions made in any form other than cash shall be allowed as
450 a deduction, subject to the limitations herein provided, in an
451 amount equal to the actual market value of the contributions at
452 the time the contribution is actually made and consummated.

453 (i) Reserve funds - insurance companies. In the case
454 of insurance companies the net additions required by law to be
455 made within the taxable year to reserve funds when such reserve



456 funds are maintained for the purpose of liquidating policies at
457 maturity.

458 (j) Annuity income. The sums, other than dividends,
459 paid within the taxpayer year on policy or annuity contracts when
460 such income has been included in gross income.

461 (k) Contributions to employee pension plans.
462 Contributions made by an employer to a plan or a trust forming
463 part of a pension plan, stock bonus plan, disability or
464 death-benefit plan, or profit-sharing plan of such employer for
465 the exclusive benefit of some or all of his, their, or its
466 employees, or their beneficiaries, shall be deductible from his,
467 their, or its income only to the extent that, and for the taxable
468 year in which, the contribution is deductible for federal income
469 tax purposes under the Internal Revenue Code of 1986 and any other
470 provisions of similar purport in the Internal Revenue Laws of the
471 United States, and the rules, regulations, rulings and
472 determinations promulgated thereunder, provided that:

473 (i) The plan or trust be irrevocable.

474 (ii) The plan or trust constitute a part of a
475 pension plan, stock bonus plan, disability or death-benefit plan,
476 or profit-sharing plan for the exclusive benefit of some or all of
477 the employer's employees and/or officers, or their beneficiaries,
478 for the purpose of distributing the corpus and income of the plan
479 or trust to such employees and/or officers, or their
480 beneficiaries.

481 (iii) No part of the corpus or income of the plan
482 or trust can be used for purposes other than for the exclusive
483 benefit of employees and/or officers, or their beneficiaries.

484 Contributions to all plans or to all trusts of real or
485 personal property (or real and personal property combined) or to
486 insured plans created under a retirement plan for which provision
487 has been made under the laws of the United States of America,
488 making such contributions deductible from income for federal



489 income tax purposes, shall be deductible only to the same extent
490 under the Income Tax Laws of the State of Mississippi.

491 (1) Net operating loss carrybacks and carryovers. A
492 net operating loss for any taxable year ending after December 31,
493 1993, and taxable years thereafter, shall be a net operating loss
494 carryback to each of the three (3) taxable years preceding the
495 taxable year of the loss. If the net operating loss for any
496 taxable year is not exhausted by carrybacks to the three (3)
497 taxable years preceding the taxable year of the loss, then there
498 shall be a net operating loss carryover to each of the fifteen
499 (15) taxable years following the taxable year of the loss
500 beginning with any taxable year after December 31, 1991.

501 For any taxable year ending after December 31, 1997, the
502 period for net operating loss carrybacks and net operating loss
503 carryovers shall be the same as those established by the Internal
504 Revenue Code and the rules, regulations, rulings and
505 determinations promulgated thereunder.

506 The term "net operating loss," for the purposes of this
507 paragraph, shall be the excess of the deductions allowed over the
508 gross income; provided, however, the following deductions shall
509 not be allowed in computing same:

510 (i) No net operating loss deduction shall be
511 allowed.

512 (ii) No personal exemption deduction shall be
513 allowed.

514 (iii) Allowable deductions which are not
515 attributable to taxpayer's trade or business shall be allowed only
516 to the extent of the amount of gross income not derived from such
517 trade or business.

518 Any taxpayer entitled to a carryback period as provided by
519 this paragraph may elect to relinquish the entire carryback period
520 with respect to a net operating loss for any taxable year ending
521 after December 31, 1991. The election shall be made in the manner



522 prescribed by the State Tax Commission and shall be made by the
523 due date, including extensions of time, for filing the taxpayer's
524 return for the taxable year of the net operating loss for which
525 the election is to be in effect. The election, once made for any
526 taxable year, shall be irrevocable for that taxable year.

