AN ACT TO AMEND SECTION 37-19-7, MISSISSIPPI CODE OF 1972, TO INCREASE THE ANNUAL SALARY SCALE FOR TEACHERS WITH 25 OR MORE YEARS OF TEACHING EXPERIENCE; TO AMEND SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO EXCLUDE FROM STATE INCOME TAXATION $5,000.00 OF THE ANNUAL SALARY OF TEACHERS WITH 25 OR MORE YEARS OF TEACHING EXPERIENCE; TO AMEND SECTION 25-15-15, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT THE STATE HEALTH INSURANCE PLAN SHALL NOT IMPOSE DEDUCTIBLES ON HEALTH EXPENDITURE BENEFITS FOR TEACHERS WITH 25 OR MORE YEARS OF TEACHING EXPERIENCE; AND FOR RELATED PURPOSES.

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

SECTION 1. Section 37-19-7, Mississippi Code of 1972, is amended as follows:

37-19-7. (1) This section shall be known and may be cited as the Mississippi "Teacher Opportunity Program (TOP)." The allowance in the minimum education program and the Mississippi Adequate Education Program for teachers' salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers' salaries as provided in this subsection. For teachers holding the following types of licenses or the equivalent as determined by the State Board of Education, and the following number of years of teaching experience, the scale shall be as follows:

**2001-2002 School Year**

<table>
<thead>
<tr>
<th>Type of License</th>
<th>Years of Teaching Experience</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAAA</td>
<td>Less Than 25 Years</td>
<td>$26,290.00</td>
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<tr>
<td>AAA</td>
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<td>$23,540.00</td>
</tr>
<tr>
<td>AAAA</td>
<td>25 or More Years</td>
<td>$27,790.00</td>
</tr>
<tr>
<td></td>
<td>2002-2003 School Year</td>
<td>Less Than 25 Years of Teaching Experience</td>
</tr>
<tr>
<td>--------</td>
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<td>------------------------------------------</td>
</tr>
<tr>
<td>AAA</td>
<td>26,940.00</td>
<td>27,850.00</td>
</tr>
<tr>
<td>AA</td>
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<td>25,040.00</td>
<td>26,150.00</td>
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<tr>
<td>AAA</td>
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<td>A</td>
<td>25,040.00</td>
<td>26,150.00</td>
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</tbody>
</table>

For each one percent (1%) that the Sine Die General Fund Revenue Estimate Growth exceeds five percent (5%) for fiscal year 2003, as certified by the Legislative Budget Office to the State Board of Education and subject to specific appropriation therefor by the Legislature, the State Board of Education shall revise the salary scale to provide an additional one percent (1%) across the board increase in the base salaries for each type of license.
The State Board of Education shall revise the salary scale prescribed above for the 2003-2004 school year to conform to any adjustments made to the salary scale in the prior fiscal year due to revenue growth over and above five percent (5%). For each one percent (1%) that the Sine Die General Fund Revenue Estimate Growth exceeds five percent (5%) for fiscal year 2004, as certified by the Legislative Budget Office to the State Board of Education and subject to specific appropriation therefor by the Legislature, the State Board of Education shall revise the salary scale to provide an additional one percent (1%) across the board increase in the base salaries for each type of license.

2004-2005 School Year

Less Than 25 Years of Teaching Experience

AAAA............................................. $ 31,775.00
AAA................................................ 30,850.00
AA................................................. 29,925.00
A.................................................. 28,000.00

25 or More Years of Teaching Experience

AAAA............................................. $ 34,775.00
AAA................................................ 33,850.00
AA................................................. 32,925.00
A.................................................. 31,000.00

The State Board of Education shall revise the salary scale prescribed above for the 2004-2005 school year to conform to any adjustments made to the salary scale in prior fiscal years due to revenue growth over and above five percent (5%). For each one percent (1%) that the Sine Die General Fund Revenue Estimate Growth exceeds five percent (5%) for fiscal year 2005, as certified by the Legislative Budget Office to the State Board of Education and subject to specific appropriation therefor by the Legislature, the State Board of Education shall revise the salary scale to provide an additional one percent (1%) across the board increase in the base salaries for each type of license.
### 2005-2006 School Year and School Years Thereafter

