AN ACT TO CREATE A SPECIAL FUND INTO WHICH THE REVENUE FROM
THE INCREASE IN REVENUE AS A RESULT OF THE INCREASE OF TAXES UNDER
THIS ACT SHALL BE DEPOSITED; TO PROVIDE THE REVENUE DEPOSITED INTO
SUCH SPECIAL FUND SHALL BE EXPENDED TO FUND DEFICITS IN MEDICAID
AND FOR INCREASING THE COMPENSATION OF CERTAIN PUBLIC EMPLOYEES;
TO AMEND SECTIONS 27-7-9, 27-7-15, 27-7-16, 27-7-17, 27-7-18,
27-7-21, 27-7-22.3, 27-7-22.5, 27-7-22.7, 27-7-22.15, 27-7-22.17,
57-73-21, 57-73-25, 75-76-179 AND 83-23-218, MISSISSIPPI CODE OF
1972, TO REDUCE BY FIFTY PERCENT CERTAIN TAX EXEMPTIONS, TAX
CREDITS AND REDUCED RATES; AND FOR RELATED PURPOSES.

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

SECTION 1. (1) There is hereby created a special fund in
the State Treasury into which shall be deposited the increased
revenues that result from the lowering of exemptions and credits
that are made under this act. Money in the fund shall be
distributed, upon appropriation by the Legislature to the Division
of Medicaid, Office of the Governor, to assist in the funding of
any deficits.

(2) Unexpended amounts remaining in the special fund at the
end of a fiscal year shall not lapse in to the State General Fund,
and any interest earned or investment earnings on amounts in the
special fund shall be deposited to the credit of the special fund.

SECTION 2. Section 27-7-9, Mississippi Code of 1972, is
amended as follows:

[Through June 30, 2003, this section shall read as follows:]
27-7-9. (a) Except as provided in Sections 27-7-95 through
27-7-103, determination of amount of gain or loss.

(1) Computation of gain or loss. The gain from the
sale or other disposition of property shall be the excess of the
amount realized therefrom over the adjusted basis provided in
subsection (c) for determining gain, and the loss shall be the
excess of the adjusted basis provided in subsection (c) for
determining loss over the amount realized.

(2) **Amount realized.** The amount realized from the sale
or other disposition of property shall be the sum of any money
received plus the fair market value of the property (other than
money) received.

(3) **Installment sales.** Nothing in this section shall
be construed to prevent (in the case of property sold under
contract providing for payment in installments) the taxation of
that portion of any installment payment representing gain or
profit in the year in which such payment is received.

(b) **Recognition of gain or loss.** Except as otherwise
provided in this section, on the sale or exchange of property the
entire amount of the gain or loss, determined under subsection
(a), shall be recognized.

(c) **Adjusted basis for determining gain or loss.**

(1) **In general.** The adjusted basis for determining the
gain or loss from the sale or other disposition of property,
whenever acquired, shall be the basis determined under subsection
(d) adjusted as provided in subsection (e).

(2) **Bargain sale to a charitable organization.** If a
deduction is allowed under Section 27-7-17 (relating to charitable
contributions) by reason of a sale, then the adjusted basis for
determining the gain from such sale shall be that portion of the
adjusted basis which bears the same ratio to the adjusted basis as
the amount realized bears to the fair market value of the
property.

(d) **Basis of property.**

(1) **Property acquired after March 16, 1912.** The basis
for ascertaining the gain derived or the loss sustained from the
sale or other disposition of property, real, personal or mixed,
shall be, in the case of property acquired after March 16, 1912,
the cost of such property, except as otherwise provided in this
subsection.

(2) **Inventory property.** If the property should have
been included in the last inventory, the basis shall be the last
inventory value thereof.

(3) **Property acquired by gift.** In the case of property
acquired by gift after January 1, 1936, the basis shall be the
same as that which it would have in the hands of the donor or the
last preceding owner by whom it was not acquired by gift. If the
facts necessary to determine such basis are unknown to the donee,
the commissioner shall, if possible, obtain such facts from such
donor, or last preceding owner, or any other person cognizant
thereof. If the commissioner finds it impossible to obtain such
facts, the commissioner shall establish a basis for the property
from the best information available. In the case of property
acquired by gift on or before January 1, 1936, the basis for
ascertaining gain or loss from the sale or other disposition
thereof shall be the fair market price or value of such property
at the time of acquisition.

(4) **Property acquired by bequests, devises and
inheritance.** If personal property was acquired by specific
bequest, or if real property was acquired by general or specific
devise or by intestacy, the basis shall be the fair market value
of the property at the time of the death of the decedent. If the
property was acquired by the decedent’s estate from the decedent,
the basis in the hands of the estate shall be the fair market
value of the property at the time of the death of the decedent.
In all other cases, if the property was acquired either by will or
by intestacy, the basis shall be the fair market value of the
property at the time of the distribution to the taxpayer. In the
case of property transferred in trust to pay the income for life
to or upon the order or direction of the grantor, with the right
reserved to the grantor at all times prior to his death to revoke
the trust, the basis of such property in the hands of the persons entitled under the terms of the trust instrument to the property after the grantor's death shall, after such death, be the same as if the trust instrument had been a will executed on the day of the grantor's death.

(5) **Property acquired by a transfer in trust.** If the property was acquired by a transfer in trust (other than by a transfer in trust by a bequest or devise), the basis shall be the same as it would be in the hands of the grantor, increased in the amount of gain, or decreased in the amount of loss, recognized to the grantor upon such transfer under this section.

(6) **Property acquired in tax-free exchanges.** If the property was acquired upon an exchange described in subsection (f), the basis shall be the same as in the case of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized upon such exchange by the terms of this act. If the property so acquired consisted in part of the type of property permitted by subsection (f) to be received without recognition of gain or loss, and in part of other property, the basis provided in this subsection shall be allocated between the properties (other than money) received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange.

(7) **Property acquired in tax-free distribution.** If the property consists of stock or securities distributed to a taxpayer in connection with a transaction described in subsection (f), the basis in the case of the stock in respect of which the distribution was made shall be apportioned, under rules and regulations prescribed by the commissioner, between rules and regulations prescribed by the commissioner, between the stock and the stock or securities distributed.
(8) **Property acquired in involuntary conversions.** If the property was acquired as the result of a compulsory or involuntary conversion described in subsection (f), the basis shall be the same as in the case of property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of said subsection determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion.

(9) **Property acquired in wash sales.** If substantially identical property was acquired in place of stock or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under Section 27-7-17(d), the basis in the case of property so acquired shall be the basis in the case of the stock or securities so sold or disposed of, except that, if the repurchase price was in excess of the sales price, such basis shall be increased in the amount of the difference, or if the repurchase price was less than the sales price, such basis shall be decreased in the amount of the difference.

(10) **Property acquired before March 16, 1912.** The basis for determining the gain or loss from the sale or other disposition of property acquired before March 16, 1912, shall be:

(A) The cost of such property (or in the case of such property as is described in subsection (d)(2) or (4) of this section the basis as therein provided, or in the case of property acquired by gift or transfer in trust, the fair market value of such property at the time of such acquisition); or

(B) The fair market value of such property as of March 16, 1912, whichever is greater.

In determining the fair market value of stock in a corporation as of March 16, 1912, due regard shall be given to the
fair market value of the assets of the corporation as of that date.

(e) **Adjustments to basis.**

(1) **In general.** In computing the amount of gain or loss from the sale or other disposition of property, proper adjustment shall be made for any expenditure, receipt, loss or other item, properly chargeable to capital account since the basis date. The cost or other basis of the property shall also be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization and depletion, which have since the acquisition of the property been allowable in respect of such property whether or not such deductions were claimed by the taxpayer or formerly allowed. In the case of stock, the basis shall be diminished by the amount of distributions previously made in respect to such stock, to the extent provided under this section.

(2) **Substituted basis.** Whenever it appears that the basis of the property in the hands of a taxpayer is a substituted basis, then the adjustments provided in subsection (e)(1) shall be made after first making in respect of such substituted basis proper adjustments of a similar nature in respect of the period during which the property was held by the transferor, donor or grantor, or during which the other property was held by the person for whom the basis is to be determined. The term "substituted basis" as used in this subsection means a basis determined under any provision of this section or under any corresponding provision of a prior Income Tax Law, providing that the basis shall be determined by reference to the basis in the hands of a transferor, donor or grantor, or, by reference to other property held at any time by the person for whom the basis is to be determined.

(f) **Recognition of gain or loss -- exceptions.**

(1) **Exchange solely in kind.**
(A) Property held for productive use or investment. No gain or loss shall be recognized if property held for productive use in trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidence of indebtedness or interest) is exchanged solely for property of a like kind to be held either for productive use in trade or business or for investment.

(B) Stock for stock in same corporation. No gain or loss shall be recognized if common stock in a corporation is exchanged solely for common stock in the same corporation, or if preferred stock in a corporation is exchanged solely for preferred stock in the same corporation.

(C) Transfers to corporation controlled by transferor. No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation, and if immediately after the exchange such person or persons are in control of the corporation; but in the case of an exchange by two (2) or more persons, this subsection shall apply only if the amount of the stock and securities received by each is substantially in proportion to his interest in the property prior to the exchange.

(D) Stock for stock on reorganization. No gain or loss shall be recognized if stock or securities in a corporation, a party to a reorganization, are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation, a party to a reorganization.

(2) Gain from exchanges not solely in kind. If an exchange would be within the provisions of subsection (f)(1) of this section, if it were not for the fact that the property
received in exchange consists not only of property permitted by
subsection (f)(1) to be received without the recognition of gain,
but also of other property or money, then the gain, if any, to the
recipient shall be recognized, but in an amount not in excess of
the sum of such money and the fair market value of such other
property so received.

(3) **Loss from exchanges not solely in kind.** If an
exchange would be within the provisions of subsection (f)(1) of
this section, if it were not for the fact that the property
received in exchange consists not only of property permitted by
subsection (f)(1) to be received without the recognition of gain
or loss but also of other property or money, then no loss from the
exchange shall be recognized.

(4) **Distribution of stock on reorganization.** If in
pursuance of a plan of reorganization, there is distributed to a
shareholder in a corporation, a party to the reorganization, stock
or securities in such corporation or in another corporation, a
party to the reorganization, without the surrender by such
shareholder of stock or securities in such corporation, no gain to
the distributee from the receipt of such stock or securities shall
be recognized.

(5) **Distribution with effect of taxable dividend.** If a
distribution made in pursuance of a plan of reorganization is
within the provisions of subsection (f)(4) of this section, but
has the effect of the distribution of a taxable dividend, then
there shall be taxed as a dividend to each distributee such an
amount of the gain recognized under subsection (f)(2) as is not in
excess of his rateable share of the undistributed earnings and
profits of the corporation. The remainder, if any, of the gain
recognized under subsection (f)(2) shall be taxed as a gain from
the exchange of property.

(6) **Involuntary conversions.** If property, as a result
of its destruction in whole or in part, theft, seizure or
requisition or condemnation, or threat or imminence thereof, is compulsorily or involuntarily converted:

(A) Into property similar or related in service or use to the property so converted, no gain shall be recognized, but loss shall be recognized;

(B) Into money, no gain shall be recognized if such money is expended, within a period ending two (2) years after the close of the first taxable year in which any part of the gain upon the conversion is realized, in the acquisition of other property similar or related in service or use to the property so converted, or in the acquisition of control of a corporation owning such other property, or in the establishment of a replacement fund, but loss shall be recognized. If any part of the money is not so expended, the gain shall be recognized to the extent of the money which is not so expended, regardless of whether such money is received in one or more taxable years and regardless of whether or not the money which is not so expended constitutes gain. Provided, gain realized on property which is compulsorily or involuntarily converted for public use under Title II, Chapter 27, Mississippi Code of 1972, or any federal law relating to the involuntary conversion of property for public use shall not be recognized. Provided further, that gain realized on property which is voluntarily converted for public use shall not be recognized after it becomes evident that eminent domain proceedings are probable.

The provisions of this subsection relating to the nonrecognition of gain, including the exception provided in subparagraph (B), shall apply only to an owner of the converted property who has held title to such property for a period at least three (3) years prior to the date of the disposition of the converted property, provided that an owner who acquired such property by bequest, devise, gift or inheritance shall be excluded from this limitation, if the preceding owner acquired title to
such property at least three (3) years prior to the date of disposition.

(7) **Property exchanged treated as equivalent of cash.** When property other than property specified in subsection (f)(1)(A) of this section is exchanged for other property, the property received in exchange shall, for the purpose of determining gain or loss, be treated as the equivalent of cash to the amount of its fair market value.

(8) **Distribution of assets of corporation.** The distribution to the taxpayer of the assets of a corporation shall be treated as a sale of the stock or securities of the corporation owned by him, and the gain or loss shall be computed accordingly.

(9) **Organization of a corporation.** In the case of the organization of a corporation, the stock and securities received shall be considered to take the place of property transferred therefor, and no gain or loss shall be deemed to arise therefrom.

(10) **Sales of certain interests in financial institutions domiciled in Mississippi, domestic corporations, domestic limited partnerships or domestic limited liability companies.**

(A) No gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year through the 2001 taxable year, fifty percent (50%) of the gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year for taxable years 2002 and 2003, and no gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year.
corporations, or partnership interests in domestic limited
partnerships and domestic limited liability companies, that have
been held for more than one (1) year for taxable year 2004 and
taxable years thereafter; provided, however, that any gain that
would otherwise be excluded by this provision shall first be
applied against, and reduced by, any losses determined from sales
or transactions described by this provision if the losses were
incurred in the year of the gain or within the two (2) years
preceding or subsequent to the gain.

(B) No gain shall be recognized from the sale of
all or at least ninety percent (90%) of the assets in domestic
corporations except those assets that represent the ownership
interest of another entity provided:

(i) The assets of the corporation have been
held for more than one (1) year;

(ii) The corporation is totally liquidated
and dissolved within one (1) calendar year from the date of the
sale of all or at least ninety percent (90%) of the assets of the
corporation; and

(iii) The depreciation and/or amortization
that has been taken on the assets of the corporation shall be
recaptured and taxed as ordinary income in the same manner as
provided for in Section 1245 of the Internal Revenue Code, as
amended, and any corresponding regulations relating to Section
1245 property. All depreciation and/or amortization shall be
recaptured up to cost prior to any nonrecognition of gains.

(g) Reorganization defined. The term "reorganization"
means:

(1) A statutory merger or consolidation;

(2) The acquisition by one (1) corporation, in exchange
solely for all or a part of its voting stock (or in exchange
solely for all or a part of the voting stock of a corporation
which is in control of the acquiring corporation), of stock of
another corporation if, immediately after the acquisition, the acquiring corporation has control of such other corporation, or of substantially all the properties of another corporation;

(3) A transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor, or one or more of its shareholders (including persons who were shareholders immediately before the transfer), or any combination thereof, is in control of the corporation to which the assets are transferred;

(4) A recapitalization; or

(5) A mere change in identity, form or place of organization, however effected.

(h) Party to a reorganization defined. The term "a party to a reorganization" includes a corporation resulting from a reorganization and includes both corporations in the case of an acquisition by one (1) corporation of at least a majority of the voting stock and at least a majority of the total number of shares of all other classes of stock of another corporation.