527 (m) Amortization of pollution or environmental control
528 facilities. Allowance of deduction. Every taxpayer, at his
529 election, shall be entitled to a deduction for pollution or
530 environmental control facilities to the same extent as that
531 allowed under the Internal Revenue Code and the rules,
532 regulations, rulings and determinations promulgated thereunder.

533 (n) Dividend distributions - real estate investment
534 trusts. "Real estate investment trust" (hereinafter referred to
535 as REIT) shall have the meaning ascribed to such term in Section
536 856 of the federal Internal Revenue Code of 1986, as amended. A
537 REIT is allowed a dividend distributed deduction if the dividend
538 distributions meet the requirements of Section 857 or are
539 otherwise deductible under Section 858 or 860, federal Internal
540 Revenue Code of 1986, as amended. In addition:

541 (i) A dividend distributed deduction shall only be
542 allowed for dividends paid by a publicly traded REIT. A qualified
543 REIT subsidiary shall be allowed a dividend distributed deduction
544 if its owner is a publicly traded REIT.

545 (ii) Income generated from real estate contributed
546 or sold to a REIT by a shareholder or related party shall not give
547 rise to a dividend distributed deduction, unless the shareholder
548 or related party would have received the dividend distributed
549 deduction under this chapter.

550 (iii) A holding corporation receiving a dividend
551 from a REIT shall not be allowed the deduction in Section
552 27-7-15(4)(t).

553 (iv) Any REIT not allowed the dividend distributed
554 deduction in the federal Internal Revenue Code of 1986, as



555 amended, shall not be allowed a dividend distributed deduction
556 under this chapter.

557 The commissioner is authorized to promulgate rules and
558 regulations consistent with the provisions in Section 269 of the
559 federal Internal Revenue Code of 1986, as amended, so as to
560 prevent the evasion or avoidance of state income tax.

561 (o) Contributions to college savings trust fund
562 accounts. Contributions or payments to a Mississippi Affordable
563 College Savings Program account are deductible as provided under
564 Section 37-155-113. Payments made under a prepaid tuition
565 contract entered into under the Mississippi Prepaid Affordable
566 College Tuition Program are deductible as provided under Section
567 37-155-17.

568 (2) **Restrictions on the deductibility of certain intangible**
569 **expenses and interest expenses with a related member.**

570 (a) As used in this subsection (2):

571 (i) "Intangible expenses and costs" include:

572 1. Expenses, losses and costs for, related
573 to, or in connection directly or indirectly with the direct or
574 indirect acquisition, use, maintenance or management, ownership,
575 sale, exchange or any other disposition of intangible property to
576 the extent such amounts are allowed as deductions or costs in
577 determining taxable income under this chapter;

578 2. Expenses or losses related to or incurred
579 in connection directly or indirectly with factoring transactions
580 or discounting transactions;

581 3. Royalty, patent, technical and copyright
582 fees;

583 4. Licensing fees; and

584 5. Other similar expenses and costs.

585 (ii) "Intangible property" means patents, patent
586 applications, trade names, trademarks, service marks, copyrights
587 and similar types of intangible assets.



588 (iii) "Interest expenses and cost" means amounts
589 directly or indirectly allowed as deductions for purposes of
590 determining taxable income under this chapter to the extent such
591 interest expenses and costs are directly or indirectly for,
592 related to, or in connection with the direct or indirect
593 acquisition maintenance, management, ownership, sale, exchange or
594 disposition of intangible property.

595 (iv) "Related member" means an entity or person
596 that, with respect to the taxpayer during all or any portion of
597 the taxable year, is a related entity, a component member as
598 defined in the Internal Revenue Code, or is an entity or a person
599 to or from whom there is attribution of stock ownership in
600 accordance with Section 1563(e) of the Internal Revenue Code.

