HOUSE BILL NO. 345

AN ACT TO AMEND SECTION 27-65-17, MISSISSIPPI CODE OF 1972, TO REDUCE THE SALES TAX RATE ON RETAIL SALES OF FOOD FOR HUMAN CONSUMPTION NOT PURCHASED WITH FOOD STAMPS BUT WHICH WOULD BE EXEMPT FROM SALES TAX IF SUCH FOOD WERE PURCHASED WITH FOOD STAMPS; TO AMEND SECTION 27-65-75, MISSISSIPPI CODE OF 1972, TO REVISE THE DIVERSION OF THE SALES TAX COLLECTED ON SUCH RETAIL SALES OF FOOD WITHIN A MUNICIPALITY; AND FOR RELATED PURPOSES.

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

SECTION 1. Section 27-65-17, Mississippi Code of 1972, is amended as follows:

27-65-17. (1) Upon every person engaging or continuing within this state in the business of selling any tangible personal property whatsoever there is hereby levied, assessed and shall be collected a tax equal to seven percent (7%) of the gross proceeds of the retail sales of the business, except as otherwise provided herein.

Retail sales of farm tractors shall be taxed at the rate of one percent (1%) when made to farmers for agricultural purposes. Retail sales of farm implements sold to farmers and used directly in the production of poultry, ratite, domesticated fish as defined in Section 69-7-501, livestock, livestock products, agricultural crops or ornamental plant crops or used for other agricultural purposes shall be taxed at the rate of three percent (3%) when used on the farm. The three percent (3%) rate shall also apply to all equipment used in logging, pulpwood operations or tree farming which is either (a) self-propelled or which is (b) mounted so that it is (i) permanently attached to other equipment which is self-propelled or (ii) permanently attached to other equipment drawn by a vehicle which is self-propelled.
Except as otherwise provided in subsection (3) of this section, retail sales of aircraft, automobiles, trucks, truck-tractors, semitrailers and mobile homes shall be taxed at the rate of three percent (3%).

Sales of manufacturing machinery or manufacturing machine parts when made to a manufacturer or custom processor for plant use only when said machinery and machine parts will be used exclusively and directly within this state in manufacturing a commodity for sale, rental or in processing for a fee shall be taxed at the rate of one and one-half percent (1-1/2%).

Sales of materials for use in track and track structures to a railroad whose rates are fixed by the Interstate Commerce Commission or the Mississippi Public Service Commission shall be taxed at the rate of three percent (3%).

Sales of tangible personal property to electric power associations for use in the ordinary and necessary operation of their generating or distribution systems shall be taxed at the rate of one percent (1%).

Wholesale sales of beer shall be taxed at the rate of seven percent (7%), and the retailer shall file a return and compute the retail tax on retail sales but may take credit for the amount of the tax paid to the wholesaler on said return covering the subsequent sales of same property, provided adequate invoices and records are maintained to substantiate the credit.

Wholesale sales of food and drink for human consumption to full service vending machine operators to be sold through vending machines located apart from and not connected with other taxable businesses shall be taxed at the rate of eight percent (8%).

A manufacturer selling at retail in this state shall be required to make returns of the gross proceeds of such sales and pay the tax imposed in this section.

Any person exercising any privilege taxable under Section 27-65-15 and selling his natural resource products at wholesale or...
to exempt persons shall pay the tax levied by said section in lieu
of the tax levied by this section.

(2) From and after January 1, 1995, retail sales of private
carriers of passengers and light carriers of property, as defined
in Section 27-51-101, shall be taxed an additional two percent
(2%).

(3) In lieu of the tax levied in subsection (1) of this
section, there is levied on retail sales of truck-tractors and
semitrailers used in interstate commerce and registered under the
International Registration Plan (IRP) or any similar reciprocity
agreement or compact relating to the proportional registration of
commercial vehicles entered into as provided for in Section
27-19-143, a tax at the rate of three percent (3%) of the portion
of the sale that is attributable to the usage of such
truck-tractor or semitrailer in Mississippi. The portion of the
retail sale that is attributable to the usage of such
truck-tractor or semitrailer in Mississippi is the retail sales
price of the truck-tractor or semitrailer multiplied by the
percentage of the total miles traveled by the vehicle that are
traveled in Mississippi. The tax levied pursuant to this
subsection (3) shall be collected by the State Tax Commission from
the purchaser of such truck-tractor or semitrailer at the time of
registration of such truck-tractor or semitrailer.