(i) Control defined. As used in this section, the term "control" means the ownership of at least eighty percent (80%) of the voting stock and at least eighty percent (80%) of the total number of shares of all other classes of stock of the corporation.

(j) Special rules.

(1) Liquidation of subsidiaries. A transfer to a parent corporation from its subsidiary of property distributed in complete liquidation of the subsidiary shall result in no recognized gain or loss if the basis of the property in the hands of the parent corporation is the same as it was in the hands of the subsidiary.

(2) Gain or loss on sales or exchanges in connection with certain liquidations. Corporations adopting a plan of complete liquidation under the provisions of the Internal Revenue Code shall recognize the gain or loss from the sale or exchange of
property by the corporation under said plan. The total gain or
loss from the liquidating distributions shall be recognized by the
shareholders; however, a credit for the tax paid by the
liquidating corporation on the gain from the sale or exchange of
property under the plan of liquidation will be allowed to the
extent of any tax liability to the shareholders through the 2002
taxable year, a credit for fifty percent (50%) of the tax paid by
the liquidating corporation on the gain from the sale or exchange
of property under the plan of liquidation will be allowed to the
extent of any tax liability to the shareholders for calendar years
2002 and 2003, and a credit for the tax paid by the liquidating
corporation on the gain from the sale or exchange of property
under the plan of liquidation will be allowed to the extent of any
tax liability to the shareholders for taxable year 2004 and
taxable years thereafter. The corporation shall provide to the
State Tax Commission a list of all shareholders with their
percentage of ownership, distribution, tax credit allowed and any
other information requested.

(3) Distribution of stock and securities of a
controlled corporation. No gain shall be recognized on a
distribution to a stockholder of a corporation if such gain would
not be recognized to such stockholder for federal income tax
purposes under the provisions of Section 355 of the federal
Internal Revenue Code.

(4) Notwithstanding the other provisions of this
section, a corporation or other entity that is involved in
restructuring, reorganizing, distributing assets or profits, or
changing ownership that results in an adjustment to its asset
basis is required to report a gain in the year such transaction
occurs on any such transaction when the transaction involves
assets owned or used in this state, or otherwise represents assets
owned or used in this state. If a transfer of income or a change
in asset valuation occurs on the tax records of the taxpayer, such
transaction shall result in taxation to this state to the extent
of the transfer of income or change in asset valuation.

(5) If a corporation or other entity makes an Internal
Revenue Code Section 338 election, or other similar election under
which the aggregate basis in assets are increased on the tax
records of the taxpayer, then a similar election must also be made
for Mississippi purposes, but the gain must be recognized by the
corporation in which the increase in basis of the assets occurs.
The corporation or other entity is allowed to increase its basis
by the amount of gain recognized. An aggregate write-down of
assets is not allowed. The parent corporation shall recognize the
gain on the disposition of its stock.

(6) For state tax purposes, a corporation or other
legal entity is considered separate from its shareholders,
affiliated corporations or other entities. If a corporation or
other legal entity enters into any transaction that is for the
benefit of its shareholders or for the benefit of an affiliated
corporation without an equal mutual business benefit of the
corporation, then, the transaction will be adjusted or eliminated
to arrive at taxable income to this state. All transactions
entered into by a corporation must be at "arms-length." If
requested by the commissioner, the taxpayer must be able to
substantiate that the transaction occurred at "arms-length." If
not, the transaction may be adjusted to the satisfaction of the
commissioner. In determining whether the transaction occurred at
arms-length, the commissioner shall consider the following:

(A) Whether the transaction is in compliance with
the federal regulations promulgated under Internal Revenue Code
Section 482;

(B) Whether the transaction was done for a valid
business purpose;

(C) Whether the income being shifted by the
transaction is subject to a tax in another state;
(D) Whether the transaction is consistent with the results that would have been realized if uncontrolled taxpayers had engaged in the same transaction under the same circumstances; and

(E) Other factors which support the conclusion that income is being shifted to avoid the tax imposed by this chapter.

(k) Sale or exchange of residence.

(1) Loss on sale or exchange of residence. Loss from the sale or exchange of property used by the taxpayer as his principal residence is not recognized and cannot be deducted.

(2) Nonrecognition of gain. Gain shall be computed in accordance with the provisions of the Internal Revenue Code, rules, regulations and revenue procedures relating to the sale or exchange of a personal residence not in direct conflict with the provisions of the Mississippi Income Tax Law.

(3) Gain on the sale or exchange of residence. A recognizable gain on the sale or exchange of a personal residence shall be included in gross income and treated as ordinary income.

(l) Distributions by corporations.

(1) Distributions of the property of a corporation, including partial and complete liquidations, shall be recognized by the distributing corporation and the gain or loss shall be computed on the difference of the fair market value of the assets distributed and their basis. The total gain or loss from the distributions to the shareholders shall be recognized by the shareholders subject to subsections (f)(8) and (j)(1); however, a credit for the tax paid by the distributing corporation on the gain from the sale or exchange of property under the plan of distribution will be allowed to the extent of any liability to the shareholders. The corporation shall provide to the State Tax Commission a list of all shareholders with their percentage of
ownership, distribution, tax credit allowed and any other information requested.

(2) **Source of distributions.** For the purposes of this act, every distribution is made out of earnings or profits to the extent thereof, and from the most recently accumulated earnings and profits. Any earnings or profit accumulated, or increase in value of property acquired, before March 16, 1912, may be distributed exempt from tax (after the earnings and profits accumulated after March 16, 1912, have been distributed), but any such tax-free distribution shall be applied against and reduce the basis of the stock provided in subsection (d).

(3) **Distributions in liquidation.** Amounts distributed in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock, and amounts distributed in partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under subsection (a), but shall be recognized only to the extent provided in subsection (f). In the case of amounts distributed in partial liquidation, the part of such distribution which is property chargeable to capital account shall not be considered a distribution of earnings or profits within the meaning of paragraph (2) of this subsection for the purpose of determining the taxability of subsequent distributions by the corporations.

(4) **Other distributions.** If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders, is not out of increase in value of property accrued before March 16, 1912, and is not out of earnings or profits, then the amount of such distribution shall be applied against and reduce the basis of the stock provided in subsection (d), and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property.
(5) **Stock dividends.** A stock dividend shall not be subject to tax.

(6) **Cancellation or redemption of stock.** If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after March 16, 1912, shall be treated as a taxable dividend.

(7) **"Amounts distributed in partial liquidation" defined.** As used in this subsection, the term "amounts distributed in partial liquidation" means distribution by a corporation in complete cancellation or redemption of a part of its stock, or one of a series of distributions in complete redemption or redemption of all or a portion of its stock.

(8) **Distributions of stock pursuant to order enforcing the Antitrust Laws.** Any distribution of stock which is made pursuant to the order of any court enforcing the Antitrust Laws of the United States, or of any state, shall be a distribution which is not out of earnings and profits of the distributing corporation, but the value of the stock so distributed shall be applied against and reduce the basis of the stock of the distributing corporation provided in subsection (d), and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property.

[From and after July 1, 2003, this section shall read as follows:]
amount realized therefrom over the adjusted basis provided in
subsection (c) for determining gain, and the loss shall be the
excess of the adjusted basis provided in subsection (c) for
determining loss over the amount realized.

(2) Amount realized. The amount realized from the sale
or other disposition of property shall be the sum of any money
received plus the fair market value of the property (other than
money) received.

(3) Installment sales. Nothing in this section shall
be construed to prevent (in the case of property sold under
contract providing for payment in installments) the taxation of
that portion of any installment payment representing gain or
profit in the year in which such payment is received.

(b) Recognition of gain or loss. Except as otherwise
provided in this section, on the sale or exchange of property the
entire amount of the gain or loss, determined under subsection
(a), shall be recognized.

(c) Adjusted basis for determining gain or loss.

(1) In general. The adjusted basis for determining the
gain or loss from the sale or other disposition of property,
whenever acquired, shall be the basis determined under subsection
(d) adjusted as provided in subsection (e).

(2) Bargain sale to a charitable organization. If a
deduction is allowed under Section 27-7-17 (relating to charitable
contributions) by reason of a sale, then the adjusted basis for
determining the gain from such sale shall be that portion of the
adjusted basis which bears the same ratio to the adjusted basis as
the amount realized bears to the fair market value of the
property.

(d) Basis of property.

(1) Property acquired after March 16, 1912. The basis
for ascertaining the gain derived or the loss sustained from
the sale or other disposition of property, real, personal or mixed,
shall be, in the case of property acquired after March 16, 1912, the cost of such property, except as otherwise provided in this subsection.

(2) **Inventory property.** If the property should have been included in the last inventory, the basis shall be the last inventory value thereof.

(3) **Property acquired by gift.** In the case of property acquired by gift after January 1, 1936, the basis shall be the same as that which it would have in the hands of the donor or the last preceding owner by whom it was not acquired by gift. If the facts necessary to determine such basis are unknown to the donee, the commissioner shall, if possible, obtain such facts from such donor, or last preceding owner, or any other person cognizant thereof. If the commissioner finds it impossible to obtain such facts, the commissioner shall establish a basis for the property from the best information available. In the case of property acquired by gift on or before January 1, 1936, the basis for ascertaining gain or loss from the sale or other disposition thereof shall be the fair market price or value of such property at the time of acquisition.

(4) **Property acquired by bequests, devises and inheritance.** If personal property was acquired by specific bequest, or if real property was acquired by general or specific devise or by intestacy, the basis shall be the fair market value of the property at the time of the death of the decedent. If the property was acquired by the decedent's estate from the decedent, the basis in the hands of the estate shall be the fair market value of the property at the time of the death of the decedent. In all other cases, if the property was acquired either by will or by intestacy, the basis shall be the fair market value of the property at the time of the distribution to the taxpayer. In the case of property transferred in trust to pay the income for life to or upon the order or direction of the grantor, with the right
reserved to the grantor at all times prior to his death to revoke
the trust, the basis of such property in the hands of the persons
entitled under the terms of the trust instrument to the property
after the grantor's death shall, after such death, be the same as
if the trust instrument had been a will executed on the day of the
grantor's death.

(5) **Property acquired by a transfer in trust.** If the
property was acquired by a transfer in trust (other than by a
transfer in trust by a bequest or devise), the basis shall be the
same as it would be in the hands of the grantor, increased in the
amount of gain, or decreased in the amount of loss, recognized to
the grantor upon such transfer under this section.

(6) **Property acquired in tax-free exchanges.** If the
property was acquired upon an exchange described in subsection
(f), the basis shall be the same as in the case of the property
exchanged, decreased in the amount of any money received by the
taxpayer and increased in the amount of gain or decreased in the
amount of loss to the taxpayer that was recognized upon such
exchange by the terms of this act. If the property so acquired
consisted in part of the type of property permitted by subsection
(f) to be received without recognition of gain or loss, and in
part of other property, the basis provided in this subsection
shall be allocated between the properties (other than money)
received, and for the purpose of the allocation there shall be
assigned to such other property an amount equivalent to its fair
market value at the date of the exchange.

(7) **Property acquired in tax-free distribution.** If the
property consists of stock or securities distributed to a taxpayer
in connection with a transaction described in subsection (f), the
basis in the case of the stock in respect of which the
distribution was made shall be apportioned, under rules and
regulations prescribed by the commissioner, between such stock and
the stock or securities distributed.
(8) **Property acquired in involuntary conversions.** If the property was acquired as the result of a compulsory or involuntary conversion described in subsection (f), the basis shall be the same as in the case of property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of said subsection determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion.

(9) **Property acquired in wash sales.** If substantially identical property was acquired in place of stock or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under Section 27-7-17(d), the basis in the case of property so acquired shall be the basis in the case of the stock or securities so sold or disposed of, except that, if the repurchase price was in excess of the sales price, such basis shall be increased in the amount of the difference, or if the repurchase price was less than the sales price, such basis shall be decreased in the amount of the difference.

(10) **Property acquired before March 16, 1912.** The basis for determining the gain or loss from the sale or other disposition of property acquired before March 16, 1912, shall be:

(A) The cost of such property (or in the case of such property as is described in subsection (d)(2) or (4) of this section the basis as therein provided, or in the case of property acquired by gift or transfer in trust, the fair market value of such property at the time of such acquisition); or

(B) The fair market value of such property as of March 16, 1912, whichever is greater.

In determining the fair market value of stock in a corporation as of March 16, 1912, due regard shall be given to the...
fair market value of the assets of the corporation as of that date.

(e) Adjustments to basis.

(1) In general. In computing the amount of gain or loss from the sale or other disposition of property, proper adjustment shall be made for any expenditure, receipt, loss or other item, properly chargeable to capital account since the basis date. The cost or other basis of the property shall also be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization and depletion, which have since the acquisition of the property been allowable in respect of such property whether or not such deductions were claimed by the taxpayer or formerly allowed. In the case of stock, the basis shall be diminished by the amount of distributions previously made in respect to such stock, to the extent provided under this section.

(2) Substituted basis. Whenever it appears that the basis of the property in the hands of a taxpayer is a substituted basis, then the adjustments provided in subsection (e)(1) shall be made after first making in respect of such substituted basis proper adjustments of a similar nature in respect of the period during which the property was held by the transferor, donor or grantor, or during which the other property was held by the person for whom the basis is to be determined. The term "substituted basis" as used in this subsection means a basis determined under any provision of this section or under any corresponding provision of a prior Income Tax Law, providing that the basis shall be determined by reference to the basis in the hands of a transferor, donor or grantor, or, by reference to other property held at any time by the person for whom the basis is to be determined.

(f) Recognition of gain or loss -- exceptions.

(1) Exchange solely in kind.
(A) Property held for productive use or investment. No gain or loss shall be recognized if property held for productive use in trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidence of indebtedness or interest) is exchanged solely for property of a like kind to be held either for productive use in trade or business or for investment.

(B) Stock for stock in same corporation. No gain or loss shall be recognized if common stock in a corporation is exchanged solely for common stock in the same corporation, or if preferred stock in a corporation is exchanged solely for preferred stock in the same corporation.

(C) Transfers to corporation controlled by transferor. No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation, and if immediately after the exchange such person or persons are in control of the corporation; but in the case of an exchange by two (2) or more persons, this subsection shall apply only if the amount of the stock and securities received by each is substantially in proportion to his interest in the property prior to the exchange.

(D) Stock for stock on reorganization. No gain or loss shall be recognized if stock or securities in a corporation, a party to a reorganization, are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation, a party to a reorganization.

(2) Gain from exchanges not solely in kind. If an exchange would be within the provisions of subsection (f)(1) of this section, if it were not for the fact that the property
received in exchange consists not only of property permitted by
subsection (f)(1) to be received without the recognition of gain,
but also of other property or money, then the gain, if any, to the
recipient shall be recognized, but in an amount not in excess of
the sum of such money and the fair market value of such other
property so received.

(3) **Loss from exchanges not solely in kind.** If an
exchange would be within the provisions of subsection (f)(1) of
this section, if it were not for the fact that the property
received in exchange consists not only of property permitted by
subsection (f)(1) to be received without the recognition of gain
or loss but also of other property or money, then no loss from the
exchange shall be recognized.