601 (v) "Related entity" means:

602 1. A stockholder who is an individual or a
603 member of the stockholder's family, as defined in regulations
604 prescribed by the commissioner, if the stockholder and the members
605 of the stockholder's family own, directly, indirectly,
606 beneficially or constructively, in the aggregate, at least fifty
607 percent (50%) of the value of the taxpayer's outstanding stock;

608 2. A stockholder, or a stockholder's
609 partnership, limited liability company, estate, trust or
610 corporation, if the stockholder and the stockholder's
611 partnerships, limited liability companies, estates, trusts and
612 corporations own, directly, indirectly, beneficially or
613 constructively, in the aggregate, at least fifty percent (50%) of
614 the value of the taxpayer's outstanding stock;

615 3. A corporation, or a party related to the
616 corporation in a manner that would require an attribution of stock
617 from the corporation to the party or from the party to the
618 corporation, if the taxpayer owns, directly, indirectly,
619 beneficially or constructively, at least fifty percent (50%) of



620 the value of the corporation's outstanding stock under regulation
621 prescribed by the commissioner;

622 4. Any entity or person which would be a
623 related member under this section if the taxpayer were considered
624 a corporation for purposes of this section.

625 (b) In computing net income, a taxpayer shall add back
626 otherwise deductible interest expenses and costs and intangible
627 expenses and costs directly or indirectly paid, accrued to or
628 incurred, in connection directly or indirectly with one or more
629 direct or indirect transactions with one or more related members.

630 (c) The adjustments required by this subsection shall
631 not apply to such portion of interest expenses and costs and
632 intangible expenses and costs that the taxpayer can establish
633 meets one (1) of the following:

634 (i) The related member directly or indirectly
635 paid, accrued or incurred such portion to a person during the same
636 income year who is not a related member; or

637 (ii) The transaction giving rise to the interest
638 expenses and costs or intangible expenses and costs between the
639 taxpayer and related member was done primarily for a valid
640 business purpose other than the avoidance of taxes, and the
641 related member is not primarily engaged in the acquisition, use,
642 maintenance or management, ownership, sale, exchange or any other
643 disposition of intangible property.

644 (d) Nothing in this subsection shall require a taxpayer
645 to add to its net income more than once any amount of interest
646 expenses and costs or intangible expenses and costs that the
647 taxpayer pays, accrues or incurs to a related member.

648 (e) The commissioner may prescribe such regulations as
649 necessary or appropriate to carry out the purposes of this
650 subsection, including, but not limited to, clarifying definitions
651 of terms, rules of stock attribution, factoring and discount
652 transactions.



653 (3) **Individual nonbusiness deductions.**

654 (a) Except as otherwise provided in this subsection
655 (3), the amount allowable for individual nonbusiness itemized
656 deductions for federal income tax purposes where the individual is
657 eligible to elect, for the taxable year, to itemize deductions on
658 his federal return except the following:

- 659 (i) The deduction for state income taxes paid;
- 660 (ii) The deduction for gaming losses from gaming
661 establishments licensed under the Mississippi Gaming Control Act;
- 662 (iii) The deduction for taxes collected by
663 licensed gaming establishments pursuant to Section 27-7-901.

664 (b) In lieu of the individual nonbusiness itemized
665 deductions authorized in paragraph (a), for all purposes other
666 than ordinary and necessary expenses paid or incurred during the
667 taxable year in carrying on any trade or business, an optional
668 standard deduction of:

- 669 (i) Three Thousand Four Hundred Dollars
670 (\$3,400.00) through calendar year 1997, Four Thousand Two Hundred
671 Dollars (\$4,200.00) for the calendar year 1998 and Four Thousand
672 Six Hundred Dollars (\$4,600.00) for each calendar year thereafter
673 in the case of married individuals filing a joint or combined
674 return;

- 675 (ii) One Thousand Seven Hundred Dollars
676 (\$1,700.00) through calendar year 1997, Two Thousand One Hundred
677 Dollars (\$2,100.00) for the calendar year 1998 and Two Thousand
678 Three Hundred Dollars (\$2,300.00) for each calendar year
679 thereafter in the case of married individuals filing separate
680 returns;

- 681 (iii) Three Thousand Four Hundred Dollars
682 (\$3,400.00) in the case of a head of family; or

- 683 (iv) Two Thousand Three Hundred Dollars
684 (\$2,300.00) in the case of an individual who is not married.