(4) From and after July 1, 2003, in lieu of the tax levied
in subsection (1) of this section, retail sales of food for human
consumption not purchased with food stamps issued by the United
States Department of Agriculture, or other federal agency, but
which would be exempt under Section 27-65-111(o) from the taxes
imposed by this chapter if the food were purchased with food
stamps, shall be taxed as follows:

(a) From and after July 1, 2003, through June 30, 2004,
such sales shall be taxed at the rate of six percent (6%);
(b) From and after July 1, 2004, through June 30, 2005, such sales shall be taxed at the rate of five percent (5%);

(c) From and after July 1, 2005, through June 30, 2006, such sales shall be taxed at the rate of four percent (4%);

(d) From and after July 1, 2006, through June 30, 2007, such sales shall be taxed at the rate of three percent (3%);

(e) From and after July 1, 2007, such sales shall be taxed at the rate of one percent (1%).

SECTION 2. Section 27-65-75, Mississippi Code of 1972, is amended as follows:

27-65-75. On or before the fifteenth day of each month, the revenue collected under the provisions of this chapter during the preceding month shall be paid and distributed as follows:

(1) On or before August 15, 1992, and each succeeding month thereafter through July 15, 1993, eighteen percent (18%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation. On or before August 15, 1993, and each succeeding month thereafter through July 15, 2005, eighteen and one-half percent (18-1/2%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation. On or before August 15, 2005, and each succeeding month thereafter through July 15, 2006, eighteen and one-half percent (18-1/2%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation. On or before August 15, 2006, and each succeeding month thereafter through July 15, 2007, eighteen and one-half percent (18-1/2%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation. On or before August 15, 2007, and each succeeding month thereafter through July 15, 2008, eighteen and one-half percent (18-1/2%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation. On or before August 15, 2008, and each succeeding month thereafter through July 15, 2009, eighteen and one-half percent (18-1/2%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation. On or before August 15, 2009, and each succeeding month thereafter through July 15, 2010, eighteen and one-half percent (18-1/2%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Sections 27-65-15, 27-65-19(3) and 27-65-21, on business activities within a municipal corporation shall be allocated for distribution to such municipality and paid to such municipal corporation.
and twenty-five percent (25%) of the sales tax revenue collected
during the preceding month under the provisions of Section
27-65-17(4) on business activities within a municipal corporation
shall be allocated for distribution to such municipality and paid
to such municipal corporation. On or before August 15, 2006, and
each succeeding month thereafter, through July 15, 2007, eighteen
and one-half percent (18-1/2%) of the total sales tax revenue
collected during the preceding month under the provisions of this
chapter, except that collected under the provisions of Sections
activities within a municipal corporation and thirty-three and
three hundred thirty-three one-thousandths percent (33.333%) of
the sales tax revenue collected during the preceding month under
the provisions of Section 27-65-17(4) on business activities
within a municipal corporation shall be allocated for distribution
to such municipality and paid to such municipal corporation. On
or before August 15, 2007, and each succeeding month thereafter,
eighteen and one-half percent (18-1/2%) of the total sales tax
revenue collected during the preceding month under the provisions
of this chapter, except that collected under the provisions of
business activities within a municipal corporation and all of the
sales tax revenue collected during the preceding month under the
provisions of Section 27-65-17(4) on business activities within a
municipal corporation shall be allocated for distribution to such
municipality and paid to such municipal corporation.

A municipal corporation, for the purpose of distributing the
tax under this subsection, shall mean and include all incorporated
cities, towns and villages.