#### Less Than 25 Years of Teaching Experience

<table>
<thead>
<tr>
<th>Type</th>
<th>Salary</th>
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<tbody>
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<tr>
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<td>AA</td>
<td>$32,000.00</td>
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<tr>
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<td>$30,000.00</td>
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</table>

#### 25 or More Years of Teaching Experience

<table>
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<th>Type</th>
<th>Salary</th>
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<tbody>
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<td>$35,000.00</td>
</tr>
<tr>
<td>A</td>
<td>$33,000.00</td>
</tr>
</tbody>
</table>

The State Board of Education shall revise the salary scale prescribed above for the 2005-2006 school year to conform to any adjustments made to the salary scale in prior fiscal years due to revenue growth over and above five percent (5%). For each one percent (1%) that the Sine Die General Fund Revenue Estimate Growth exceeds five percent (5%) for fiscal year 2006, as certified by the Legislative Budget Office to the State Board of Education and subject to specific appropriation therefor by the Legislature, the State Board of Education shall revise the salary scale to provide an additional one percent (1%) across the board increase in the base salaries for each type of license.

It is the intent of the Legislature that any state funds made available for salaries of licensed personnel in excess of the funds paid for such salaries for the 1986-1987 school year shall be paid to licensed personnel pursuant to a personnel appraisal and compensation system implemented by the State Board of Education. The State Board of Education shall have the authority to adopt and amend rules and regulations as are necessary to establish, administer and maintain the system.

All teachers employed on a full-time basis shall be paid a minimum salary in accordance with the above scale. However, no school district shall receive any funds under this section for any
school year during which the local supplement paid to any
individual teacher shall have been reduced to a sum less than that
paid to that individual teacher for performing the same duties
from local supplement during the immediately preceding school
year. The amount actually spent for the purposes of group health
and/or life insurance shall be considered as a part of the
aggregate amount of local supplement but shall not be considered
a part of the amount of individual local supplement.

2001-2002 School Year Annual Increment

For teachers holding a Class AAAA license, the minimum base
pay specified in this subsection shall be increased by the sum of
Six Hundred Sixty Dollars ($660.00) for each year of teaching
experience possessed by the person holding such license until such
person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AAA license, the minimum base
pay specified in this subsection shall be increased by the sum of
Five Hundred Ninety-five Dollars ($595.00) for each year of
teaching experience possessed by the person holding such license
until such person shall have twenty-five (25) years of teaching
experience.

For teachers holding a Class AA license, the minimum base pay
specified in this subsection shall be increased by the sum of Five
Hundred Thirty Dollars ($530.00) for each year of teaching
experience possessed by the person holding such license until such
person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class A license, the minimum base pay
specified in this subsection shall be increased by the sum of Four
Hundred Thirty-five Dollars ($435.00) for each year of teaching
experience possessed by the person holding such license until such
person shall have twenty-one (21) years of teaching experience.

2002-2003 School Year Annual Increment

For teachers holding a Class AAAA license, the minimum base
pay specified in this subsection shall be increased by the sum of
Six Hundred Eighty-five Dollars ($685.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AAA license, the minimum base pay specified in this subsection shall be increased by the sum of Six Hundred Twenty Dollars ($620.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AA license, the minimum base pay specified in this subsection shall be increased by the sum of Five Hundred Fifty-five Dollars ($555.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class A license, the minimum base pay specified in this subsection shall be increased by the sum of Four Hundred Forty-five Dollars ($445.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-two (22) years of teaching experience.

2003-2004 School Year Annual Increment

For teachers holding a Class AAAA license, the minimum base pay specified in this subsection shall be increased by the sum of Seven Hundred Ten Dollars ($710.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AAA license, the minimum base pay specified in this subsection shall be increased by the sum of Six Hundred Forty-five Dollars ($645.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AA license, the minimum base pay specified in this subsection shall be increased by the sum of Five Hundred Eighty Dollars ($580.00) for each year of teaching experience.
experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class A license, the minimum base pay specified in this subsection shall be increased by the sum of Four Hundred Fifty-five Dollars ($455.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-three (23) years of teaching experience.

