MISSISSIPPI LEGISLATURE
REGULAR SESSION 2003

By: Representative Ellzey

To: Ways and Means

HOUSE BILL NO. 247

AN ACT TO AMEND SECTION 27-65-21, MISSISSIPPI CODE OF 1972,
TO PROVIDE THAT THE RATE OF THE CONTRACTORS TAX SHALL BE 3-1/2% ON
CONTRACTS FOR GRADING, EXCAVATING, DITCHING, DREDGING OR
LANDSCAPING IF SUCH A CONTRACT IS PERFORMED FOR A FARMER ON LAND
OWNED BY THE FARMER AND INVOLVES ONLY PERFORMING WORK RELATED TO
SOIL, TIMBER OR CROPS THAT ARE PART OF THE LAND AND NOT PURCHASED
OR BROUGHT ONTO THE LAND FOR THE PERFORMANCE OF THE CONTRACT, AND
IF THE PERFORMANCE OF SUCH ACTIVITIES IS NOT EXEMPT UNDER THE
STATE SALES TAX LAW AND THE TOTAL CONTRACT PRICE OR COMPENSATION
RECEIVED EXCEEDS $5,000.00; AND FOR RELATED PURPOSES.

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

SECTION 1. Section 27-65-21, Mississippi Code of 1972, is
amended as follows:

27-65-21. (1) (a) (i) Upon every person engaging or
continuing in this state in the business of contracting or
performing a contract or engaging in any of the activities, or
similar activities, listed below for a price, commission, fee or
wage, there is hereby levied, assessed and shall be collected a
tax equal to three and one-half percent (3-1/2%) of the total
contract price or compensation received, including all charges
related to the contract such as finance charges and late charges,
from constructing, building, erecting, repairing, grading,
excavating, drilling, exploring, testing or adding to any
building, highway, street, sidewalk, bridge, culvert, sewer,
irrigation or water system, drainage or dredging system, levee or
levee system or any part thereof, railway, reservoir, dam, power
plant, electrical system, air conditioning system, heating system,
transmission line, pipeline, tower, dock, storage tank, wharf,
excavation, grading, water well, any other improvement or
structure or any part thereof when the compensation received
exceeds Ten Thousand Dollars ($10,000.00). Such activities shall

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not include constructing, repairing or adding to property which
retains its identity as personal property. However, if a contract
for grading, excavating, ditching, dredging or landscaping is
performed for a farmer on land owned by the farmer and the
contract involves only performing work related to soil, timber or
crops that are part of the land and not purchased or brought onto
the land for the performance of the contract, the rate of tax on
the total contract price or compensation received shall be three
and one-half percent (3-1/2%) if the performance of such
activities is not exempt under Section 27-65-103 and the total
contract price or compensation received exceeds Five Thousand
Dollars ($5,000.00). The tax imposed in this section is levied
upon the prime contractor and shall be paid by him.

(ii) Amounts included in the contract price or
compensation received representing the sale of manufacturing or
processing machinery for a manufacturer or custom processor shall
be taxed at the rate of one and one-half percent (1-1/2%) in lieu
of the three and one-half percent (3-1/2%).

(b) The following shall be excluded from the tax levied
by this section:

(i) The contract price or compensation received
for constructing, building, erecting, repairing or adding to any
building, electrical system, air conditioning system, heating
system or any other improvement or structure which is used for or
primarily in connection with a residence or dwelling place for
human beings. Such residences shall include homes, apartment
buildings, condominiums, mobile homes, summer cottages, fishing
and hunting camp buildings and similar buildings, but shall not
include hotels, motels, hospitals, nursing or retirement homes,
tourist cottages or other commercial establishments.

(ii) The portion of the total contract price
attributable to design or engineering services if the total
contract price for the project exceeds the sum of One Hundred
Million Dollars ($100,000,000.00).

(iii) The contract price or compensation received
to restore, repair or replace a utility distribution or
transmission system that has been damaged due to ice storm,
hurricane, flood, tornado, wind, earthquake or other natural
disaster if such restoration, repair or replacement is performed
by the entity providing the service at its cost.

(c) Sales of materials and services for use in the
activities hereby excluded from taxes imposed by this section,
except services used in activities excluded pursuant to paragraph
(b)(iii) of this subsection, shall be subject to taxes imposed by
other sections in this chapter.