685 In the case of a husband and wife living together, having
686 separate incomes, and filing combined returns, the standard
687 deduction authorized may be divided in any manner they choose. In
688 the case of separate returns by a husband and wife, the standard
689 deduction shall not be allowed to either if the taxable income of
690 one of the spouses is determined without regard to the standard
691 deduction.

692 (c) An individual eligible for the itemized deductions
693 authorized in paragraph (a) of this subsection (3) or the standard
694 deduction authorized in paragraph (b) of this subsection (3) may
695 claim a deduction for expenses incurred for medical care or
696 prescribed drugs, or both, for the individual, the individual's
697 spouse or dependents, regardless of the amount of such expenses
698 incurred during the taxable year. An individual may not claim a
699 deduction for expenses that are compensated for by insurance or
700 otherwise. For the purposes of this paragraph (c), the terms
701 "medical care" and "prescribed drugs" have the same definitions as
702 those terms have in 26 USCS 213.

703 (d) A nonresident individual shall be allowed the same
704 individual nonbusiness deductions as are authorized for resident
705 individuals in * * * this subsection (3); however, the nonresident
706 individual is entitled only to that proportion of the individual
707 nonbusiness deductions as his net income from sources within the
708 State of Mississippi bears to his total or entire net income from
709 all sources.

710 (3) Nothing in this section shall permit the same item to be
711 deducted more than once, either in fact or in effect.

712 **[From and after July 1, 2003, this section shall read as**
713 **follows:]**

714 27-7-17. In computing taxable income, there shall be allowed
715 as deductions:

716 (1) **Business deductions.**



717 (a) Business expenses. All the ordinary and necessary
718 expenses paid or incurred during the taxable year in carrying on
719 any trade or business, including a reasonable allowance for
720 salaries or other compensation for personal services actually
721 rendered; nonreimbursable traveling expenses incident to current
722 employment, including a reasonable amount expended for meals and
723 lodging while away from home in the pursuit of a trade or
724 business; and rentals or other payments required to be made as a
725 condition of the continued use or possession, for purposes of the
726 trade or business of property to which the taxpayer has not taken
727 or is not taking title or in which he had no equity. Expense
728 incurred in connection with earning and distributing nontaxable
729 income is not an allowable deduction. Limitations on
730 entertainment expenses shall conform to the provisions of the
731 Internal Revenue Code of 1986.

732 (b) Interest. All interest paid or accrued during the
733 taxable year on business indebtedness, except interest upon the
734 indebtedness for the purchase of tax-free bonds, or any stocks,
735 the dividends from which are nontaxable under the provisions of
736 this article; provided, however, in the case of securities
737 dealers, interest payments or accruals on loans, the proceeds of
738 which are used to purchase tax-exempt securities, shall be
739 deductible if income from otherwise tax-free securities is
740 reported as income. Investment interest expense shall be limited
741 to investment income. Interest expense incurred for the purchase
742 of treasury stock, to pay dividends, or incurred as a result of an
743 undercapitalized affiliated corporation may not be deducted unless
744 an ordinary and necessary business purpose can be established to
745 the satisfaction of the commissioner. For the purposes of this
746 paragraph, the phrase "interest upon the indebtedness for the
747 purchase of tax-free bonds" applies only to the indebtedness
748 incurred for the purpose of directly purchasing tax-free bonds and
749 does not apply to any other indebtedness incurred in the regular



750 course of the taxpayer's business. Any corporation, association,
751 organization or other entity taxable under Section 27-7-23(c)
752 shall allocate interest expense as provided in Section
753 27-7-23(c)(4)(H).

754 (c) Taxes. Taxes paid or accrued within the taxable
755 year, except state and federal income taxes, excise taxes based on
756 or measured by net income, estate and inheritance taxes, gift
757 taxes, cigar and cigarette taxes, gasoline taxes, and sales and
758 use taxes unless incurred as an item of expense in a trade or
759 business or in the production of taxable income. In the case of
760 an individual, taxes permitted as an itemized deduction under the
761 provisions of subsection (2)(a) of this section are to be claimed
762 thereunder.