(4) **Distribution of stock on reorganization.** If in
pursuance of a plan of reorganization, there is distributed to a
shareholder in a corporation, a party to the reorganization, stock
or securities in such corporation or in another corporation, a
party to the reorganization, without the surrender by such
shareholder of stock or securities in such corporation, no gain to
the distributee from the receipt of such stock or securities shall
be recognized.

(5) **Distribution with effect of taxable dividend.** If a
distribution made in pursuance of a plan of reorganization is
within the provisions of subsection (f)(4) of this section, but
has the effect of the distribution of a taxable dividend, then
there shall be taxed as a dividend to each distributee such an
amount of the gain recognized under subsection (f)(2) as is not in
excess of his rateable share of the undistributed earnings and
profits of the corporation. The remainder, if any, of the gain
recognized under subsection (f)(2) shall be taxed as a gain from
the exchange of property.

(6) **Involuntary conversions.** If property, as a result
of its destruction in whole or in part, theft, seizure or
requisition or condemnation, or threat or imminence thereof, is compulsorily or involuntarily converted:

(A) Into property similar or related in service or use to the property so converted, no gain shall be recognized, but loss shall be recognized;

(B) Into money, no gain shall be recognized if such money is expended, within a period ending two (2) years after the close of the first taxable year in which any part of the gain upon the conversion is realized, in the acquisition of other property similar or related in service or use to the property so converted, or in the acquisition of control of a corporation owning such other property, or in the establishment of a replacement fund, but loss shall be recognized. If any part of the money is not so expended, the gain shall be recognized to the extent of the money which is not so expended, regardless of whether such money is received in one or more taxable years and regardless of whether or not the money which is not so expended constitutes gain. Provided, gain realized on property which is compulsorily or involuntarily converted for public use under Title II, Chapter 27, Mississippi Code of 1972, or any federal law relating to the involuntary conversion of property for public use shall not be recognized. Provided further, that gain realized on property which is voluntarily converted for public use shall not be recognized after it becomes evident that eminent domain proceedings are probable.

The provisions of this subsection relating to the nonrecognition of gain, including the exception provided in subparagraph (B), shall apply only to an owner of the converted property who has held title to such property for a period at least three (3) years prior to the date of the disposition of the converted property, provided that an owner who acquired such property by bequest, devise, gift or inheritance shall be excluded from this limitation, if the preceding owner acquired title to
such property at least three (3) years prior to the date of disposition.

(7) **Property exchanged treated as equivalent of cash.**

When property other than property specified in subsection (f)(1)(A) of this section is exchanged for other property, the property received in exchange shall, for the purpose of determining gain or loss, be treated as the equivalent of cash to the amount of its fair market value.

(8) **Distribution of assets of corporation.** The distribution to the taxpayer of the assets of a corporation shall be treated as a sale of the stock or securities of the corporation owned by him, and the gain or loss shall be computed accordingly.

(9) **Organization of a corporation.** In the case of the organization of a corporation, the stock and securities received shall be considered to take the place of property transferred therefor, and no gain or loss shall be deemed to arise therefrom.

(10) **Sales of certain interests in financial institutions domiciled in Mississippi, domestic corporations, domestic limited partnerships or domestic limited liability companies.**

(A) No gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year through the 2001 taxable year, fifty percent (50%) of the gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year for taxable years 2002 and 2003, and no gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year for taxable years 2004 and 2005, and no gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year for taxable years 2006 through 2008.
corporations, or partnership interests in domestic limited
partnerships and domestic limited liability companies, that have
been held for more than one (1) year for taxable year 2004 and
taxable years thereafter; provided, however, that any gain that
would otherwise be excluded by this provision shall first be
applied against, and reduced by, any losses determined from sales
or transactions described by this provision if the losses were
incurred in the year of the gain or within the two (2) years
preceding or subsequent to the gain.

(B) No gain shall be recognized from the sale of
all or at least ninety percent (90%) of the assets in domestic
corporations except those assets that represent the ownership
interest of another entity provided:
(i) The assets of the corporation have been
held for more than one (1) year;
(ii) The corporation is totally liquidated
and dissolved within one (1) calendar year from the date of the
sale of all or at least ninety percent (90%) of the assets of the
corporation; and
(iii) The depreciation and/or amortization
that has been taken on the assets of the corporation shall be
recaptured and taxed as ordinary income in the same manner as
provided for in Section 1245 of the Internal Revenue Code, as
amended, and any corresponding regulations relating to Section
1245 property. All depreciation and/or amortization shall be
recaptured up to cost prior to any nonrecognition of gains.

(g) Reorganization defined. The term "reorganization"
means:
(1) A statutory merger or consolidation;
(2) The acquisition by one (1) corporation, in exchange
solely for all or a part of its voting stock (or in exchange
solely for all or a part of the voting stock of a corporation
which is in control of the acquiring corporation), of stock of
another corporation if, immediately after the acquisition, the
acquiring corporation has control of such other corporation, or of
substantially all the properties of another corporation;

(3) A transfer by a corporation of all or a part of its
assets to another corporation if immediately after the transfer
the transferor, or one or more of its shareholders (including
persons who were shareholders immediately before the transfer), or
any combination thereof, is in control of the corporation to which
the assets are transferred;

(4) A recapitalization; or

(5) A mere change in identity, form or place of
organization, however effected.

(h) Party to a reorganization defined. The term "a party to
a reorganization" includes a corporation resulting from a
reorganization and includes both corporations in the case of an
acquisition by one (1) corporation of at least a majority of the
voting stock and at least a majority of the total number of shares
of all other classes of stock of another corporation.

(i) Control defined. As used in this section, the term
"control" means the ownership of at least eighty percent (80%) of
the voting stock and at least eighty percent (80%) of the total
number of shares of all other classes of stock of the corporation.

(j) Special rules.

(1) Liquidation of subsidiaries. A transfer to a
parent corporation from its subsidiary of property distributed in
complete liquidation of the subsidiary shall result in no
recognized gain or loss if the basis of the property in the hands
of the parent corporation is the same as it was in the hands of
the subsidiary.

(2) Gain or loss on sales or exchanges in connection
with certain liquidations. Corporations adopting a plan of
complete liquidation under the provisions of the Internal Revenue
Code shall recognize the gain or loss from the sale or exchange of
property by the corporation under said plan. The total gain or
loss from the liquidating distributions shall be recognized by the
shareholders; however, a credit for the tax paid by the
liquidating corporation on the gain from the sale or exchange of
property under the plan of liquidation will be allowed to the
extent of any tax liability to the shareholders through the 2002
taxable year, a credit for fifty percent (50%) of the tax paid by
the liquidating corporation on the gain from the sale or exchange
of property under the plan of liquidation will be allowed to the
extent of any tax liability to the shareholders for calendar years
2002 and 2003, and a credit for the tax paid by the liquidating
corporation on the gain from the sale or exchange of property
under the plan of liquidation will be allowed to the extent of any
tax liability to the shareholders for taxable year 2004 and
taxable years thereafter. The corporation shall provide to the
State Tax Commission a list of all shareholders with their
percentage of ownership, distribution, tax credit allowed and any
other information requested.

(3) Distribution of stock and securities of a
controlled corporation. No gain shall be recognized on a
distribution to a stockholder of a corporation if such gain would
not be recognized to such stockholder for federal income tax
purposes under the provisions of Section 355 of the federal
Internal Revenue Code.

(4) Notwithstanding the other provisions of this
section, a corporation or other entity that is involved in
restructuring, reorganizing, distributing assets or profits, or
changing ownership that results in an adjustment to its asset
basis is required to report a gain in the year such transaction
occurs on any such transaction when the transaction involves
assets owned or used in this state, or otherwise represents assets
owned or used in this state. If a transfer of income or a change
in asset valuation occurs on the tax records of the taxpayer, such
transaction shall result in taxation to this state to the extent
of the transfer of income or change in asset valuation.

(5) If a corporation or other entity makes an Internal
Revenue Code Section 338 election, or other similar election under
which the aggregate basis in assets are increased on the tax
records of the taxpayer, then a similar election must also be made
for Mississippi purposes, but the gain must be recognized by the
corporation in which the increase in basis of the assets occurs.
The corporation or other entity is allowed to increase its basis
by the amount of gain recognized. An aggregate write-down of
assets is not allowed. The parent corporation shall recognize the
gain on the disposition of its stock.

(6) For state tax purposes, a corporation or other
legal entity is considered separate from its shareholders,
affiliated corporations or other entities. If a corporation or
other legal entity enters into any transaction that is for the
benefit of its shareholders or for the benefit of an affiliated
corporation without an equal mutual business benefit of the
corporation, then, the transaction will be adjusted or eliminated
to arrive at taxable income to this state. All transactions
entered into by a corporation must be at "arms-length." If
requested by the commissioner, the taxpayer must be able to
substantiate that the transaction occurred at "arms-length." If
not, the transaction may be adjusted to the satisfaction of the
commissioner. For purpose of this subsection, compliance with
federal regulations promulgated under Internal Revenue Code
Section 482, shall constitute "arms-length."

(k) Sale or exchange of residence.

(1) Loss on sale or exchange of residence. Loss from
the sale or exchange of property used by the taxpayer as his
principal residence is not recognized and cannot be deducted.

(2) Nonrecognition of gain. Gain shall be computed in
accordance with the provisions of the Internal Revenue Code,
rules, regulations and revenue procedures relating to the sale or
exchange of a personal residence not in direct conflict with the
provisions of the Mississippi Income Tax Law.

(3) **Gain on the sale or exchange of residence.** A
recognizable gain on the sale or exchange of a personal residence
shall be included in gross income and treated as ordinary income.

(1) **Distributions by corporations.**

(1) Distributions of the property of a corporation,
including partial and complete liquidations, shall be recognized
by the distributing corporation and the gain or loss shall be
computed on the difference of the fair market value of the assets
distributed and their basis. The total gain or loss from the
distributions to the shareholders shall be recognized by the
shareholders subject to subsections (f)(8) and (j)(1); however, a
credit for the tax paid by the distributing corporation on the
gain from the sale or exchange of property under the plan of
distribution will be allowed to the extent of any liability to the
shareholders. The corporation shall provide to the State Tax
Commission a list of all shareholders with their percentage of
ownership, distribution, tax credit allowed and any other
information requested.

(2) **Source of distributions.** For the purposes of this
act, every distribution is made out of earnings or profits to the
extent thereof, and from the most recently accumulated earnings
and profits. Any earnings or profit accumulated, or increase in
value of property acquired, before March 16, 1912, may be
distributed exempt from tax (after the earnings and profits
accumulated after March 16, 1912, have been distributed), but any
such tax-free distribution shall be applied against and reduce the
basis of the stock provided in subsection (d).

(3) **Distributions in liquidation.** Amounts distributed
in complete liquidation of a corporation shall be treated as in
full payment in exchange for the stock, and amounts distributed in
partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under subsection (a), but shall be recognized only to the extent provided in subsection (f). In the case of amounts distributed in partial liquidation, the part of such distribution which is property chargeable to capital account shall not be considered a distribution of earnings or profits within the meaning of paragraph (2) of this subsection for the purpose of determining the taxability of subsequent distributions by the corporations.

(4) Other distributions. If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders, is not out of increase in value of property accrued before March 16, 1912, and is not out of earnings or profits, then the amount of such distribution shall be applied against and reduce the basis of the stock provided in subsection (d), and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property.

(5) Stock dividends. A stock dividend shall not be subject to tax.

(6) Cancellation or redemption of stock. If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after March 16, 1912, shall be treated as a taxable dividend.

(7) "Amounts distributed in partial liquidation" defined. As used in this subsection, the term "amounts distributed in partial liquidation" means distribution by a corporation in complete cancellation or redemption of a part of
its stock, or one of a series of distributions in complete
cancellation or redemption of all or a portion of its stock.

(8) Distributions of stock pursuant to order enforcing
the Antitrust Laws. Any distribution of stock which is made
pursuant to the order of any court enforcing the Antitrust Laws of
the United States, or of any state, shall be a distribution which
is not out of earnings and profits of the distributing
corporation, but the value of the stock so distributed shall be
applied against and reduce the basis of the stock of the
distributing corporation provided in subsection (d), and if in
excess of such basis, such excess shall be taxable in the same
manner as a gain from the sale or exchange of property.

SECTION 3. 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
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) (a) Through calendar year 2001, 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.

(b) In calendar years 2002 and 2003, fifty percent
(50%) of 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.

(c) For calendar year 2004 and calendar years
thereafter, 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.

(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) Through calendar year 2001, 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.

(b) In calendar years 2002 and 2003, fifty percent (50%) of 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.

(c) For calendar year 2004 and calendar years thereafter, 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.

(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).

SECTION 4. Section 27-7-16, Mississippi Code of 1972, is amended as follows:

27-7-16. (a) Amounts contributed in the taxable year by employees and/or self-employed individuals, including partners, to an employees' pension trust, tax-sheltered annuity plan, authorized deferred compensation plan, self-employed retirement plan, individual retirement account or retirement bond which meets the requirements of a qualified plan under the provisions of the Internal Revenue Code of 1986, as amended, shall be deductible from gross income, subject to the conditions and limitations of the Internal Revenue Code of 1986, as amended. Amounts contributed in the taxable year to a Roth individual retirement account shall be treated in the same manner as provided under the Internal Revenue Code of 1986, as amended.

(b) For taxable years 2002 and 2003, fifty percent (50%) of amounts contributed in the taxable year by employees and/or self-employed individuals, including partners, to an employees' pension trust, tax-sheltered annuity plan, authorized deferred compensation plan, self-employed retirement plan, individual retirement account or retirement bond which meets the requirements of a qualified plan under the provisions of the Internal Revenue Code of 1986, as amended, shall be deductible from gross income, subject to the conditions and limitations of the Internal Revenue Code of 1986, as amended. Fifty percent (50%) of amounts contributed in the taxable year to a Roth individual retirement account shall be treated in the same manner as provided under the Internal Revenue Code of 1986, as amended.
(c) For taxable year 2004 and taxable years thereafter, amounts contributed in the taxable year by employees and/or self-employed individuals, including partners, to an employees' pension trust, tax-sheltered annuity plan, authorized deferred compensation plan, self-employed retirement plan, individual retirement account or retirement bond which meets the requirements of a qualified plan under the provisions of the Internal Revenue Code of 1986, as amended, shall be deductible from gross income, subject to the conditions and limitations of the Internal Revenue Code of 1986, as amended. Amounts contributed in the taxable year to a Roth individual retirement account shall be treated in the same manner as provided under the Internal Revenue Code of 1986, as amended.

SECTION 5. Section 27-7-17, Mississippi Code of 1972, is amended as follows:

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

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

(1) Business deductions.

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

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

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

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

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

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

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

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

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

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

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

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

(i) The plan or trust be irrevocable.

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

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

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

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

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

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

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

(ii) No personal exemption deduction shall be allowed.