Monies allocated for distribution and credited to a municipal
corporation under this subsection may be pledged as security for
any loan received by the municipal corporation for the purpose of
capital improvements as authorized under Section 57-1-303, or
loans as authorized under Section 57-44-7, or water systems
improvements as authorized under Section 41-3-16.

In any county having a county seat which is not an
incorporated municipality, the distribution provided hereunder
shall be made as though the county seat was an incorporated
municipality; however, the distribution to such municipality shall
be paid to the county treasury wherein the municipality is located
and such funds shall be used for road, bridge and street
construction or maintenance therein.

(2) On or before September 15, 1987, and each succeeding
month thereafter, from the revenue collected under this chapter
during the preceding month One Million One Hundred Twenty-five
Thousand Dollars ($1,125,000.00) shall be allocated for
distribution to municipal corporations as defined under subsection
(1) of this section in the proportion that the number of gallons
of gasoline and diesel fuel sold by distributors to consumers and
retailers in each such municipality during the preceding fiscal
year bears to the total gallons of gasoline and diesel fuel sold
by distributors to consumers and retailers in municipalities
statewide during the preceding fiscal year. The State Tax
Commission shall require all distributors of gasoline and diesel
fuel to report to the commission monthly the total number of
gallons of gasoline and diesel fuel sold by them to consumers and
retailers in each municipality during the preceding month. The
State Tax Commission shall have the authority to promulgate such
rules and regulations as is necessary to determine the number of
gallons of gasoline and diesel fuel sold by distributors to
consumers and retailers in each municipality. In determining the
percentage allocation of funds under this subsection for the
fiscal year beginning July 1, 1987, and ending June 30, 1988, the
State Tax Commission may consider gallons of gasoline and diesel
fuel sold for a period of less than one (1) fiscal year. For the
purposes of this subsection, the term "fiscal year" means the fiscal year beginning July 1 of a year.

(3) On or before September 15, 1987, and on or before the fifteenth day of each succeeding month, until the date specified in Section 65-39-35, the proceeds derived from contractors' taxes levied under Section 27-65-21 on contracts for the construction or reconstruction of highways designated under the highway program created under Section 65-3-97 shall, except as otherwise provided in Section 31-17-127, be deposited into the State Treasury to the credit of the State Highway Fund to be used to fund such Four-Lane Highway Program. The Mississippi Department of Transportation shall provide to the State Tax Commission such information as is necessary to determine the amount of proceeds to be distributed under this subsection.

(4) On or before August 15, 1994, and on or before the fifteenth day of each succeeding month through July 15, 1999, from the proceeds of gasoline, diesel fuel or kerosene taxes as provided in Section 27-5-101(a)(ii)1, Four Million Dollars ($4,000,000.00) shall be deposited in the State Treasury to the credit of a special fund designated as the "State Aid Road Fund," created by Section 65-9-17. On or before August 15, 1999, and on or before the fifteenth day of each succeeding month, from the total amount of the proceeds of gasoline, diesel fuel or kerosene taxes apportioned by Section 27-5-101(a)(ii)1, Four Million Dollars ($4,000,000.00) or an amount equal to twenty-three and one-fourth percent (23.25%) of such funds, whichever is the greater amount, shall be deposited in the State Treasury to the credit of the "State Aid Road Fund," created by Section 65-9-17. Such funds shall be pledged to pay the principal of and interest on state aid road bonds heretofore issued under Sections 19-9-51 through 19-9-77, in lieu of and in substitution for the funds heretofore allocated to counties under this section. Such funds may not be pledged for the payment of any state aid road bonds.
issued after April 1, 1981; however, this prohibition against the
pledging of any such funds for the payment of bonds shall not
apply to any bonds for which intent to issue such bonds has been
published, for the first time, as provided by law prior to March
29, 1981. From the amount of taxes paid into the special fund
pursuant to this subsection and subsection (9) of this section,
there shall be first deducted and paid the amount necessary to pay
the expenses of the Office of State Aid Road Construction, as
authorized by the Legislature for all other general and special
fund agencies. The remainder of the fund shall be allocated
monthly to the several counties in accordance with the following
formula:

(a) One-third (1/3) shall be allocated to all counties
in equal shares;
(b) One-third (1/3) shall be allocated to counties
based on the proportion that the total number of rural road miles
in a county bears to the total number of rural road miles in all
counties of the state; and
(c) One-third (1/3) shall be allocated to counties
based on the proportion that the rural population of the county
bears to the total rural population in all counties of the state,
according to the latest federal decennial census.