763 (d) Business losses.

764 (i) Losses sustained during the taxable year not
765 compensated for by insurance or otherwise, if incurred in trade or
766 business, or nonbusiness transactions entered into for profit.

767 (ii) Limitations on losses from passive activities
768 and rental real estate shall conform to the provisions of the
769 Internal Revenue Code of 1986.

770 (e) Bad debts. Losses from debts ascertained to be
771 worthless and charged off during the taxable year, if sustained in
772 the conduct of the regular trade or business of the taxpayer;
773 provided, that such losses shall be allowed only when the taxpayer
774 has reported as income, on the accrual basis, the amount of such
775 debt or account.

776 (f) Depreciation. A reasonable allowance for
777 exhaustion, wear and tear of property used in the trade or
778 business, or rental property, and depreciation upon buildings
779 based upon their reasonable value as of March 16, 1912, if
780 acquired prior thereto, and upon cost if acquired subsequent to
781 that date.



782 (g) Depletion. In the case of mines, oil and gas
783 wells, other natural deposits and timber, a reasonable allowance
784 for depletion and for depreciation of improvements, based upon
785 cost, including cost of development, not otherwise deducted, or
786 fair market value as of March 16, 1912, if acquired prior to that
787 date, such allowance to be made upon regulations prescribed by the
788 commissioner, with the approval of the Governor.

789 (h) Contributions or gifts. Except as otherwise
790 provided in subsection (2)(a) of this section for individuals,
791 contributions or gifts made by corporations within the taxable
792 year to corporations, organizations, associations or institutions,
793 including Community Chest funds, foundations and trusts created
794 solely and exclusively for religious, charitable, scientific or
795 educational purposes, or for the prevention of cruelty to children
796 or animals, no part of the net earnings of which inure to the
797 benefit of any private stockholder or individual. This deduction
798 shall be allowed in an amount not to exceed twenty percent (20%)
799 of the net income. Such contributions or gifts shall be allowable
800 as deductions only if verified under rules and regulations
801 prescribed by the commissioner, with the approval of the Governor.
802 Contributions made in any form other than cash shall be allowed as
803 a deduction, subject to the limitations herein provided, in an
804 amount equal to the actual market value of the contributions at
805 the time the contribution is actually made and consummated.

806 (i) Reserve funds - insurance companies. In the case
807 of insurance companies the net additions required by law to be
808 made within the taxable year to reserve funds when such reserve
809 funds are maintained for the purpose of liquidating policies at
810 maturity.

811 (j) Annuity income. The sums, other than dividends,
812 paid within the taxpayer year on policy or annuity contracts when
813 such income has been included in gross income.



814 (k) Contributions to employee pension plans.
815 Contributions made by an employer to a plan or a trust forming
816 part of a pension plan, stock bonus plan, disability or
817 death-benefit plan, or profit-sharing plan of such employer for
818 the exclusive benefit of some or all of his, their, or its
819 employees, or their beneficiaries, shall be deductible from his,
820 their, or its income only to the extent that, and for the taxable
821 year in which, the contribution is deductible for federal income
822 tax purposes under the Internal Revenue Code of 1986 and any other
823 provisions of similar purport in the Internal Revenue Laws of the
824 United States, and the rules, regulations, rulings and
825 determinations promulgated thereunder, provided that:

826 (i) The plan or trust be irrevocable.

827 (ii) The plan or trust constitute a part of a
828 pension plan, stock bonus plan, disability or death-benefit plan,
829 or profit-sharing plan for the exclusive benefit of some or all of
830 the employer's employees and/or officers, or their beneficiaries,
831 for the purpose of distributing the corpus and income of the plan
832 or trust to such employees and/or officers, or their
833 beneficiaries.

834 (iii) No part of the corpus or income of the plan
835 or trust can be used for purposes other than for the exclusive
836 benefit of employees and/or officers, or their beneficiaries.

837 Contributions to all plans or to all trusts of real or
838 personal property (or real and personal property combined) or to
839 insured plans created under a retirement plan for which provision
840 has been made under the laws of the United States of America,
841 making such contributions deductible from income for federal
842 income tax purposes, shall be deductible only to the same extent
843 under the Income Tax Laws of the State of Mississippi.