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

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

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

(n) Dividend distributions - real estate investment trusts. "Real estate investment trust" (hereinafter referred to as REIT) shall have the meaning ascribed to such term in Section 856 of the federal Internal Revenue Code of 1986, as amended. A REIT is allowed a dividend distributed deduction if the dividend distributions meet the requirements of Section 857 or are otherwise deductible under Section 858 or 860, federal Internal Revenue Code of 1986, as amended. In addition:
(i) A dividend distributed deduction shall only be allowed for dividends paid by a publicly traded REIT. A qualified REIT subsidiary shall be allowed a dividend distributed deduction if its owner is a publicly traded REIT.

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

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

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

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

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

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

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

(i) "Intangible expenses and costs" include:

1. Expenses, losses and costs for, related
indirect acquisition, use, maintenance or management, ownership, 
sale, exchange or any other disposition of intangible property to 
the extent such amounts are allowed as deductions or costs in 
determining taxable income under this chapter;

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

3. Royalty, patent, technical and copyright 
fees;

4. Licensing fees; and

5. Other similar expenses and costs.

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

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

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

(v) "Related entity" means:

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

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

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

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

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

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

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

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

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

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

(3) Individual nonbusiness deductions.

(a) The amount allowable for individual nonbusiness itemized deductions for federal income tax purposes where the individual is eligible to elect, for the taxable year, to itemize deductions on his federal return except the following:

(i) The deduction for state income taxes paid;

(ii) The deduction for gaming losses from gaming establishments licensed under the Mississippi Gaming Control Act;

(iii) The deduction for taxes collected by licensed gaming establishments pursuant to Section 27-7-901.

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

(i) Three Thousand Four Hundred Dollars ($3,400.00) through calendar year 1997, Four Thousand Two Hundred Dollars ($4,200.00) for the calendar year 1998, Four Thousand Six Hundred Dollars ($4,600.00) for each calendar year through
calendar year 2001, Four Thousand Dollars ($4,000.00) for each
2002 calendar years 2002 and 2003 and Four Thousand Six Hundred Dollars
2003 ($4,600.00) for calendar year 2004 and calendar years thereafter
2004 in the case of married individuals filing a joint or combined
2005 return;
2006 (ii) One Thousand Seven Hundred Dollars
2007 ($1,700.00) through calendar year 1997, Two Thousand One Hundred
2008 Dollars ($2,100.00) for the calendar year 1998, Two Thousand Three
2009 Hundred Dollars ($2,300.00) through calendar year 2001, Two
2010 Thousand Dollars ($2,000.00) for calendar years 2003 and 2003, and
2011 year thereafter in the case of married individuals filing separate
2012 returns;
2013 (iii) Three Thousand Four Hundred Dollars
2014 ($3,400.00) in the case of a head of family; or
2015 (iv) Two Thousand Three Hundred Dollars
2016 ($2,300.00) in the case of an individual who is not married.
2017 In the case of a husband and wife living together, having
2018 separate incomes, and filing combined returns, the standard
2019 deduction authorized may be divided in any manner they choose. In
2020 the case of separate returns by a husband and wife, the standard
2021 deduction shall not be allowed to either if the taxable income of
2022 one of the spouses is determined without regard to the standard
2023 deduction. 
2024 (c) A nonresident individual shall be allowed the same
2025 individual nonbusiness deductions as are authorized for resident
2026 individuals in paragraph (a) or (b) of this subsection; however,
2027 the nonresident individual is entitled only to that proportion of
2028 the individual nonbusiness deductions as his net income from
2029 sources within the State of Mississippi bears to his total or
2030 entire net income from all sources.
2031 (3) Nothing in this section shall permit the same item to be
deducted more than once, either in fact or in effect.
[From and after July 1, 2003, this section shall read as follows:]

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

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

(b) **Interest.** All interest paid or accrued during the taxable year on business indebtedness, except interest upon the indebtedness for the purchase of tax-free bonds, or any stocks, the dividends from which are nontaxable under the provisions of this article; provided, however, in the case of securities dealers, interest payments or accruals on loans, the proceeds of which are used to purchase tax-exempt securities, shall be deductible if income from otherwise tax-free securities is reported as income. Investment interest expense shall be limited to investment income. Interest expense incurred for the purchase of treasury stock, to pay dividends, or incurred as a result of an undercapitalized affiliated corporation may not be deducted unless an ordinary and necessary business purpose can be established to
the satisfaction of the commissioner. For the purposes of this paragraph, the phrase "interest upon the indebtedness for the purchase of tax-free bonds" applies only to the indebtedness incurred for the purpose of directly purchasing tax-free bonds and does not apply to any other indebtedness incurred in the regular course of the taxpayer's business. Any corporation, association, organization or other entity taxable under Section 27-7-23(c) shall allocate interest expense as provided in Section 27-7-23(c)(4)(H).

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

(d) Business losses.

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

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

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

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

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

(h) Contributions or gifts. Except as otherwise provided in subsection (2)(a) of this section for individuals, contributions or gifts made by corporations within the taxable year to corporations, organizations, associations or institutions, including Community Chest funds, foundations and trusts created solely and exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inure to the benefit of any private stockholder or individual. This deduction shall be allowed in an amount not to exceed twenty percent (20%) of the net income. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the commissioner, with the approval of the Governor.

Contributions made in any form other than cash shall be allowed as a deduction, subject to the limitations herein provided, in an amount equal to the actual market value of the contributions at the time the contribution is actually made and consummated.

(i) Reserve funds - insurance companies. In the case of insurance companies the net additions required by law to be made within the taxable year to reserve funds when such reserve funds are maintained for the purpose of liquidating policies at maturity.
(j) **Annuity income.** The sums, other than dividends, paid within the taxpayer year on policy or annuity contracts when such income has been included in gross income.

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

(i) The plan or trust be irrevocable.

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

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

Contributions to all plans or to all trusts of real or personal property (or real and personal property combined) or to insured plans created under a retirement plan for which provision has been made under the laws of the United States of America, making such contributions deductible from income for federal income tax purposes, shall be deductible only to the same extent under the Income Tax Laws of the State of Mississippi.
(1) Net operating loss carrybacks and carryovers. A net operating loss for any taxable year ending after December 31, 1993, and taxable years thereafter, shall be a net operating loss carryback to each of the three (3) taxable years preceding the taxable year of the loss. If the net operating loss for any taxable year is not exhausted by carrybacks to the three (3) taxable years preceding the taxable year of the loss, then there shall be a net operating loss carryover to each of the fifteen (15) taxable years following the taxable year of the loss beginning with any taxable year after December 31, 1991.

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

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

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

(ii) No personal exemption deduction shall be allowed.

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

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

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

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

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

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

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

(iv) Any REIT not allowed the dividend distributed deduction in the federal Internal Revenue Code of 1986, as amended, shall not be allowed a dividend distributed deduction under this chapter.
The commissioner is authorized to promulgate rules and regulations consistent with the provisions in Section 269 of the federal Internal Revenue Code of 1986, as amended, so as to prevent the evasion or avoidance of state income tax.

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

(2) Individual nonbusiness deductions.

(a) The amount allowable for individual nonbusiness itemized deductions for federal income tax purposes where the individual is eligible to elect, for the taxable year, to itemize deductions on his federal return except the following:

(i) The deduction for state income taxes paid;

(ii) The deduction for gaming losses from gaming establishments licensed under the Mississippi Gaming Control Act;

(iii) The deduction for taxes collected by licensed gaming establishments pursuant to Section 27-7-901.

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

(i) Three Thousand Four Hundred Dollars ($3,400.00) through calendar year 1997, Four Thousand Two Hundred Dollars ($4,200.00) for the calendar year 1998, Four Thousand Six Hundred Dollars ($4,600.00) through calendar year 2001, Four Thousand Dollars ($4,000.00) for each calendar years 2002 and 2003 and Four Thousand Six Hundred Dollars ($4,600.00) for each
calendar year thereafter in the case of married individuals filing a joint or combined return;

(ii) One Thousand Seven Hundred Dollars ($1,700.00) through calendar year 1997, Two Thousand One Hundred Dollars ($2,100.00) for the calendar year 1998, Two Thousand Three Hundred Dollars ($2,300.00) through calendar year 2001, Two Thousand Dollars ($2,000.00) for calendar years 2002 and 2003, and Two Thousand Three Hundred Dollars ($2,300.00) for each calendar year thereafter in the case of married individuals filing separate returns;

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

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

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

(c) A nonresident individual shall be allowed the same individual nonbusiness deductions as are authorized for resident individuals in paragraph (a) or (b) of this subsection; however, the nonresident individual is entitled only to that proportion of the individual nonbusiness deductions as his net income from sources within the State of Mississippi bears to his total or entire net income from all sources.

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

SECTION 6. Section 27-7-18, Mississippi Code of 1972, is amended as follows:
27-7-18. (1) Alimony payments. In the case of a person described in Section 27-7-15(2)(e), there shall be allowed as a deduction from gross income amounts paid as periodic payments to the extent of such amounts as are includible in the gross income of the spouse as provided in Section 27-7-15(2)(e), payment of which is made within the person's taxable year.

(2) (a) Unreimbursed moving expenses incurred after December 31, 1994, through December 31, 2001, are deductible as an adjustment to gross income in accordance with provisions of the United States Internal Revenue Code, and rules, regulations and revenue procedures thereunder relating to moving expenses, not in direct conflict with the provisions of the Mississippi Income Tax Law.

(b) Fifty percent (50%) unreimbursed moving expenses incurred after December 31, 2001, through December 31, 2003, are deductible as an adjustment to gross income in accordance with provisions of the United States Internal Revenue Code, and rules, regulations and revenue procedures thereunder relating to moving expenses, not in direct conflict with the provisions of the Mississippi Income Tax Law.

(c) Unreimbursed moving expenses incurred after December 31, 2003, are deductible as an adjustment to gross income in accordance with provisions of the United States Internal Revenue Code, and rules, regulations and revenue procedures thereunder relating to moving expenses, not in direct conflict with the provisions of the Mississippi Income Tax Law.

(3) (a) Amounts paid after December 31, 1998, through December 31, 2001, by a self-employed individual for insurance which constitute medical care for the taxpayer, his spouse and dependents, are deductible as an adjustment to gross income in accordance with provisions of the United States Internal Revenue Code, and rules, regulations and revenue procedures thereunder...
relating to such payments, not in direct conflict with the provisions of the Mississippi Income Tax Law.

(b) Fifty percent (50%) of amounts paid after December 31, 2001, through December 31, 2003, by a self-employed individual for insurance which constitute medical care for the taxpayer, his spouse and dependents, are deductible as an adjustment to gross income in accordance with provisions of the United States Internal Revenue Code, and rules, regulations and revenue procedures thereunder relating to such payments, not in direct conflict with the provisions of the Mississippi Income Tax Law.

(c) Amounts paid after December 31, 2003, by a self-employed individual for insurance which constitute medical care for the taxpayer, his spouse and dependents, are deductible as an adjustment to gross income in accordance with provisions of the United States Internal Revenue Code, and rules, regulations and revenue procedures thereunder relating to such payments, not in direct conflict with the provisions of the Mississippi Income Tax Law.

(4) (a) Contributions or payments made through December 31, 2001, to a Mississippi Affordable College Savings (MACS) Program account are deductible from gross income as provided in Section 37-155-113. Payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition Program are deductible as provided in Section 37-155-17.

(b) Fifty percent (50%) of contributions or payments made after December 31, 2001, through December 31, 2003, to a Mississippi Affordable College Savings (MACS) Program account are deductible from gross income as provided in Section 37-155-113. Payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition Program are deductible as provided in Section 37-155-17.

(c) Contributions or payments made after December 31, 2003, to a Mississippi Affordable College Savings (MACS) Program account are deductible from gross income as provided in Section 37-155-113. Payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition Program are deductible as provided in Section 37-155-17.
account are deductible from gross income as provided in Section 37-155-113. Payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition Program are deductible as provided in Section 37-155-17.

SECTION 7. Section 27-7-21, Mississippi Code of 1972, is amended as follows:

27-7-21. (a) Allowance of deductions. In the case of a resident individual, the exemptions provided by this section, as applicable to individuals, shall be allowed as deductions in computing taxable income.

(b) Single individuals. In the case of a single individual, a personal exemption of Five Thousand Two Hundred Fifty Dollars ($5,250.00) for the 1979 and 1980 calendar years and Six Thousand Dollars ($6,000.00) for each calendar year thereafter.

(c) Married individuals. In the case of married individuals living together, a joint personal exemption of Eight Thousand Dollars ($8,000.00) for the 1979 and 1980 calendar years and Nine Thousand Five Hundred Dollars ($9,500.00) for the 1981 through 1997 calendar years, Ten Thousand Dollars ($10,000.00) for the calendar year 1998, Eleven Thousand Dollars ($11,000.00) for the calendar year 1999, Twelve Thousand Dollars ($12,000.00) for the 2000 and 2001 calendar years, Ten Thousand Seven Hundred Fifty Dollars ($10,750.00) for the 2002 and 2003 calendar years, and Twelve Thousand Dollars ($12,000.00) for each calendar year thereafter. A husband and wife living together shall receive but one (1) personal exemption in the amounts provided for in this subsection for each calendar year against their aggregate income.

(d) Head of family individuals. In the case of a head of family individual, a personal exemption of Eight Thousand Dollars ($8,000.00) for the 1979 and 1980 calendar years and Nine Thousand Five Hundred Dollars ($9,500.00) for each calendar year thereafter. The term "head of family" means an individual who is single, or married but not living with his spouse for the entire
taxable year, who maintains a household which constitutes the principal place of abode of himself and one or more individuals who are dependents under the provisions of Section 152(a) of the Internal Revenue Code of 1954, as amended. The head of family individual shall be entitled to the additional dependent exemption as provided in subsection (e) of this section only to the extent of dependents in excess of the one (1) dependent needed to qualify as head of family.

(e) **Additional exemption for dependents.** In the case of any individual having a dependent, other than husband or wife, an additional personal exemption of One Thousand Five Hundred Dollars ($1,500.00) for each such dependent, except as otherwise provided in subsection (d) of this section. The term "dependent" as used in this subsection shall mean any person or individual who qualifies as a dependent under the provisions of Section 152, Internal Revenue Code of 1954, as amended.

(f) **Additional exemption for taxpayer or spouse aged sixty-five (65) or more.** In the case of any taxpayer or the spouse of the taxpayer who has attained the age of sixty-five (65) before the close of his taxable year, an additional exemption of One Thousand Five Hundred Dollars ($1,500.00).

(g) **Additional exemption for blindness of taxpayer or spouse.** In the case of any taxpayer or the spouse of the taxpayer who is blind at the close of the taxable year, an additional exemption of One Thousand Five Hundred Dollars ($1,500.00). For the purpose of this subsection, an individual is blind only if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty (20) degrees.

(h) **Husband and wife--claiming exemptions.** In the case of husband and wife living together and filing combined returns, the
personal and additional exemptions authorized and allowed by this section may be taken by either, or divided between them in any manner they may choose. If the husband and wife fail to choose, the commissioner shall divide the exemptions between husband and wife in an equitable manner. In the case of a husband and wife filing separate returns, the personal and additional exemptions authorized and allowed by this section shall be divided equally between the spouses.

(i) Nonresidents. A nonresident individual shall be allowed the same personal and additional exemptions as are authorized for resident individuals in subsection (a) of this section; however, the nonresident individual is entitled only to that proportion of the personal and additional exemptions as his net income from sources within the State of Mississippi bears to his total or entire net income from all sources.