2004-2005 School Year Annual Increment

For teachers holding a Class AAAA license, the minimum base pay specified in this subsection shall be increased by the sum of Seven Hundred Forty Dollars ($740.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AAA license, the minimum base pay specified in this subsection shall be increased by the sum of Six Hundred Seventy-five Dollars ($675.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AA license, the minimum base pay specified in this subsection shall be increased by the sum of Six Hundred Ten Dollars ($610.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class A license, the minimum base pay specified in this subsection shall be increased by the sum of Four Hundred Sixty-five Dollars ($465.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-four (24) years of teaching experience.

2005-2006 School Year and School Years Thereafter Annual Increments

For teachers holding a Class AAAA license, the minimum base pay specified in this subsection shall be increased by the sum of
Seven Hundred Seventy Dollars ($770.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AAA license, the minimum base pay specified in this subsection shall be increased by the sum of Seven Hundred Five Dollars ($705.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class AA license, the minimum base pay specified in this subsection shall be increased by the sum of Six Hundred Forty Dollars ($640.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-five (25) years of teaching experience.

For teachers holding a Class A license, the minimum base pay specified in this subsection shall be increased by the sum of Four Hundred Eighty Dollars ($480.00) for each year of teaching experience possessed by the person holding such license until such person shall have twenty-four (24) years of teaching experience.

The level of professional training of each teacher to be used in establishing the salary allotment for the teachers for each year shall be determined by the type of valid teacher’s license issued to those teachers on or before October 1 of the current school year.

(2) (a) The following employees shall receive an annual salary supplement in the amount of Six Thousand Dollars ($6,000.00), plus fringe benefits, in addition to any other compensation to which the employee may be entitled:

(i) Any licensed teacher who has met the requirements and acquired a Master Teacher certificate from the National Board for Professional Teaching Standards and who is employed by a local school board or the State Board of Education as a teacher and not as an administrator. Such teacher shall submit documentation to the State Department of Education that the
certificate was received prior to October 15 in order to be eligible for the full salary supplement in the current school year, or the teacher shall submit such documentation to the State Department of Education prior to February 15 in order to be eligible for a prorated salary supplement beginning with the second term of the school year.

(ii) Any licensed school counselor who has met the requirements and acquired a National Certified School Counselor (NCSC) endorsement from the National Board of Certified Counselors and who is employed by a local school board or the State Board of Education as a counselor and not as an administrator. Such licensed school counselor shall submit documentation to the State Department of Education that the endorsement was received prior to October 15 in order to be eligible for the full salary supplement in the current school year, or the licensed school counselor shall submit such documentation to the State Department of Education prior to February 15 in order to be eligible for a prorated salary supplement beginning with the second term of the school year. However, the salary supplement authorized under this item shall be discontinued two (2) years after the date on which the National Board for Professional Teaching Standards offers a certification process for a Master Teacher certificate for school counselors, and any school counselor receiving the salary supplement will be required to complete the Master Teacher certificate process under item (i) of this paragraph in order to continue receiving such salary supplement.

(iii) Any licensed speech-language pathologist and audiologist who has met the requirements and acquired a Certificate of Clinical Competence from the American Speech-Language-Hearing Association and who is employed by a local school board. Such licensed speech-language pathologist and audiologist shall submit documentation to the State Department of Education that the certificate or endorsement was received prior
to October 15 in order to be eligible for the full salary supplement in the current school year, or the licensed speech-language pathologist and audiologist shall submit such documentation to the State Department of Education prior to February 15 in order to be eligible for a prorated salary supplement beginning with the second term of the school year. However, the salary supplement authorized under this item shall be discontinued two (2) years after the date on which the National Board for Professional Teaching Standards offers a certification process for a Master Teacher certificate for school speech-language pathologists and audiologists, and any school speech-language pathologist and audiologist receiving the salary supplement will be required to complete the Master Teacher certificate process under item (i) of this paragraph in order to continue receiving such salary supplement.