844 (l) Net operating loss carrybacks and carryovers. A
845 net operating loss for any taxable year ending after December 31,
846 1993, and taxable years thereafter, shall be a net operating loss



847 carryback to each of the three (3) taxable years preceding the
848 taxable year of the loss. If the net operating loss for any
849 taxable year is not exhausted by carrybacks to the three (3)
850 taxable years preceding the taxable year of the loss, then there
851 shall be a net operating loss carryover to each of the fifteen
852 (15) taxable years following the taxable year of the loss
853 beginning with any taxable year after December 31, 1991.

854 For any taxable year ending after December 31, 1997, the
855 period for net operating loss carrybacks and net operating loss
856 carryovers shall be the same as those established by the Internal
857 Revenue Code and the rules, regulations, rulings and
858 determinations promulgated thereunder.

859 The term "net operating loss," for the purposes of this
860 paragraph, shall be the excess of the deductions allowed over the
861 gross income; provided, however, the following deductions shall
862 not be allowed in computing same:

863 (i) No net operating loss deduction shall be
864 allowed.

865 (ii) No personal exemption deduction shall be
866 allowed.

867 (iii) Allowable deductions which are not
868 attributable to taxpayer's trade or business shall be allowed only
869 to the extent of the amount of gross income not derived from such
870 trade or business.

871 Any taxpayer entitled to a carryback period as provided by
872 this paragraph may elect to relinquish the entire carryback period
873 with respect to a net operating loss for any taxable year ending
874 after December 31, 1991. The election shall be made in the manner
875 prescribed by the State Tax Commission and shall be made by the
876 due date, including extensions of time, for filing the taxpayer's
877 return for the taxable year of the net operating loss for which
878 the election is to be in effect. The election, once made for any
879 taxable year, shall be irrevocable for that taxable year.



880 (m) Amortization of pollution or environmental control
881 facilities. Allowance of deduction. Every taxpayer, at his
882 election, shall be entitled to a deduction for pollution or
883 environmental control facilities to the same extent as that
884 allowed under the Internal Revenue Code and the rules,
885 regulations, rulings and determinations promulgated thereunder.

886 (n) Dividend distributions - real estate investment
887 trusts. "Real estate investment trust" (hereinafter referred to
888 as REIT) shall have the meaning ascribed to such term in Section
889 856 of the federal Internal Revenue Code of 1986, as amended. A
890 REIT is allowed a dividend distributed deduction if the dividend
891 distributions meet the requirements of Section 857 or are
892 otherwise deductible under Section 858 or 860, federal Internal
893 Revenue Code of 1986, as amended. In addition:

894 (i) A dividend distributed deduction shall only be
895 allowed for dividends paid by a publicly traded REIT. A qualified
896 REIT subsidiary shall be allowed a dividend distributed deduction
897 if its owner is a publicly traded REIT.

898 (ii) Income generated from real estate contributed
899 or sold to a REIT by a shareholder or related party shall not give
900 rise to a dividend distributed deduction, unless the shareholder
901 or related party would have received the dividend distributed
902 deduction under this chapter.

903 (iii) A holding corporation receiving a dividend
904 from a REIT shall not be allowed the deduction in Section
905 27-7-15(4)(t).

906 (iv) Any REIT not allowed the dividend distributed
907 deduction in the federal Internal Revenue Code of 1986, as
908 amended, shall not be allowed a dividend distributed deduction
909 under this chapter.

910 The commissioner is authorized to promulgate rules and
911 regulations consistent with the provisions in Section 269 of the



912 federal Internal Revenue Code of 1986, as amended, so as to
913 prevent the evasion or avoidance of state income tax.

914 (o) Contributions to college savings trust fund
915 accounts. Contributions or payments to a Mississippi Affordable
916 College Savings Program account are deductible as provided under
917 Section 37-155-113. Payments made under a prepaid tuition
918 contract entered into under the Mississippi Prepaid Affordable
919 College Tuition Program are deductible as provided under Section
920 37-155-17.