A nonresident individual who is married and whose spouse has income from independent sources must declare the joint income of himself and his spouse from sources within and without Mississippi and claim as a personal exemption that proportion of the authorized personal and additional exemptions which the total net income from Mississippi sources bears to the total net income of both spouses from all sources. If both spouses have income from sources within Mississippi and wish to file separate returns, their combined personal and additional exemptions shall be that proration of the exemption which their combined net income from Mississippi sources is of their total combined net income from all sources. The amount of the personal and additional exemptions so computed may be divided between them in any manner they choose.

In the case of married individuals where one (1) spouse is a resident and the other is a nonresident, the personal exemption of the resident individual shall be prorated on the same basis as if both were nonresidents having net income from within and without the State of Mississippi.
For the purpose of this subsection, the term "net income" means gross income less business expenses incurred in the taxpayer's regular trade or business and computed in accordance with the provisions of the Mississippi Income Tax Law.

(j) **Part-year residents.** An individual who is a resident of Mississippi for only a part of his taxable year by reason of either moving into the state or moving from the state shall be allowed the same personal and additional exemptions as authorized for resident individuals in subsection (a) of this section; the part-year resident shall prorate his exemption on the same basis as nonresidents having net income from within and without the state.

(k) **Estates.** In the case of an estate, a specific exemption of Six Hundred Dollars ($600.00).

(l) **Trusts.** In the case of a trust which, under its governing instrument, is required to distribute all of its income currently, a specific exemption of Three Hundred Dollars ($300.00). In the case of all other trusts, a specific exemption of One Hundred Dollars ($100.00).

(m) **Corporations, foundations, joint ventures, associations.** In the case of a corporation, foundation, joint venture or association taxable herein, there shall be allowed no specific exemption, except as provided under the Growth and Prosperity Act.

(n) **Status.** The status on the last day of the taxable year, except in the case of the head of family as provided in subsection (d) of this section, shall determine the right to the exemptions provided in this section; provided, that a taxpayer shall be entitled to such exemptions, otherwise allowable, if the husband or wife or dependent has died during the taxable year.

(o) **Fiscal-year taxpayers.** Individual taxpayers reporting on a fiscal year basis shall prorate their exemptions in a manner established by regulations promulgated by the commissioner.
SECTION 8. Section 27-7-22.3, Mississippi Code of 1972, is amended as follows:

[Through December 31, 2003, this section shall read as follows:]

[In cases involving an economic development project for which the Mississippi Business Finance Corporation has issued bonds for the purpose of funding the approved costs of such project prior to July 1, 1994, this section shall read as follows:]

27-7-22.3. (1) For taxpayers who are required to pay a job assessment fee as provided in Section 57-10-413, there shall be allowed as a credit against the taxes imposed by this chapter, an amount equal to fifty percent (50%) of the amount of the job assessment fee imposed upon such taxpayer pursuant to Section 57-10-413. If the amount allowable as a credit exceeds the tax imposed by this article and Section 27-7-22.3, the amount of such excess shall not be refundable or carried forward to any other taxable year.

(2) For any approved company as defined in Section 57-10-401, there shall be allowed against the taxes imposed by this chapter on the income of the approved company generated by or arising out of the economic development project (as defined in Section 57-10-401), a credit in an amount not to exceed fifty percent (50%) of the total debt service paid under a financing agreement entered into under Section 57-10-409. The tax credit allowed in this subsection shall not exceed the amount of taxes due the State of Mississippi.

[In cases involving an economic development project for which the Mississippi Business Finance Corporation has not issued bonds for the purpose of financing the approved costs of such project prior to July 1, 1994, but has issued bonds for such project prior to July 1, 1997, or in cases involving an economic development project which has been induced by a resolution of the Board of Directors of the Mississippi Business Finance Corporation that has...]

S. B. No. 3110
02/SS01/R1144
PAGE 77
been filed with the State Tax Commission prior to July 1, 1997,
this section shall read as follows:]

27-7-22.3. (1) (a) For taxpayers who are required to pay a
job assessment fee as provided in Section 57-10-413, there shall
be allowed as a credit against the taxes imposed by this chapter,
an amount equal to the following:

   (i) Through taxable year 2001, the amount of the
job assessment fee imposed upon such taxpayer pursuant to Section
57-10-413.

   (ii) For taxable years 2002 and 2003, fifty
percent (50%) of the amount of the job assessment fee imposed upon
such taxpayer pursuant to Section 57-10-413.

   (iii) For taxable year 2004 and thereafter, the
amount of the job assessment fee imposed upon such taxpayer
pursuant to Section 57-10-413.

(b) If the amount allowable as a credit exceeds the tax
imposed by this article and Section 27-7-22.3, the amount of such
excess shall not be refundable or carried forward to any other
taxable year.

(2) (a) For any approved company as defined in Section
57-10-401, there shall be allowed against the taxes imposed by
this chapter on the income of the approved company generated by or
arising out of the economic development project (as defined in
Section 57-10-401), a credit in an amount not to exceed the
following:

   (i) Through taxable year 2001, the total debt
service paid under a financing agreement entered into under
Section 57-10-409.

   (ii) For taxable years 2002 and 2003, fifty
percent (50%) of the total debt service paid under a financing
agreement entered into under Section 57-10-409.
(iii) For taxable years 2002 and 2003, the total debt service paid under a financing agreement entered into under Section 57-10-409.

(b) The tax credit allowed in this subsection shall not exceed the amount of taxes due the State of Mississippi. The amount of income of the approved company generated by or arising out of the economic development project shall be determined by a formula adopted by the Mississippi Business Finance Corporation.

[In cases involving an economic development project for which the Mississippi Business Finance Corporation has not issued bonds for the purpose of financing the approved costs of such project prior to July 1, 1997, or in cases involving an economic development project which has not been induced by a resolution of the Board of Directors of the Mississippi Business Finance Corporation that has been filed with the State Tax Commission prior to July 1, 1997, this section shall read as follows:]

27-7-22.3. (1) Except as otherwise provided in subsection (2) of this section, for any approved company as defined in Section 57-10-401, there shall be allowed against the taxes imposed by this chapter on the income of the approved company generated by or arising out of the economic development project (as defined in Section 57-10-401), a credit in an amount not to exceed the following:

(i) Through taxable year 2001, the total debt service paid under a financing agreement entered into under Section 57-10-409.

(ii) For taxable years 2002 and 2003, fifty percent (50%) of the total debt service paid under a financing agreement entered into under Section 57-10-409.

(iii) For taxable year 2004 and thereafter, the total debt service paid under a financing agreement entered into under Section 57-10-409.
(2) *** The tax credit allowed in this subsection shall not exceed eighty percent (80%) of the amount of taxes due the State of Mississippi prior to the application of the credit. To the extent that financing agreement annual payments exceed the amount of the credit authorized pursuant to this section in any taxable year, such excess payment may be recouped from excess credits in succeeding years not to exceed three (3) years following the date upon which the credit was earned. The amount of income of the approved company generated by or arising out of the economic development project shall be determined by a formula adopted by the Mississippi Business Finance Corporation.

SECTION 9. Section 27-7-22.5, Mississippi Code of 1972, is amended as follows:

27-7-22.5. (1) For any manufacturer, distributor, wholesale or retail merchant who pays to a county, municipality, school district, levee district or any other taxing authority of the state or a political subdivision thereof, ad valorem taxes imposed on commodities, products, goods, wares and merchandise held for resale, a credit against the income taxes imposed under this chapter shall be allowed for the portion of the ad valorem taxes so paid in the amounts prescribed in subsection (2).

(2) The tax credit allowed by this section shall not exceed the amounts set forth in paragraphs (a) through (d) of this subsection; may be claimed only in the year in which the ad valorem taxes are paid; and may be claimed for each location where such commodities, products, goods, wares and merchandise are found and upon which the ad valorem taxes have been paid.

(a) For the 1994 taxable year, the tax credit for each location of the taxpayer shall not exceed the lesser of Two Thousand Dollars ($2,000.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.

(b) For the 1995 taxable year, the tax credit for each location of the taxpayer shall not exceed the lesser of Three Thousand Dollars ($3,000.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.
Thousand Dollars ($3,000.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.

(c) For the 1996 taxable year, the tax credit for each location of the taxpayer shall not exceed the lesser of Four Thousand Dollars ($4,000.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.

(d) For the 1997 taxable year and through the 2001 taxable year**, the tax credit for each location of the taxpayer shall not exceed the lesser of Five Thousand Dollars ($5,000.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.

(e) For the 2002 and 2003 taxable years, the tax credit for each location of the taxpayer shall not exceed the lesser of Two Thousand Five Hundred Dollars ($2,500.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.

(f) For the 2004 taxable year and each taxable year thereafter, the tax credit for each location of the taxpayer shall not exceed the lesser of Five Thousand Dollars ($5,000.00) or the amount of income taxes due the State of Mississippi that are attributable to such location.

(3) Any amount of ad valorem taxes paid by a taxpayer that is applied toward the tax credit allowed in this section may not be used as a deduction by the taxpayer for state income tax purposes. In the case of a taxpayer that is a partnership or S corporation, the credit may be applied only to the tax attributable to partnership or S corporation income derived from the taxpayer.

SECTION 10. Section 27-7-22.7, Mississippi Code of 1972, is amended as follows:

27-7-22.7. (1) As used in this section, the term "port" means a state, county or municipal port or harbor established pursuant to Sections 59-5-1 through 59-5-69, Sections 59-7-1
(2) For any income taxpayer utilizing the port facilities at any port for the export of cargo that is loaded on a carrier calling at any such port, a credit against the taxes imposed pursuant to this chapter shall be allowed in the amounts provided in this section.

(3) Except as otherwise provided by subsection (6) of this section, the amount of the credit allowed pursuant to this section shall be the total of the following charges on export cargo paid by the corporation:

(a) Receiving into the port;
(b) Handling to a vessel; and
(c) Wharfage.

(4) (a) Through taxable year 2001, the credit provided for in this section shall not exceed fifty percent (50%) of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits allowable to such taxpayer under this chapter, except credit for tax payments made by or on behalf of the taxpayer.

(b) For taxable years 2002 and 2003, the credit provided for in this section shall not exceed twenty-five percent (25%) of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits allowable to such taxpayer under this chapter, except credit for tax payments made by or on behalf of the taxpayer.

(c) For taxable year 2004 and taxable years thereafter, the credit provided for in this section shall not exceed fifty percent (50%) of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits allowable to such taxpayer under this chapter, except credit for tax payments made by or on behalf of the taxpayer.
(5) Any unused portion of the credit may be carried forward for the succeeding five (5) years. The maximum cumulative credit that may be claimed by a taxpayer pursuant to this chapter and for the period of time beginning on January 1, 1994, and ending on December 31, 2002, is limited to One Million Two Hundred Thousand Dollars ($1,200,000.00).

(6) To obtain the credit provided for in this section, a taxpayer must provide to the State Tax Commission a statement from the governing authority of the port certifying the amount of charges paid by the taxpayer for which a credit is claimed and any other information required by the State Tax Commission.

SECTION 11. Section 27-7-22.15, Mississippi Code of 1972, is amended as follows:

27-7-22.15. (1) As used in this section, the following words and phrases shall have the meanings ascribed to herein unless the context clearly indicates otherwise:

(a) "Approved reforestation practices" means the following practices for establishing a crop of trees suitable for manufacturing into forest products:

(i) "Pine and hardwood tree planting practices" including the cost of seedlings, planting by hand or machine, and site preparation.

(ii) "Mixed-stand regeneration practices" to establish a mixed-crop of pine and hardwood trees by planting or direct seeding, or both, including the cost of seedlings, seed/acorns, planting, seeding and site preparation.

(iii) "Direct seeding practices" to establish a crop of pine or oak trees by directly applying seed/acorns to the site including the cost of seed/acorns, seeding and site preparation.

(iv) "Post-planting site preparation practices" to reduce or control undesirable competition within the first growing season of an established crop of trees.
Approved reforestation practices shall not include the establishment of orchards, Christmas trees or ornamental trees.

(b) "Eligible tree species" means pine and hardwood commercial tree species suitable for manufacturing into forest products.

(c) "Cost-share assistance" means partial financial payment for approved reforestation practices from the state government as authorized under Sections 49-19-201 through 49-19-227, or the federal government.

(d) "Eligible owner" means a private individual, group or association, but the term shall not mean private corporations which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

(e) "Eligible lands" means nonindustrial private lands owned by a private individual, group or association, but shall not mean lands owned by private corporations which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

(f) "Reforestation prescription or plan" means a written description of the approved reforestation practices that the eligible owner plans to use and includes a legal description and map of the area to be reforested, a list of the tree seedling or seed species to be used in the reforestation and the site preparation practices that will be utilized.

(2) Subject to the limitations provided in subsection (3) of this section, upon submission to the State Tax Commission of the written verification provided for in subsection (5) of this section and such other documentation as the State Tax Commission may require, any eligible owner who incurs costs for approved reforestation practices for eligible tree species on eligible lands shall be allowed a credit as follows:

(a) Through taxable year 2001, in an amount equal to the lesser of fifty percent (50%) of the actual costs of the...
approved reforestation practices or fifty percent (50%) of the
average cost of approved practices as established by the
Mississippi Forestry Commission under Section 49-19-219, against
the taxes imposed pursuant to this chapter for the tax year in
which the costs are incurred.

(b) For taxable years 2002 and 2003, in an amount equal
to the lesser of twenty-five percent (25%) of the actual costs of
the approved reforestation practices or twenty-five percent (25%)
of the average cost of approved practices as established by the
Mississippi Forestry Commission under Section 49-19-219, against
the taxes imposed pursuant to this chapter for the tax year in
which the costs are incurred.

(c) For taxable year 2004 and thereafter, in an amount
equal to the lesser of fifty percent (50%) of the actual costs of
the approved reforestation practices or fifty percent (50%) of the
average cost of approved practices as established by the
Mississippi Forestry Commission under Section 49-19-219, against
the taxes imposed pursuant to this chapter for the tax year in
which the costs are incurred.

(3) The credit provided for in this section shall not exceed
the lesser of Ten Thousand Dollars ($10,000.00) or the amount of
income tax imposed upon the eligible owner for the taxable year
reduced by the sum of all other credits allowable to the eligible
owner under this chapter, except credit for tax payments made by
or on behalf of the eligible owner. Any unused portion of the
credit may be carried forward for succeeding tax years. The
maximum dollar amount of the credit provided for in this section
that an eligible owner may utilize during his lifetime shall be
Ten Thousand Dollars ($10,000.00) in the aggregate.

(4) If an eligible owner receives any state or federal cost
share assistance funds to defray the cost of an approved
reforestation practice, the cost of that practice on the same acre
or acres within the same tax year is not eligible for the credit
provided in this section unless the eligible owner's adjusted
gross income is less than the federal earned income credit level.

(5) To be eligible for the tax credit, an eligible owner
must have a reforestation prescription or plan prepared for the
eligible lands by a graduate forester of a college, school or
university accredited by the Society of American Foresters or by a
registered forester under the Foresters Registration Law of 1977.
The forester must verify in writing that the reforestation
practices were completed and that the reforestation prescription
or plan was followed.