(b) An employee shall be reimbursed one (1) time for the actual cost of completing the process of acquiring the certificate or endorsement, excluding any costs incurred for postgraduate courses, not to exceed Five Hundred Dollars ($500.00) for a school counselor or speech-language pathologist and audiologist, regardless of whether or not the process resulted in the award of the certificate or endorsement. A local school district or any private individual or entity may pay the cost of completing the process of acquiring the certificate or endorsement for any employee of the school district described under paragraph (a), and the State Department of Education shall reimburse the school district for such cost, regardless of whether or not the process resulted in the award of the certificate or endorsement. If a private individual or entity has paid the cost of completing the process of acquiring the certificate or endorsement for an employee, the local school district may agree to directly reimburse the individual or entity for such cost on behalf of the employee.
(c) All salary supplements, fringe benefits and process reimbursement authorized under this subsection shall be paid directly by the State Department of Education to the local school district and shall be in addition to its minimum education program allotments and not a part thereof in accordance with regulations promulgated by the State Board of Education, and subject to appropriation by the Legislature. Local school districts shall not reduce the local supplement paid to any employee receiving such salary supplement, and the employee shall receive any local supplement to which employees with similar training and experience otherwise are entitled.

(d) The State Department of Education may not pay any process reimbursement to a school district for an employee who does not complete the certification or endorsement process required to be eligible for the certificate or endorsement. If an employee for whom such cost has been paid in full or in part by a local school district or private individual or entity fails to complete the certification or endorsement process, the employee shall be liable to the school district or individual or entity for all amounts paid by the school district or individual or entity on behalf of that employee toward his or her certificate or endorsement.

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

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

27-7-15. (1) For the purposes of this article, except as otherwise provided, the term "gross income" means and includes the income of a taxpayer derived from salaries, wages, fees or compensation for service, of whatever kind and in whatever form paid, including income from governmental agencies and subdivisions thereof; or from professions, vocations, trades, businesses, commerce or sales, or renting or dealing in property, or
reacquired property; also from annuities, interest, rents, dividends, securities, insurance premiums, reinsurance premiums, considerations for supplemental insurance contracts, or the transaction of any business carried on for gain or profit, or gains, or profits, and income derived from any source whatever and in whatever form paid. The amount of all such items of income shall be included in the gross income for the taxable year in which received by the taxpayer. The amount by which an eligible employee's salary is reduced pursuant to a salary reduction agreement authorized under Section 25-17-5 shall be excluded from the term "gross income" within the meaning of this article.

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

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

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

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

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

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

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

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

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

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

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

(c) The value of property acquired by gift, bequest, devise or descent, but the income from such property shall be included in the gross income.
(d) Interest upon the obligations of the United States or its possessions, or securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916, or bonds issued by the War Finance Corporation, or obligations of the State of Mississippi or political subdivisions thereof.

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

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

(g) Income received by a domestic corporation which is "taxable in another state" as this term is defined in this article, derived from business activity conducted outside this 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
(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) Compensation not to exceed the aggregate sum of Five Thousand Dollars ($5,000.00) for any taxable year received by a member of the National Guard or Reserve Forces of the United States as payment for inactive duty training, active duty training and state active duty.
(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 aggregate sum of Five Hundred Dollars ($500.00) per month received for active service as a commissioned officer in the Armed Forces of the United States for any month during any part of which such members of the Armed Forces (i) served in a combat zone as designated by Executive Order of the President of the United States; or (ii) was hospitalized as a result of wounds, disease or injury incurred while serving in such combat zone.

(o) The proceeds received from federal and state forestry incentives programs.

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

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

(r) The amount deposited in a medical savings account, and any interest accrued thereon, that is a part of a medical savings account program as specified in the Medical Savings Account Act under Sections 71-9-1 through 71-9-9; provided, however, that any amount withdrawn from such account for purposes other than paying eligible medical expense or to procure health coverage, shall be included in gross income.
(s) Amounts paid by the Mississippi Soil and Water Conservation Commission from the Mississippi Soil and Water Cost-Share Program for the installation of water quality best management practices.

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

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

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

(w) Income resulting from transactions with a related 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) Five Thousand Dollars ($5,000.00) of the annual compensation paid to teachers with twenty-five (25) or more years of teaching experience.

(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 subsection (5)
of this section 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 State Tax Commission 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).

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

27-7-15. (1) For the purposes of this article, except as
otherwise provided, the term "gross income" means and includes the
income of a taxpayer derived from salaries, wages, fees or
compensation for service, of whatever kind and in whatever form
paid, including income from governmental agencies and subdivisions
thereof; or from professions, vocations, trades, businesses,
commerce or sales, or renting or dealing in property, or
reacquired property; also from annuities, interest, rents,
dividends, securities, insurance premiums, reinsurance premiums,
considerations for supplemental insurance contracts, or the
transaction of any business carried on for gain or profit, or
gains, or profits, and income derived from any source whatever and
in whatever form paid. The amount of all such items of income shall be included in the gross income for the taxable year in which received by the taxpayer. The amount by which an eligible employee's salary is reduced pursuant to a salary reduction agreement authorized under Section 25-17-5 shall be excluded from the term "gross income" within the meaning of this article.