921 (2) **Individual nonbusiness deductions.**

922 (a) Except as otherwise provided in this subsection
923 (2), the amount allowable for individual nonbusiness itemized
924 deductions for federal income tax purposes where the individual is
925 eligible to elect, for the taxable year, to itemize deductions on
926 his federal return except the following:

- 927 (i) The deduction for state income taxes paid;
- 928 (ii) The deduction for gaming losses from gaming
929 establishments licensed under the Mississippi Gaming Control Act;
- 930 (iii) The deduction for taxes collected by
931 licensed gaming establishments pursuant to Section 27-7-901.

932 (b) In lieu of the individual nonbusiness itemized
933 deductions authorized in paragraph (a), for all purposes other
934 than ordinary and necessary expenses paid or incurred during the
935 taxable year in carrying on any trade or business, an optional
936 standard deduction of:

937 (i) Three Thousand Four Hundred Dollars
938 (\$3,400.00) through calendar year 1997, Four Thousand Two Hundred
939 Dollars (\$4,200.00) for the calendar year 1998 and Four Thousand
940 Six Hundred Dollars (\$4,600.00) for each calendar year thereafter
941 in the case of married individuals filing a joint or combined
942 return;

943 (ii) One Thousand Seven Hundred Dollars
944 (\$1,700.00) through calendar year 1997, Two Thousand One Hundred



945 Dollars (\$2,100.00) for the calendar year 1998 and Two Thousand
946 Three Hundred Dollars (\$2,300.00) for each calendar year
947 thereafter in the case of married individuals filing separate
948 returns;

949 (iii) Three Thousand Four Hundred Dollars
950 (\$3,400.00) in the case of a head of family; or

951 (iv) Two Thousand Three Hundred Dollars
952 (\$2,300.00) in the case of an individual who is not married.

953 In the case of a husband and wife living together, having
954 separate incomes, and filing combined returns, the standard
955 deduction authorized may be divided in any manner they choose. In
956 the case of separate returns by a husband and wife, the standard
957 deduction shall not be allowed to either if the taxable income of
958 one of the spouses is determined without regard to the standard
959 deduction.

960 (c) An individual eligible for the itemized deductions
961 authorized in paragraph (a) of this subsection (2) or the standard
962 deduction authorized in paragraph (b) of this subsection (2) may
963 claim a deduction for expenses incurred for medical care or
964 prescribed drugs, or both, for the individual, the individual's
965 spouse or dependents, regardless of the amount of such expenses
966 incurred during the taxable year. An individual may not claim a
967 deduction for expenses that are compensated for by insurance or
968 otherwise. For the purposes of this paragraph (c), the terms
969 "medical care" and "prescribed drugs" have the same definitions as
970 those terms have in 26 USCS 213.

971 (d) A nonresident individual shall be allowed the same
972 individual nonbusiness deductions as are authorized for resident
973 individuals in * * * this subsection; however, the nonresident
974 individual is entitled only to that proportion of the individual
975 nonbusiness deductions as his net income from sources within the
976 State of Mississippi bears to his total or entire net income from
977 all sources.



978 (3) Nothing in this section shall permit the same item to be
979 deducted more than once, either in fact or in effect.

980 **SECTION 2.** Nothing in this act shall affect or defeat any
981 claim, assessment, appeal, suit, right or cause of action for
982 taxes due or accrued under the sales tax laws before the date on
983 which this act becomes effective, whether such claims,
984 assessments, appeals, suits or actions have been begun before the
985 date on which this act becomes effective or are begun thereafter;
986 and the provisions of the sales tax laws are expressly continued
987 in full force, effect and operation for the purpose of the
988 assessment, collection and enrollment of liens for any taxes due
989 or accrued and the execution of any warrant under such laws before
990 the date on which this act becomes effective, and for the
991 imposition of any penalties, forfeitures or claims for failure to
992 comply with such laws.

993 **SECTION 3.** This act shall take effect and be in force from
994 and after January 1, 2002.