SECTION 12. Section 27-7-22.17, Mississippi Code of 1972, is
amended as follows:

27-7-22.17. (1) Permanent business enterprises engaged in
operating a project and companies that are members of an
affiliated group that includes such permanent business enterprises
are allowed a job tax credit for taxes imposed by Section 27-7-5
equal to Five Thousand Dollars ($5,000.00) annually through
taxable year 2001, equal to Two Thousand Five Hundred Dollars
($2,500.00) annually for taxable years 2002 and 2003, and equal to
Five Thousand Dollars ($5,000.00) annually for taxable year 2004
and thereafter, for each net new full-time employee job for a
period of twenty (20) years from the date the credit commences.
The credit shall commence on the date selected by the permanent
business enterprise; provided, however, that the commencement date
shall not be more than five (5) years from the date the business
enterprise commences commercial production. For the year in which
the commencement date occurs, the number of new full-time jobs
shall be determined by using the monthly average number of
full-time employees subject to the Mississippi income tax
withholding. Thereafter, the number of new full-time jobs shall
be determined by comparing the monthly average number of full-time
employees subject to the Mississippi income tax withholding for
the taxable year with the corresponding period of the prior
taxable year. Once a permanent business enterprise creates or
increases employment three thousand (3,000) or more, such
enterprise and the members of the affiliated group that include
such enterprise, shall be eligible for the credit. The credit is
not allowed for any year of the twenty-year period in which the
overall monthly average number of full-time employees subject to
the Mississippi income tax withholding falls below three thousand
(3,000). The State Tax Commission shall adjust the credit allowed
each year for the net new employment fluctuations above three
thousand (3,000).

(2) Any tax credit claimed under this section but not used
in any taxable year may be carried forward for five (5)
consecutive years from the close of the tax year in which the
credits were earned. The credit that may be utilized each year
shall be limited to an amount not greater than the total state
income tax liability of the permanent business enterprise and the
state income tax liability of any member of the affiliated group
that includes such enterprise that is generated by, or arises out
of, the project.

(3) The tax credits provided for in this section shall be in
lieu of the tax credits provided for in Section 57-73-21 and any
permanent business enterprise or any member of the affiliated
group that includes such enterprise utilizing the tax credit
authorized in this section shall not utilize the tax credit
authorized in Section 57-73-21.

(4) As used in this section:
   (a) "Project" means a project as defined in Section
   57-75-5(f)(iv).
   (b) "Affiliated group" means one or more corporations
connected through stock ownership with a common parent corporation
where at least eighty percent (80%) of the voting power of all
classes of stock and at least eighty percent (80%) of each class
of the nonvoting stock of each of the member corporations, except
the common parent corporation, is directly owned by one or more of the other member corporations; and the common parent corporation directly owns stock possessing at least eighty percent (80%) of the voting power of all classes of stock and at least eighty percent (80%) of each class of the nonvoting stock of at least one (1) of the other member corporations. As used in this subsection, the term "stock" does not include nonvoting stock that is limited and preferred as to dividends.

SECTION 13. Section 27-7-22.19, Mississippi Code of 1972, is amended as follows:

27-7-22.19. (1) Integrated suppliers are allowed a job tax credit for taxes imposed by Section 27-7-5 equal to One Thousand Dollars ($1,000.00) annually through taxable year 2001, equal to Five Hundred Dollars ($500.00) annually for calendar years 2002 and 2003, and equal to One Thousand Dollars ($1,000.00) annually for calendar year 2004 and thereafter, for each net new full-time employee for five (5) years from the date the credit commences. The credit shall commence on the date selected by the integrated supplier; provided, however, that the commencement date shall not be more than five (5) years from the date the integrated supplier commences commercial production. For the year in which the commencement date occurs, the number of new full-time jobs shall be determined by using the monthly average number of full-time employees subject to Mississippi income tax withholding. Thereafter, the number of new full-time jobs shall be determined by comparing the monthly average number of full-time employees subject to Mississippi income tax withholding for the taxable year with the corresponding period of the prior taxable year. Only those integrated suppliers that increase employment by twenty (20) or more are eligible for the credit. The credit is not allowed during any of the five (5) years if the net employment increase falls below twenty (20). The State Tax Commission shall adjust
the credit allowed each year for the net new employment fluctuations above the minimum level of twenty (20).

(2) Any tax credit claimed under this section but not used in any taxable year may be carried forward for five (5) consecutive years from the close of the tax year in which the credits were earned. The credit that may be utilized each year shall be limited to an amount not greater than the taxpayer's state income tax liability which is attributable to income derived from operation in the state for that year.

(3) The tax credits provided for in this section shall be in lieu of the tax credits provided for in Section 57-73-21, and any integrated supplier utilizing the tax credit authorized in this section shall not utilize the tax credit authorized in Section 57-73-21.

(4) As used in this section the term "integrated supplier" means a supplier located on the project site which provides goods or services on the project site solely for a project as defined in Section 57-75-5(f)(iv).1.

SECTION 14. Section 27-21-9, Mississippi Code of 1972, is amended as follows:

[Through December 31, 2003, this section shall read as follows:]

27-21-9. The tax hereby levied is in lieu of all other privilege taxes upon such business, and shall be paid to the commissioner, as provided by law, previous to enjoyment of the privilege for the period covered by the payment; and fifty percent (50%) of the amounts paid by the taxpayer in any given calendar year shall be credited upon such income tax as may be due by the taxpayer for such calendar year, or for the next fiscal year ending after the close of such calendar year on the income derived exclusively from the business which measures the annual statewide privilege tax levied by Section 27-21-3, Mississippi Code of 1972. The credit so allowed shall, in no event, be in a greater amount
than the total amount of income tax due by the taxpayer for such
calendar or fiscal year; it being the purpose and effect of this
section that whichever of the above taxes is greater in amount
shall be paid by the taxpayer.

[From and after January 1, 2004, this section shall read as
follows:]

27-21-9. The tax hereby levied is in lieu of all other
privilege taxes upon such business, and shall be paid to the
commissioner, as provided by law, previous to enjoyment of the
privilege for the period covered by the payment; and the amounts
paid by the taxpayer in any given calendar year shall be credited
upon such income tax as may be due by the taxpayer for such
calendar year, or for the next fiscal year ending after the close
of such calendar year on the income derived exclusively from the
business which measures the annual statewide privilege tax levied
by Section 27-21-3, Mississippi Code of 1972. The credit so
allowed shall, in no event, be in a greater amount than the total
amount of income tax due by the taxpayer for such calendar or
fiscal year; it being the purpose and effect of this section that
whichever of the above taxes is greater in amount shall be paid by
the taxpayer.

SECTION 15. Section 27-25-503, Mississippi Code of 1972, is
amended as follows:

27-25-503. (1) Except as otherwise provided herein, there
is hereby levied, to be collected hereafter, as provided herein,
annual privilege taxes upon every person engaging or continuing
within this state in the business of producing, or severing oil,
as defined herein, from the soil or water for sale, transport,
storage, profit or for commercial use. The amount of such tax
shall be measured by the value of the oil produced, and shall be
levied and assessed at the rate of six percent (6%) of the value
thereof at the point of production. However, such tax shall be
levied and assessed at the rate of three percent (3%) of the value
of the oil at the point of production on oil produced by an enhanced oil recovery method in which carbon dioxide is used; provided, that such carbon dioxide is transported by pipeline to the oil well site and on oil produced by any other enhanced oil recovery method approved and permitted by the State Oil and Gas Board on or after April 1, 1994, pursuant to Section 53-3-101 et seq.

(2) The tax is hereby levied upon the entire production in this state regardless of the place of sale or to whom sold, or by whom used, or the fact that the delivery may be made to points outside the state, and the tax shall accrue at the time such oil is severed from the soil, or water, and in its natural, unrefined or unmanufactured state.

(3) (a) Through December 31, 2001, oil produced from a discovery well for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the taxes levied under this section until the effective date of this act and taxed at the rate of three percent (3%) of the value of the oil at the point of production thereafter, for a period of five (5) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty-five Dollars ($25.00) per barrel. The exemption or reduced rate for oil produced from a discovery well as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Oil produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, but before July 1, 1999, shall be assessed at the rate of three percent (3%) until the effective date of this act and four and one-half percent...
of the value of the oil at the point of production for a period of three (3) years. The reduced rate of assessment of oil produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced from a discovery well for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at the rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter of the value of the oil at the point of production for a period of five (5) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty Dollars ($20.00) per barrel. The reduced rate of assessment of oil produced from a discovery well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Oil produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of three (3) years. The reduced rate of assessment of oil produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before July 1, 2003, shall be assessed at the reduced rate for an entire period of three (3)
years, notwithstanding that the repeal of this provision has become effective.

(4) (a) Oil produced from a development well for which drilling commenced on or after April 1, 1994, but before July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well shall be assessed at the rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value of the oil at the point of production for a period of five (5) years, provided that the average monthly sales price of such oil does not exceed Twenty-five Dollars ($25.00) per barrel. The reduced rate of assessment of oil produced from a development well as described in this paragraph (a) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well shall be assessed at the rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value of the oil at the point of production for a period of five (5) years, provided that the average monthly sales price of such oil does not exceed Twenty Dollars ($20.00) per barrel. The reduced rate of assessment of oil produced from a development well as described in this paragraph (b) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire
period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(5) (a) Oil produced before July 1, 1999, from a two-year inactive well as defined in Section 27-25-501 shall be exempt from the taxes levied under this section until the effective date of this act and taxed at the rate of three percent (3%) of the value of the oil at the point of production thereafter, for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty-five Dollars ($25.00) per barrel. The exemption and reduced rate for oil produced from an inactive well shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced on or after July 1, 1999, from a two-year inactive well as defined in Section 27-25-501 shall be exempt from the taxes levied under this section until the effective date of this act and taxed at the rate of three percent (3%) of the value of the oil at the point of production thereafter, for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty Dollars ($20.00) per barrel. The exemption or reduced rate for oil produced from an inactive well shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(6) (a) As used in this subsection the term "marginal well" means:
(i) A well producing a monthly average of twenty
(20) barrels of oil a day or less from a depth of seven thousand
five hundred (7,500) feet or less; or

(ii) A well producing a monthly average of forty
(40) barrels of oil a day or less from a depth that is more than
seven thousand five hundred (7,500) feet.

(b) The owner of a marginal well shall be entitled to a
refund of two-thirds (2/3) of the taxes he pays monthly pursuant
to this section on oil produced from such well if the average
monthly sales price of oil he produces from such well does not
exceed Twelve Dollars ($12.00) per barrel. In order to receive
the refund provided for in this subsection the owner shall present
the State Tax Commission with a statement from the State Oil and
Gas Board certifying that the well is a marginal well within the
meaning of this subsection. The State Tax Commission shall then
determine the average monthly sales price of the oil sold from
such well and pay the refund to the owner if it determines that
the owner is eligible for such refund. Funds for such refund
shall come from the General Fund.

(c) This subsection (6) shall stand repealed from and
after July 1, 2003.

(7) The State Oil and Gas Board shall have the exclusive
authority to determine the qualification of wells defined in
paragraphs (n) through (r) of Section 27-25-501.

SECTION 16. Section 27-25-703, Mississippi Code of 1972, is
amended as follows:

[Until July 1, 2004, this section shall read as follows:]

27-25-703. (1) Except as otherwise provided herein, there
is hereby levied, to be collected hereafter, as provided herein,
annual privilege taxes upon every person engaging or continuing
within this state in the business of producing, or severing gas,
as defined herein, from below the soil or water for sale,
transport, storage, profit or for commercial use. The amount of
such tax shall be measured by the value of the gas produced and shall be levied and assessed at a rate of six percent (6%) of the value thereof at the point of production, except as otherwise provided in subsection (4) of this section.

(2) The tax is hereby levied upon the entire production in this state, regardless of the place of sale or to whom sold or by whom used, or the fact that the delivery may be made to points outside the state, but not levied upon that gas, lawfully injected into the earth for cycling, repressuring, lifting or enhancing the recovery of oil, nor upon gas lawfully vented or flared in connection with the production of oil, nor upon gas condensed into liquids on which the oil severance tax of six percent (6%) is paid; save and except, however, if any gas so injected into the earth is sold for such purposes, then the gas so sold shall not be excluded in computing the tax. The tax shall accrue at the time the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.

(3) Natural gas and condensate produced from any wells for which drilling is commenced after March 15, 1987, and before July 1, 1990, shall be exempt from the tax levied under this section for a period of two (2) years beginning on the date of first sale of production from such wells.

(4) Any well which begins commercial production of occluded natural gas from coal seams on or after March 20, 1990, and before July 1, 1993, shall be taxed at the rate of three and one-half percent (3-1/2%) of the gross value of the occluded natural gas from coal seams at the point of production for a period of five (5) years after such well begins production.

(5) (a) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the tax levied under this section until the effective date of this act and taxed at the rate of three percent (3%) of the value thereof at the point of

S. B. No. 3110 02/SS01/R1144 PAGE 96
production thereafter, for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The exemption or reduced rate for natural gas produced from discovery wells as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, shall be assessed at a rate of three percent (3%) until the effective date of this act and taxed at the rate of four and one-half percent (4.5%) thereafter, of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) until the effective date of this act and taxed at the rate of four and one-half percent (4.5%) thereafter, of the value thereof at the point of production for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such
gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of natural gas produced from discovery wells as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) until the effective date of this act and taxed at the rate of four and one-half percent (4.5%) thereafter, of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(6) (a) Gas produced from a development well for which drilling commenced on or after April 1, 1994, but before July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) until the effective date of this act and taxed at the rate of four and one-half percent (4.5%) thereafter, of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this subsection and for which three-dimensional
seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(b) Gas produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) until the effective date of this act and taxed at the rate of four and one-half percent (4.5%) thereafter, of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this paragraph (b) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(7) (a) Natural gas produced before July 1, 1999, from a two-year inactive well as defined in Section 27-25-701 shall be exempt from the taxes levied under this section until the effective date of this act and taxed at the rate of three percent (3%) thereafter, for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The exemption or reduced rate for natural gas produced from an inactive well as described in this subsection shall be repealed
from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced on or after July 1, 1999, from a two-year inactive well as defined in Section 27-25-701 shall be exempt from the taxes levied under this section until the effective date of this act and taxed at the rate of three percent (3%) thereafter, for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The exemption or reduced rate for natural gas produced from an inactive well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(8) The State Oil and Gas Board shall have the exclusive authority to determine the qualification of wells defined in paragraphs (n) through (r) of Section 27-15-701.

[From and after July 1, 2004, this section shall read as follows:]

27-25-703. (1) Except as otherwise provided herein, there is hereby levied, to be collected hereafter, as provided herein, annual privilege taxes upon every person engaging or continuing within this state in the business of producing, or severing gas, as defined herein, from below the soil or water for sale, transport, storage, profit or for commercial use. The amount of such tax shall be measured by the value of the gas produced and shall be levied and assessed at a rate of six percent (6%) of the
value thereof at the point of production, except as otherwise
provided in subsection (4) of this section.