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

(a) **Dealers in property.** Federal rules, regulations and revenue procedures shall be followed with respect to installment sales.

(b) **Casual sales of property.** Federal rules, regulations and revenue procedures shall be followed with respect to installment sales.

(i) The term "installment sale" means a disposition of property where at least one (1) payment is to be received after the close of the taxable year in which the disposition occurs.

(ii) The term "installment method" means a method under which the income recognized for any taxable year from the disposition is that proportion of the payments received in that year which the gross profit (realized or to be realized when payment is completed) bears to the total contract price.

(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.

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

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

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

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

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

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

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

(d) Interest upon the obligations of the United States or its possessions, or securities issued under the provisions of...
the Federal Farm Loan Act of July 17, 1916, or bonds issued by the
War Finance Corporation, or obligations of the State of
Mississippi or political subdivisions thereof.
(e) The amounts received through accident or health
insurance as compensation for personal injuries or sickness, plus
the amount of any damages received for such injuries or such
sickness or injuries, or through the War Risk Insurance Act, or
any law for the benefit or relief of injured or disabled members
of the military or naval forces of the United States.
(f) Income received by any religious denomination or by
any institution or trust for moral or mental improvements,
religious, Bible, tract, charitable, benevolent, fraternal,
missionary, hospital, infirmary, educational, scientific,
literary, library, patriotic, historical or cemetery purposes or
for two (2) or more of such purposes, if such income be used
exclusively for carrying out one or more of such purposes.
(g) Income received by a domestic corporation which is
"taxable in another state" as this term is defined in this
article, derived from business activity conducted outside this
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) Compensation not to exceed the aggregate sum of Five Thousand Dollars ($5,000.00) for any taxable year received by a member of the National Guard or Reserve Forces of the United States as payment for inactive duty training, active duty training and state active duty.

(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 aggregate sum of Five Hundred Dollars ($500.00) per month received for active service as a commissioned officer in the Armed Forces of the United States for any month during any part of which such members of the Armed Forces (i) served in a combat zone as designated by Executive Order of the President of the United States; or (ii) was hospitalized as a result of wounds, disease or injury incurred while serving in such combat zone.

(o) The proceeds received from federal and state forestry incentives programs.

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

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

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

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

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

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

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

(w) 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.

(x) Five Thousand Dollars ($5,000.00) of the annual
compensation paid to a teacher with twenty-five (25) or more years
of teaching experience.

(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 subsection (5)
of this section 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 State Tax Commission 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).

amended as follows:

25-15-15. (1) The board is authorized to determine the
manner in which premiums and contributions by the state agencies,
local school districts, colleges, universities, community/junior
colleges and public libraries shall be collected to provide the
self-insured health insurance program for employees as provided
under this article. The state shall provide fifty percent (50%)
of the cost of the above life insurance plan and one hundred
percent (100%) of the cost of the above health insurance plan for
all active full-time employees, and the employees shall be given
the opportunity to purchase coverage for their eligible dependents
with the premiums for such dependent coverage as well as the
employee's fifty percent (50%) share for his life insurance
coverage to be deductible from the employee's salary by the
agency, department or institution head, which deductions, together
with the fifty percent (50%) share of such life insurance premiums
of such employing agency, department or institution head from
funds appropriated to or authorized to be expended by such
employing agency, department or institution head, shall be
deposited directly into a depository bank or special fund in the
State Treasury, as determined by the board. These funds and
interest earned on these funds may be used for the disbursement of
claims and shall be exempt from the appropriation process.

Provided, however, that the State and School Employees Life and
Health Insurance Plan shall impose no deductible from the
reimbursements for health expenditures paid by or on behalf of any
teacher with twenty-five (25) or more years of teaching
experience.