(2) Upon every person engaging or continuing in this state
in the business of contracting or performing a contract of
redrilling, or working over, or of drilling an oil well or a gas
well, regardless of whether such well is productive or
nonproductive, for any valuable consideration, there is hereby
levied, assessed and shall be collected a tax equal to three and
one-half percent (3\frac{1}{2}\%) of the total contract price or
compensation received when such compensation exceeds Ten Thousand
Dollars ($10,000.00).

The words, terms and phrases as used in this subsection shall
have the meaning ascribed to them as follows:

"Operator" -- One who holds all or a fraction of the working
or operating rights in an oil or gas lease, and is obligated for
the costs of production either as a fee owner or under a lease or
any other form of contract creating working or operating rights.

"Bottom-hole contribution" -- Money or property given to an
operator for his use in the drilling of a well on property in
which the payor has no interest. The contribution is payable
whether the well is productive or nonproductive.
"Dry-hole contribution" -- Money or property given to an operator for his use in the drilling of a well on property in which the payor has no interest. Such contribution is payable only in the event the well is found to be nonproductive.

"Turnkey drilling contract" -- A contract for the drilling of a well which requires the driller to drill a well and, if commercial production is obtained, to equip the well to such stage that the lessee or operator may turn a valve and the oil will flow into a tank.

"Total contract price or compensation received" -- As related to oil and gas well contractors, shall include amounts received as compensation for all costs of performing a turnkey drilling contract; amounts received or to be received under assignment as dry-hole money or bottom-hole money; and shall mean and include anything of value received by the contractor as remuneration for services taxable hereunder. When the kind and amount of compensation received by the contractor is contingent upon production, the taxable amount shall be the total compensation receivable in the event the well is a dry hole. The taxable amount in the event of production when the contractor receives a production interest of an undetermined value in lieu of a fixed compensation shall be an amount equal to the compensation to the contractor if the well had been a dry hole.

(3) When the work to be performed under any contract is sublet by the prime contractor to different persons, or in separate contracts to the same persons, each such subcontractor performing any part of said work shall be liable for the amount of the tax which accrues on account of the work performed by such person when the tax heretofore imposed has not been paid upon the whole contract by the prime contractor.

When a person engaged in any business on which a tax is levied in Section 27-65-23, also qualifies as a contractor, and contracts with the owner of any project to perform any services in
excess of Ten Thousand Dollars ($10,000.00) or Five Thousand Dollars ($5,000.00), as appropriate, herein taxed, such person shall pay the tax imposed by this section in lieu of the tax imposed by Section 27-65-23.

Any person entering into any contract over Seventy-five Thousand Dollars ($75,000.00) as defined in this section shall, before beginning the performance of such contract or contracts, either pay the contractors’ tax in advance, together with any use taxes due under Section 27-67-5, or execute and file with the Chairman of the State Tax Commission a good and valid bond in a surety company authorized to do business in this state, or with sufficient sureties to be approved by the commissioner conditioned that all taxes which may accrue to the State of Mississippi under this chapter, or under Section 27-67-5 and Section 27-7-5, will be paid when due. Such bonds shall be either (a) "job bonds" which guarantee payment when due of the aforesaid taxes resulting from performance of a specified job or activity regardless of date of completion; or (b) "blanket bonds" which guarantee payment when due of the aforesaid taxes resulting from performance of all jobs or activities taxable under this section begun during the period specified therein, regardless of date of completion. The payments of the taxes due or the execution and filing of a surety bond shall be a condition precedent to the commencing work on any contract taxed hereunder. Provided, that when any bond is filed in lieu of the prepayment of the tax under this section, that the tax shall be payable monthly on the amount received during the previous month, and any use taxes due shall be payable on or before the twentieth day of the month following the month in which the property is brought into Mississippi.

Any person failing either to execute any bond herein provided, or to pay the taxes in advance, before beginning the performance of any contract shall be denied the right to perform such contract until he complies with such requirements, and the
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commissioner is hereby authorized to proceed either under Section 27-65-59, or by injunction to prevent any activity in the performance of such contract until either a satisfactory bond is executed and filed, or all taxes are paid in advance, and a temporary injunction enjoining the execution of such contract shall be granted without notice by any judge or chancellor now authorized by law to grant injunctions.

Any person liable for a tax under this section may apply for and obtain a material purchase certificate from the commissioner which may entitle the holder to purchase materials and services that are to become a component part of the structure to be erected or repaired with no tax due. Provided, that the contractor applying for the contractor's material purchase certificate shall furnish the State Tax Commission a list of all work sublet to others, indicating the amount of work to be performed, and the names and addresses of each subcontractor.

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

SECTION 3. This act shall take effect and be in force from and after July 1, 2003.