(2) The tax is hereby levied upon the entire production in
this state, regardless of the place of sale or to whom sold or by
whom used, or the fact that the delivery may be made to points
outside the state, but not levied upon that gas, including carbon
dioxide, lawfully injected into the earth for cycling,
repressuring, lifting or enhancing the recovery of oil, nor upon
gas lawfully vented or flared in connection with the production of
oil, nor upon gas condensed into liquids on which the oil
severance tax of six percent (6%) is paid; save and except,
however, if any gas so injected into the earth is sold for such
purposes, then the gas so sold shall not be excluded in computing
the tax, unless such gas is carbon dioxide which is sold to be
used and is used in Mississippi in an enhanced oil recovery
method, in which event there shall be no severance tax levied on
carbon dioxide so sold and used. The tax shall accrue at the time
the gas is produced or severed from the soil or water, and in its
natural, unrefined or unmanufactured state.

(3) Natural gas and condensate produced from any wells for
which drilling is commenced after March 15, 1987, and before July
1, 1990, shall be exempt from the tax levied under this section
for a period of two (2) years beginning on the date of first sale
of production from such wells.

(4) Any well which begins commercial production of occluded
natural gas from coal seams on or after March 20, 1990, and before
July 1, 1993, shall be taxed at the rate of three and one-half
percent (3-1/2%) of the gross value of the occluded natural gas
from coal seams at the point of production for a period of five
(5) years after such well begins production.

(5) (a) Natural gas produced from discovery wells for which
drilling or re-entry commenced on or after April 1, 1994, but
before July 1, 1999, shall be exempt from the tax levied under
this section until the effective date of this act and taxed at the rate of three percent (3%) of the value of the oil at the point of production, for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The exemption or reduced rate for natural gas produced from discovery wells as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, shall be assessed at a rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value thereof at the point of production for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided
that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of natural gas produced from discovery wells as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from discovery wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(6) (a) Gas produced from a development well for which drilling commenced on or after April 1, 1994, but before July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this subsection...
and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(b) Gas produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) until the effective date of this act and four and one-half percent (4.5%) thereafter, of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this paragraph (b) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(7) (a) Natural gas produced before July 1, 1999, from a two-year inactive well as defined in Section 27-25-701 shall be exempt until the effective date of this act and taxed at the rate of three percent (3%) of the value of the oil at the point of production, from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The exemption on reduced rate for natural gas produced from an inactive well as
described in this subsection shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced on or after July 1, 1999, from a two-year inactive well as defined in Section 27-25-701 shall be exempt from the taxes levied under this section until the effective date of this act and taxed at the rate of three percent (3%) of the value of the oil at the point of production, for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The exemption or reduced rate for natural gas produced from an inactive well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt or taxed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(8) The State Oil and Gas Board shall have the exclusive authority to determine the qualification of wells defined in paragraphs (n) through (r) of Section 27-15-701.

SECTION 17. Section 27-65-103, Mississippi Code of 1972, is amended as follows:

[Through December 31, 2003, this section shall read as follows:]

27-65-103. The exemptions from the provisions of this chapter which are of an agricultural nature or which are more properly classified as agricultural exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitution of the United States or the State
of Mississippi. No agricultural exemption as now provided by any
other section shall be valid as against the tax herein levied.
Any subsequent agricultural exemption from the tax levied
hereunder shall be provided by amendment to this section.

No exemption provided in this section shall apply to taxes
The tax levied by this chapter shall not apply to the
following:

(a) The gross proceeds of sales of lint cotton, seed
cotton, baled cotton, whether compressed or not, and cottonseed
and soybeans in their original condition. Retail sales of seeds,
livestock feed, poultry feed, fish feed and fertilizers. Sales of
defoliants, insecticides, fungicides, herbicides and baby chicks
used in growing agricultural products for market. Bagging and
ties for baling cotton, hay baling wire and twine, boxes, bags and
cans used in growing or preparing agricultural products for market
when possession thereof will pass to the customer at the time of
sale of the product contained therein. Sales of ice to commercial
fishermen purchased for use in the preservation of seafood or to
producers for use in the refrigeration of vegetables for market.

(b) The sales by producers of livestock, poultry, fish
or other products of farm, grove or garden when such products are
sold in the original state or condition of preparation for sale
before such products are subjected to any other process within a
class of business or sold by a producer through an established
store, as defined in the Privilege Tax Law. Provided, however,
that this exemption shall not apply to ornamental plants which
bear no fruit of commercial value. All sales by agricultural
cooperative associations organized under Article 9 of Chapter 7 of
Title 69, or under Chapters 17 or 19 of Title 79, Mississippi Code
of 1972, of agricultural products produced by members for market
before such products are subjected to any manufacturing process.
(c) The gross proceeds of retail sales of mules, horses and other livestock.

(d) Income from grading, excavating, ditching, dredging or landscaping activities performed for a farmer on a farm for agricultural or soil erosion purposes.

(e) Fifty percent (50%) of the gross proceeds of sales of all antibiotics, hormones and hormone preparations, drugs, medicines and other medications including serums and vaccines, vitamins, minerals or other nutrients for use in the production and growing of fish, livestock and poultry by whomever sold. Such exemption shall be in addition to the exemption provided in this section for feed for fish, livestock and poultry.

[From and after January 1, 2004, this section shall read as follows:]

27-65-103. The exemptions from the provisions of this chapter which are of an agricultural nature or which are more properly classified as agricultural exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitution of the United States or the State of Mississippi. No agricultural exemption as now provided by any other section shall be valid as against the tax herein levied. Any subsequent agricultural exemption from the tax levied hereunder shall be provided by amendment to this section.

No exemption provided in this section shall apply to taxes levied by Section 27-65-15 or 27-65-21, Mississippi Code of 1972.

The tax levied by this chapter shall not apply to the following:

(a) The gross proceeds of sales of lint cotton, seed cotton, baled cotton, whether compressed or not, and cottonseed and soybeans in their original condition. Retail sales of seeds, livestock feed, poultry feed, fish feed and fertilizers. Sales of defoliants, insecticides, fungicides, herbicides and baby chicks...
used in growing agricultural products for market. Bagging and
ties for baling cotton, hay baling wire and twine, boxes, bags and
cans used in growing or preparing agricultural products for market
when possession thereof will pass to the customer at the time of
sale of the product contained therein. Sales of ice to commercial
fishermen purchased for use in the preservation of seafood or to
producers for use in the refrigeration of vegetables for market.

(b) The sales by producers of livestock, poultry, fish
or other products of farm, grove or garden when such products are
sold in the original state or condition of preparation for sale
before such products are subjected to any other process within a
class of business or sold by a producer through an established
store, as defined in the Privilege Tax Law. Provided, however,
that this exemption shall not apply to ornamental plants which
bear no fruit of commercial value. All sales by agricultural
cooperative associations organized under Article 9 of Chapter 7 of
Title 69, or under Chapters 17 or 19 of Title 79, Mississippi Code
of 1972, of agricultural products produced by members for market
before such products are subjected to any manufacturing process.

(c) The gross proceeds of retail sales of mules, horses
and other livestock.

(d) Income from grading, excavating, ditching, dredging
or landscaping activities performed for a farmer on a farm for
agricultural or soil erosion purposes.

(e) The gross proceeds of sales of all antibiotics,
hormones and hormone preparations, drugs, medicines and other
medications including serums and vaccines, vitamins, minerals or
other nutrients for use in the production and growing of fish,
livestock and poultry by whomever sold. Such exemption shall be
in addition to the exemption provided in this section for feed for
fish, livestock and poultry.

SECTION 18. Section 27-65-105, Mississippi Code of 1972, is
amended as follows:
[Through December 31, 2003, this section shall read as follows:]

27-65-105. The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi. No governmental exemption as now provided by any other section shall be valid as against the tax herein levied. Any subsequent governmental exemption from the tax levied hereunder shall be provided by amendment to this section.

No exemption provided in this section shall apply to taxes levied by Section 27-65-15 or 27-65-21, Mississippi Code of 1972, except as provided by subsection (f) of this section.

The tax levied by this chapter shall not apply to the following:

(a) Sales of property, labor or services taxable under Sections 27-65-17, 27-65-19 and 27-65-23, when sold to and billed directly to and payment therefor is made directly by the United States government, the State of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of said counties and municipalities.

The exemption from the tax imposed under this chapter shall not apply to sales of tangible personal property, labor or services to contractors purchasing in the performance of contracts with the United States, the State of Mississippi, counties and municipalities.

(b) Sales to schools, when such schools are supported wholly or in part by funds provided by the State of Mississippi, provided that this exemption does not apply to sales of property which is not to be used in the ordinary operation of the school, or which is to be resold to the students or the public.
(c) Amounts received from the sale of school textbooks to students.

(d) Sales to the Mississippi Band of Choctaw Indians, but not to Indians individually.

(e) Sales of fire fighting equipment to governmental fire departments or volunteer fire departments for their use.

(f) Sales of any gas from any project, as defined in the Municipal Gas Authority of Mississippi Law, to any municipality shall not be subject to sales, use or other tax.

(g) Sales of home medical equipment and home medical supplies listed as eligible for payment under Title XVIII of the Social Security Act or under the state plan for medical assistance under Title XIX of the Social Security Act, prosthetics, orthotics, hearing aids, hearing devices, prescription eyeglasses, oxygen and oxygen equipment, when ordered or prescribed by a licensed physician for medical purposes of a patient, and when payment for such equipment or supplies, or both, is made under the provisions of the Medicare or Medicaid program. This exemption shall only apply to fifty percent (50%) of the portion of the sales price of such equipment or supplies, or both, paid for under the provisions of the Medicare or Medicaid program.

[From and after January 1, 2004, this section shall read as follows:]

27-65-105. The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi. No governmental exemption as now provided by any other section shall be valid as against the tax herein levied. Any subsequent governmental exemption from the tax levied hereunder shall be provided by amendment to this section.
No exemption provided in this section shall apply to taxes levied by Section 27-65-15 or 27-65-21, Mississippi Code of 1972, except as provided by subsection (f) of this section.

The tax levied by this chapter shall not apply to the following:

(a) Sales of property, labor or services taxable under Sections 27-65-17, 27-65-19 and 27-65-23, when sold to and billed directly to and payment therefor is made directly by the United States government, the State of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of said counties and municipalities.

The exemption from the tax imposed under this chapter shall not apply to sales of tangible personal property, labor or services to contractors purchasing in the performance of contracts with the United States, the State of Mississippi, counties and municipalities.

(b) Sales to schools, when such schools are supported wholly or in part by funds provided by the State of Mississippi, provided that this exemption does not apply to sales of property which is not to be used in the ordinary operation of the school, or which is to be resold to the students or the public.

(c) Amounts received from the sale of school textbooks to students.

(d) Sales to the Mississippi Band of Choctaw Indians, but not to Indians individually.

(e) Sales of fire fighting equipment to governmental fire departments or volunteer fire departments for their use.

(f) Sales of any gas from any project, as defined in the Municipal Gas Authority of Mississippi Law, to any municipality shall not be subject to sales, use or other tax.

(g) Sales of home medical equipment and home medical supplies listed as eligible for payment under Title XVIII of the Social Security Act or under the state plan for medical assistance.
under Title XIX of the Social Security Act, prosthetics,
orthotics, hearing aids, hearing devices, prescription eyeglasses,
oxygen and oxygen equipment, when ordered or prescribed by a
licensed physician for medical purposes of a patient, and when
payment for such equipment or supplies, or both, is made under the
provisions of the Medicare or Medicaid program. This exemption
shall only apply to the portion of the sales price of such
equipment or supplies, or both, paid for under the provisions of
the Medicare or Medicaid program.

SECTION 19. Section 57-73-21, Mississippi Code of 1972, is
amended as follows:

57-73-21. (1) Annually by December 31, using the most
current data available from the University Research Center,
Mississippi State Employment Security Commission and the United
States Department of Commerce, the State Tax Commission shall rank
and designate the state's counties as provided in this section.
The twenty-eight (28) counties in this state having a combination
of the highest unemployment rate and lowest per capita income for
the most recent thirty-six-month period, with equal weight being
given to each category, are designated Tier Three areas. The
twenty-seven (27) counties in the state with a combination of the
next highest unemployment rate and next lowest per capita income
for the most recent thirty-six-month period, with equal weight
being given to each category, are designated Tier Two areas. The
twenty-seven (27) counties in the state with a combination of the
lowest unemployment rate and the highest per capita income for the
most recent thirty-six-month period, with equal weight being given
to each category, are designated Tier One areas. Counties
designated by the Tax Commission qualify for the appropriate tax
credit for jobs as provided in subsections (2), (3) and (4) of
this section. The designation by the Tax Commission is effective
for the tax years of permanent business enterprises which begin
after the date of designation. For companies which plan an
expansion in their labor forces, the Tax Commission shall prescribe certification procedures to ensure that the companies can claim credits in future years without regard to whether or not a particular county is removed from the list of Tier Three or Tier Two areas.

(2) Permanent business enterprises primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling and research and development, or permanent business enterprises designated by rule and regulation of the Mississippi Development Authority as air transportation and maintenance facilities, final destination or resort hotels having a minimum of one hundred fifty (150) guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology intensive facility or enterprise, in counties designated by the Tax Commission as Tier Three areas are allowed a job tax credit for taxes imposed by Section 27-7-5 equal to Two Thousand Dollars ($2,000.00) annually through taxable year 2001, One Thousand Dollars ($1,000.00) annually for taxable years 2002 and 2003, and Two Thousand Dollars ($2,000.00) for taxable years 2004 and thereafter, for each net new full-time employee job for five (5) years beginning with years two (2) through six (6) after the creation of the job. The number of new full-time jobs must be determined by comparing the monthly average number of full-time employees subject to the Mississippi income tax withholding for the taxable year with the corresponding period of the prior taxable year. Only those permanent businesses that increase employment by ten (10) or more in a Tier Three area are eligible for the credit. Credit is not allowed during any of the five (5) years if the net employment increase falls below ten (10). The Tax Commission shall adjust the credit allowed each year for the net new employment fluctuations above the minimum level of ten (10).
(3) Permanent business enterprises primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling and research and development, or permanent business enterprises designated by rule and regulation of the Mississippi Development Authority as air transportation and maintenance facilities, final destination or resort hotels having a minimum of one hundred fifty (150) guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology intensive facility or enterprise, in counties that have been designated by the Tax Commission as Tier Two areas are allowed a job tax credit for taxes imposed by Section 27-7-5 equal to One Thousand Dollars ($1,000.00) annually through taxable year 2001, Five Hundred Dollars ($500.00) annually for taxable years 2002 and 2003 and One Thousand Dollars ($1,000.00) annually for taxable years 2004 and thereafter, for each net new full-time employee job for five (5) years beginning with years two (2) through six (6) after the creation of the job. The number of new full-time jobs must be determined by comparing the monthly average number of full-time employees subject to Mississippi income tax withholding for the taxable year with the corresponding period of the prior taxable year. Only those permanent businesses that increase employment by fifteen (15) or more in Tier Two areas are eligible for the credit. The credit is not allowed during any of the five (5) years if the net employment increase falls below fifteen (15). The Tax Commission shall adjust the credit allowed each year for the net new employment fluctuations above the minimum level of fifteen (15).