(2) The state shall provide annually, by line item in the
Mississippi Library Commission appropriation bill, such funds to
pay one hundred percent (100%) of the cost of health insurance
under the State and School Employees Health Insurance Plan for all
full-time library staff members in each public library in
Mississippi. The commission shall allot to each public library a
sufficient amount of those funds appropriated to pay the costs of
insurance for eligible employees. Any funds so appropriated by
line item which are not expended during the fiscal year for which
such funds were appropriated shall be carried forward for the same
purposes during the next succeeding fiscal year. If any premiums
for the health insurance and/or late charges and interest
penalties are not paid by a public library in a timely manner, as
defined by the board, the Mississippi Library Commission, upon
notice by the board, shall immediately withhold all subsequent
disbursements of funds to that public library.

(3) The state shall annually provide one hundred percent
(100%) of the cost of the health insurance plan for all public
school district employees who work no less than twenty (20) hours
during each week and regular nonstudent school bus drivers. Where
federal funding is allowable to defray, in full or in part, the
cost of participation in the program by district employees who
work no less than twenty (20) hours during the week and regular
nonstudent bus drivers, whose salaries are paid, in full or in
part, by federal funds, the allowance under this section shall be
reduced to the extent of such federal funding. Where the use of
federal funds is allowable but not available, it is the intent of
the Legislature that school districts contribute the cost of participation for such employees from local funds, except that parent fees for child nutrition programs shall not be increased to cover such cost.

(4) The state shall provide annually, by line item in the community/junior college appropriation bill, such funds to pay one hundred percent (100%) of the cost of the health insurance plan for all community/junior college district employees who work no less than twenty (20) hours during each week.

(5) When the use of federal funding is allowable to defray, in full or in part, the cost of participation in the insurance plan by community/junior college district employees who work no less than twenty (20) hours during each week, whose salaries are paid, in full or in part, by federal funds, the allowance under this section shall be reduced to the extent of the federal funding. Where the use of federal funds is allowable but not available, it is the intent of the Legislature that community/junior college districts contribute the cost of participation for such employees from local funds.

(6) Any community/junior college district may contribute to the cost of coverage for any district employee from local community/junior college district funds, and any public school district may contribute to the cost of coverage for any district employee from nonminimum program funds. Any part of the cost of such coverage for participating employees of public school districts and public community/junior college districts that is not paid by the state shall be paid by the participating employees, which shall be deducted from the salaries of the employees in a manner determined by the board.

(7) Any funds appropriated for the cost of insurance by line item in the community/junior colleges appropriation bill which are not expended during the fiscal year for which such funds were

appropriated shall be carried forward for the same purposes during the next succeeding fiscal year.

(8) The board may establish and enforce late charges and interest penalties or other penalties for the purpose of requiring the prompt payment of all premiums for life and health insurance permitted under Chapter 15 of Title 25. All funds in excess of the amount needed for disbursement of claims shall be deposited in a special fund in the State Treasury to be known as the State and School Employees Insurance Fund. The State Treasurer shall invest all funds in the State and School Employees Insurance Fund and all interest earned shall be credited to the State and School Employees Insurance Fund. Such funds shall be placed with one or more depositories of the state and invested on the first day such funds are available for investment in certificates of deposit, repurchase agreements or in United States Treasury bills or as otherwise authorized by law for the investment of Public Employees' Retirement System funds, as long as such investment is made from competitive offering and at the highest and best market rate obtainable consistent with any available investment alternatives; however, such investments shall not be made in shares of stock, common or preferred, or in any other investments which would mature more than one (1) year from the date of investment. The board shall have the authority to draw from this fund periodically such funds as are necessary to operate the self-insurance plan or to pay to the insurance carrier the cost of operation of this plan, it being the purpose to limit the amount of participation by the state to fifty percent (50%) of the cost of the life insurance program and not to limit the contracting for additional benefits where the cost will be paid in full by the employee. The state shall not share in the cost of coverage for retired employees.

(9) The board shall also provide for the creation of an Insurance Reserve Fund and funds therein shall be invested by the
State Treasurer with all interest earned credited to the State and School Employees Insurance Fund.

(10) Any retired employee electing to purchase retired life and health insurance will have the full cost of such insurance deducted monthly from his State of Mississippi retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the plan to the state, then the department may impose a premium surcharge, not to exceed fifteen percent (15%), upon such participating retired employees who are under the age for Medicare eligibility.

SECTION 4. This act shall take effect and be in force from and after July 1, 2002.