AN ACT TO AMEND SECTIONS 27-7-27 AND 27-7-29, MISSISSIPPI CODE OF 1972, TO PROVIDE FOR THE TAXATION OF BUSINESS INCOME UNRELATED TO THE TAX EXEMPT PURPOSES OF CERTAIN ESTATES, TRUSTS OR ORGANIZATIONS THAT ARE OTHERWISE EXEMPT FROM INCOME TAXATION; AND FOR RELATED PURPOSES.

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

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

27-7-27. (1) The tax imposed under the income tax laws of the State of Mississippi shall apply to the income of estates of any kind or property held in trust except:

(a) That a trust forming part of a pension plan, stock bonus plan, disability or death benefit plan or profit-sharing plan of an employer for the exclusive benefit of some or all of his or its employees, or their beneficiaries, to which contributions are made by such employer, or employees, or both, for the purpose of distributing to such employees, or their beneficiaries, the earnings and principal of the fund accumulated by the trust in accordance with such plan, shall not be taxable under the income tax laws of the State of Mississippi provided that the trust is irrevocable and no part of the trust corpus or income can be used for purposes other than for the exclusive benefit of employees, or their beneficiaries; but any amount actually distributed or made available to any distributee shall be taxable to him in the year in which so distributed or made available to the extent that it exceeds amounts paid in by him.

(b) That all trusts of real or personal property, or real and personal property combined, created under a retirement
plan for which provision has been made under the laws of the
United States of America exempting such trust from federal income
tax, shall be exempt from income taxation by the State of
Mississippi.

(2) Notwithstanding the provisions of subsection (1) of this
section, a taxpayer shall include any Mississippi unrelated
business taxable income in computing its taxable income under this
chapter. As used in this subsection "Mississippi unrelated
business taxable income" includes:

(a) "Unrelated business taxable income" as defined
under the provisions of the Internal Revenue Code, as amended, and
not otherwise inconsistent with other provisions of this chapter,
and

(b) Any income attributable to an ownership interest in
an S corporation.

(3) Except as otherwise provided in this section, the gross
and net income shall be determined in the same manner as is
provided by law for any other taxpayer.

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

27-7-29. (a) Except as otherwise provided in subsection (b)
of this section, all income received by the following
organizations shall be exempt from taxation under this article:

(1) Fraternal beneficiary societies, orders or
associations.

(2) Mutual savings banks, domestic or foreign when
organized and operated on a nonprofit basis and for public
purposes; and farm loan associations when organized and operated
on a nonprofit basis and for public purposes.

(3) Cemetery corporations; religious, charitable,
educational or scientific associations or institutions, including
any community chest, funds or foundations, organized and operated
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 inures to the benefit of any private stockholder or individual.

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

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

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

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

(8) Nonprofit cooperative electric power associations or corporations, or like associations, when organized and operated for public purposes and when no part of the income inures to the benefit of any private stockholder or individual.

(9) Any nonprofit corporation that is required to be organized and formed for the purpose of operating and managing the state's prison industries.
(b) Any Mississippi unrelated business taxable income shall be included in taxable income for any organization described in this section. As used in this subsection "Mississippi unrelated business taxable income" includes:

(1) "Unrelated business taxable income" as defined under the provisions of the Internal Revenue Code, as amended, and not otherwise inconsistent with other provisions of this chapter, and

(2) Any income attributable to an ownership interest in an S corporation.

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