(4) Permanent business enterprises primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling and research and development, or permanent business enterprises designated by rule and regulation of the Mississippi Development Authority as air transportation and maintenance facilities, final destination or resort hotels having a minimum of one hundred fifty (150) guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology intensive facility or enterprise, in counties that have been designated by the Tax Commission as Tier Two areas are allowed a job tax credit for taxes imposed by Section 27-7-5 equal to One Thousand Dollars ($1,000.00) annually through taxable year 2001, Five Hundred Dollars ($500.00) annually for taxable years 2002 and 2003 and One Thousand Dollars ($1,000.00) annually for taxable years 2004 and thereafter, for each net new full-time employee job for five (5) years beginning with years two (2) through six (6) after the creation of the job. The number of new full-time jobs must be determined by comparing the monthly average number of full-time employees subject to Mississippi income tax withholding for the taxable year with the corresponding period of the prior taxable year. Only those permanent businesses that increase employment by fifteen (15) or more in Tier Two areas are eligible for the credit. The credit is not allowed during any of the five (5) years if the net employment increase falls below fifteen (15). The Tax Commission shall adjust the credit allowed each year for the net new employment fluctuations above the minimum level of fifteen (15).
Authority as air transportation and maintenance facilities, final destination or resort hotels having a minimum of one hundred fifty (150) guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software enterprise, in counties designated by the Tax Commission as Tier One areas are allowed a job tax credit for taxes imposed by Section 27-7-5 equal to Five Hundred Dollars ($500.00) annually through taxable year 2001, Two Hundred Fifty Dollars ($250.00) annually for taxable years 2002 and 2003, and Five Hundred Dollars ($500.00) for taxable year 2004 and thereafter, for each net new full-time employee job for five (5) years beginning with years two (2) through six (6) after the creation of the job. The number of new full-time jobs must be determined by comparing the monthly average number of full-time employees subject to Mississippi income tax withholding for the taxable year with the corresponding period of the prior taxable year. Only those permanent businesses that increase employment by twenty (20) or more in Tier One areas are eligible for the credit. The credit is not allowed during any of the five (5) years if the net employment increase falls below twenty (20). The Tax Commission shall adjust the credit allowed each year for the net new employment fluctuations above the minimum level of twenty (20).

(5) In addition to the credits authorized in subsections (2), (3) and (4), an additional Five Hundred Dollars ($500.00) credit through taxable year 2001, Two Hundred Fifty Dollars ($250.00) credit for taxable years 2002 and 2003, and Five Hundred Dollars ($500.00) credit for taxable year 2004 and thereafter, for each net new full-time employee or an additional One Thousand Dollars ($1,000.00) credit through taxable year 2001, Two Hundred Fifty Dollars ($250.00) credit for taxable years 2002 and 2003, and Five Hundred Dollars ($500.00) credit for taxable year 2004 and thereafter, for each net new full-time employee or an additional One Thousand Dollars ($1,000.00) credit.
and thereafter, for each net new full-time employee who is paid a salary, excluding benefits which are not subject to Mississippi income taxation, of at least one hundred twenty-five percent (125%) of the average annual wage of the state or an additional Two Thousand Dollars ($2,000.00) credit through taxable year 2001, One Thousand Dollars ($1,000.00) credit for taxable years 2002 and 2003, and Two Thousand Dollars ($2,000.00) credit for taxable year 2004 and thereafter, for each net new full-time employee who is paid a salary, excluding benefits which are not subject to Mississippi income taxation, of at least two hundred percent (200%) of the average annual wage of the state, shall be allowed for any company establishing or transferring its national or regional headquarters from within or outside the State of Mississippi. A minimum of thirty-five (35) jobs must be created to qualify for the additional credit. The State Tax Commission shall establish criteria and prescribe procedures to determine if a company qualifies as a national or regional headquarters for purposes of receiving the credit awarded in this subsection. As used in this subsection, the average annual wage of the state is the most recently published average annual wage as determined by the Mississippi Employment Security Commission.

(6) In addition to the credits authorized in subsections (2), (3), (4) and (5), any job requiring research and development skills (chemist, engineer, etc.) shall qualify for an additional One Thousand Dollars ($1,000.00) credit through taxable year 2001, Two Hundred Fifty Dollars ($250.00) credit for taxable years 2002 and 2003, and Five Hundred Dollars ($500.00) credit for taxable year 2004 and thereafter, for each net new full-time employee.

(7) Tax credits for five (5) years for the taxes imposed by Section 27-7-5 shall be awarded for additional net new full-time jobs created by business enterprises qualified under subsections (2), (3), (4), (5) and (6) of this section. The Tax Commission
shall adjust the credit allowed in the event of employment fluctuations during the additional five (5) years of credit.

(8) The sale, merger, acquisition, reorganization, bankruptcy or relocation from one county to another county within the state of any business enterprise may not create new eligibility in any succeeding business entity, but any unused job tax credit may be transferred and continued by any transferee of the business enterprise. The Tax Commission shall determine whether or not qualifying net increases or decreases have occurred or proper transfers of credit have been made and may require reports, promulgate regulations, and hold hearings as needed for substantiation and qualification.

(9) Any tax credit claimed under this section but not used in any taxable year may be carried forward for five (5) years from the close of the tax year in which the qualified jobs were established but the credit established by this section taken in any one (1) tax year must be limited to an amount not greater than fifty percent (50%) of the taxpayer's state income tax liability which is attributable to income derived from operations in the state for that year.

(10) No business enterprise for the transportation, handling, storage, processing or disposal of hazardous waste is eligible to receive the tax credits provided in this section.

(11) The credits allowed under this section shall not be used by any business enterprise or corporation other than the business enterprise actually qualifying for the credits.

(12) The tax credits provided for in this section shall be in addition to any tax credits described in Sections 57-51-13(b), 57-53-1(1)(a) and 57-54-9(b) and granted pursuant to official action by the Department of Economic Development prior to July 1, 1989, to any business enterprise determined prior to July 1, 1989, by the Department of Economic Development to be a qualified business as defined in Section 57-51-5(f) or Section 57-54-5(d) or
a qualified company as described in Section 57-53-1, as the case
may be; however, from and after July 1, 1989, tax credits shall be
allowed only under either this section or Sections 57-51-13(b),
57-53-1(1)(a) and Section 57-54-9(b) for each net new full-time
employee.
(13) As used in this section, the term "telecommunications
enterprises" means entities engaged in the creation, display,
management, storage, processing, transmission or distribution for
compensation of images, text, voice, video or data by wire or by
wireless means, or entities engaged in the construction, design,
development, manufacture, maintenance or distribution for
compensation of devices, products, software or structures used in
the above activities. Companies organized to do business as
commercial broadcast radio stations, television stations or news
organizations primarily serving in-state markets shall not be
included within the definition of the term "telecommunications
enterprises."

SECTION 20. Section 57-73-25, Mississippi Code of 1972, is
amended as follows:

[Through December 31, 2003, this section shall read as
follows:]
57-73-25. (1) A twenty-five percent (25%) income tax credit
shall be granted to any employer (as defined in subsection (4) of
this section) sponsoring basic skills training. The twenty-five
percent (25%) credit shall be granted to employers that
participate in employer-sponsored retraining programs through any
community/junior college in the district within which the employer
is located or training approved by such community/junior college.
The retraining must be designed to increase opportunities for
employee advancement or retention with the employer. The credit
is applied to qualified training or retraining expenses, which are
expenses related to instructors, instructional materials and
equipment, and the construction and maintenance of facilities by
such employer designated for training purposes which is attributable to training or retraining provided through such community/junior college or training approved by such community/junior college. The credits allowed under this section shall only be used by the actual employer qualifying for the credits. The credit shall not exceed fifty percent (50%) of the income tax liability in a tax year and may be carried forward for the five (5) successive years if the amount allowable as credit exceeds the income tax liability in a tax year; however, thereafter, if the amount allowable as a credit exceeds the tax liability, the amount of excess shall not be refundable or carried forward to any other taxable year. The credit authorized under this section shall not exceed Two Thousand Five Hundred Dollars ($2,500.00), in the aggregate, per employee, over a three-year period. Nothing in this section shall be interpreted in any manner as to prevent the continuing operation of state-supported university programs.

(2) Employer-sponsored training shall include an evaluation by the local community or junior college that serves the employer to ensure that the training provided is job related and conforms to the definitions of "basic skills training" and "retraining programs" as hereinafter defined.

(3) Employers shall be certified as eligible for the tax credit by the local community or junior college that serves the employer and the State Tax Commission.

(4) For the purposes of this section:

(a) "Basic skills training" means any employer-sponsored training by an appropriate community/junior college or training approved by such community/junior college that enhances reading, writing or math skills, up to the twelfth grade level, of employees who are unable to function effectively on the job due to deficiencies in these areas or who would be displaced.
because such skill deficiencies will inhibit their training for new technology.

(b) "Retraining programs" means employer-sponsored training by an appropriate community/junior college or training approved by such community/junior college for hourly paid employees that have been employed a minimum of one (1) year with the employer applying the tax credit that, upon successful completion, increases the employee's opportunity for consideration for promotion or retention with the employer.

(c) "Employer-sponsored training" means training purchased by the employer from an appropriate community/junior college in the district within which the employer is located or training approved by such community/junior college.

(d) "Employer" means those permanent business enterprises as defined and set out in Section 57-73-21(2), (3), (4) and (5).

(5) The tax credits provided for in this section shall be in addition to all other tax credits heretofore granted by the laws of the state.

(6) A community/junior college may commit to provide employer-sponsored basic skills training or retraining programs for an employer for a multiple number of years, not to exceed five (5) years.

(7) The State Board for Community and Junior Colleges shall make a report to the Legislature by January 30 of each year summarizing the number of participants, the junior or community college through which said training was offered and the type training offered.

***

[From and after January 1, 2004, this section shall read as follows:]

57-73-25. (1) A fifty percent (50%) income tax credit shall be granted to any employer (as defined in subsection (4) of this...
section) sponsoring basic skills training. The fifty percent (50%) credit shall be granted to employers that participate in employer-sponsored retraining programs through any community/junior college in the district within which the employer is located or training approved by such community/junior college. The retraining must be designed to increase opportunities for employee advancement or retention with the employer. The credit is applied to qualified training or retraining expenses, which are expenses related to instructors, instructional materials and equipment, and the construction and maintenance of facilities by such employer designated for training purposes which is attributable to training or retraining provided through such community/junior college or training approved by such community/junior college. The credits allowed under this section shall only be used by the actual employer qualifying for the credits. The credit shall not exceed fifty percent (50%) of the income tax liability in a tax year and may be carried forward for the five (5) successive years if the amount allowable as credit exceeds the income tax liability in a tax year; however, thereafter, if the amount allowable as a credit exceeds the tax liability, the amount of excess shall not be refundable or carried forward to any other taxable year. The credit authorized under this section shall not exceed Two Thousand Five Hundred Dollars ($2,500.00), in the aggregate, per employee, over a three-year period. Nothing in this section shall be interpreted in any manner as to prevent the continuing operation of state-supported university programs.

(2) Employer-sponsored training shall include an evaluation by the local community or junior college that serves the employer to ensure that the training provided is job related and conforms to the definitions of "basic skills training" and "retraining programs" as hereinafter defined.
(3) Employers shall be certified as eligible for the tax credit by the local community or junior college that serves the employer and the State Tax Commission.

(4) For the purposes of this section:

(a) "Basic skills training" means any employer-sponsored training by an appropriate community/junior college or training approved by such community/junior college that enhances reading, writing or math skills, up to the twelfth grade level, of employees who are unable to function effectively on the job due to deficiencies in these areas or who would be displaced because such skill deficiencies will inhibit their training for new technology.

(b) "Retraining programs" means employer-sponsored training by an appropriate community/junior college or training approved by such community/junior college for hourly paid employees that have been employed a minimum of one (1) year with the employer applying the tax credit that, upon successful completion, increases the employee's opportunity for consideration for promotion or retention with the employer.

(c) "Employer-sponsored training" means training purchased by the employer from an appropriate community/junior college in the district within which the employer is located or training approved by such community/junior college.

(d) "Employer" means those permanent business enterprises as defined and set out in Section 57-73-21(2), (3), (4) and (5).

(5) The tax credits provided for in this section shall be in addition to all other tax credits heretofore granted by the laws of the state.

(6) A community/junior college may commit to provide employer-sponsored basic skills training or retraining programs for an employer for a multiple number of years, not to exceed five years.
(7) The State Board for Community and Junior Colleges shall make a report to the Legislature by January 30 of each year summarizing the number of participants, the junior or community college through which said training was offered and the type training offered.

SECTION 21. Section 75-76-179, Mississippi Code of 1972, is amended as follows:

75-76-179. (1) License fees paid under Section 75-76-177 in any taxable year through the 2001 taxable year shall be allowed as credit against the income tax liability of the licensee for that taxable year.

(2) Fifty percent (50%) of the license fees paid under Section 75-76-177 in the 2002 and 2003 taxable years shall be allowed as credit against the income tax liability of the licensee for that taxable year.

(3) License fees paid under Section 75-76-177 in the 2004 taxable year and taxable years thereafter shall be allowed as credit against the income tax liability of the licensee for that taxable year.

SECTION 22. Section 83-23-218, Mississippi Code of 1972, is amended as follows:

83-23-218. (1) From and after July 1, 1993 through taxable year 2001, a member insurer may offset against its (premium, franchise or income) tax liability (or liabilities) to this state an assessment described in Section 83-23-217(8) to the extent of twenty percent (20%) of the amount of such assessment, if any, for each year over the next five (5) succeeding years. However, if the offset is less than twenty percent (20%), any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used. In the event a member insurer should cease doing business, all uncredited assessments may be credited against its (premium, franchise or income) tax liability (or liabilities) for the year it ceases doing business.
(a) For taxable years 2002 and 2003, a member insurer may offset against its (premium, franchise or income) tax liability (or liabilities) to this state an assessment described in Section 83-23-217(8) to the extent of ten percent (10%) of the amount of such assessment, if any, for each year over the next five (5) succeeding years. However, if the offset is less than ten percent (10%), any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used. In the event a member insurer should cease doing business, all uncredited assessments may be credited against its (premium, franchise or income) tax liability (or liabilities) for the year it ceases doing business.

(b) For taxable year 2004 and taxable years thereafter, a member insurer may offset against its (premium, franchise or income) tax liability (or liabilities) to this state an assessment described in Section 83-23-217(8) to the extent of twenty percent (20%) of the amount of such assessment, if any, for each year over the next five (5) succeeding years. However, if the offset is less than twenty percent (20%), any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used. In the event a member insurer should cease doing business, all uncredited assessments may be credited against its (premium, franchise or income) tax liability (or liabilities) for the year it ceases doing business.

(2) Any sums which are acquired by refund, pursuant to Section 83-23-217(6), from the association by member insurers, and which have theretofore been offset against (premium, franchise or income) taxes as provided in subsection (1) of this section, shall be paid by such insurers to this state in such manner as the tax authorities may require. The association shall notify the commissioner that such refunds have been made.

SECTION 23. This act shall take effect and be in force from and after its passage.