For the purposes of this subsection, the term "gasoline,
diesel fuel or kerosene taxes" means such taxes as defined in
paragraph (f) of Section 27-5-101.

The amount of funds allocated to any county under this
subsection for any fiscal year after fiscal year 1994 shall not be
less than the amount allocated to such county for fiscal year
1994. Monies allocated to a county from the State Aid Road Fund
for fiscal year 1995 or any fiscal year thereafter that exceed the
amount of funds allocated to that county from the State Aid Road
Fund for fiscal year 1994, first must be expended by the county
for replacement or rehabilitation of bridges on the state aid road
system that have a sufficiency rating of less than twenty-five (25), according to National Bridge Inspection standards before such monies may be approved for expenditure by the State Aid Road Engineer on other projects that qualify for the use of state aid road funds.

Any reference in the general laws of this state or the Mississippi Code of 1972 to Section 27-5-105 shall mean and be construed to refer and apply to subsection (4) of Section 27-65-75.

(5) One Million Six Hundred Sixty-six Thousand Six Hundred Sixty-six Dollars ($1,666,666.00) each month shall be paid into the special fund known as the "State Public School Building Fund" created and existing under the provisions of Sections 37-47-1 through 37-47-67. Such payments into said fund are to be made on the last day of each succeeding month hereafter.

(6) An amount each month beginning August 15, 1983, through November 15, 1986, as specified in Section 6 of Chapter 542, Laws of 1983, shall be paid into the special fund known as the Correctional Facilities Construction Fund created in Section 6 of Chapter 542, Laws of 1983.

(7) On or before August 15, 1992, and each succeeding month thereafter through July 15, 2000, two and two hundred sixty-six one-thousandths percent (2.266%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Section 27-65-17(2) shall be deposited by the commission into the School Ad Valorem Tax Reduction Fund created pursuant to Section 37-61-35. On or before August 15, 2000, and each succeeding month thereafter, two and two hundred sixty-six one-thousandths percent (2.266%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Section 27-65-17(2), shall be deposited into the School Ad Valorem Tax Reduction Fund created
under Section 37-61-35 until such time that the total amount deposited into the fund during a fiscal year equals Forty-two Million Dollars ($42,000,000.00). Thereafter, the amounts diverted under this subsection (7) during the fiscal year in excess of Forty-two Million Dollars ($42,000,000.00) shall be deposited into the Education Enhancement Fund created under Section 37-61-33 for appropriation by the Legislature as other education needs and shall not be subject to the percentage appropriation requirements set forth in Section 37-61-33.

(8) On or before August 15, 1992, and each succeeding month thereafter, nine and seventy-three one-thousandths percent (9.073%) of the total sales tax revenue collected during the preceding month under the provisions of this chapter, except that collected under the provisions of Section 27-65-17(2) shall be deposited into the Education Enhancement Fund created pursuant to Section 37-61-33.

(9) On or before August 15, 1994, and each succeeding month thereafter, from the revenue collected under this chapter during the preceding month, Two Hundred Fifty Thousand Dollars ($250,000.00) shall be paid into the State Aid Road Fund.

(10) On or before August 15, 1994, and each succeeding month thereafter through August 15, 1995, from the revenue collected under this chapter during the preceding month, Two Million Dollars ($2,000,000.00) shall be deposited into the Motor Vehicle Ad Valorem Tax Reduction Fund established in Section 27-51-105.

(11) Notwithstanding any other provision of this section to the contrary, on or before February 15, 1995, and each succeeding month thereafter, the sales tax revenue collected during the preceding month under the provisions of Section 27-65-17(2) and the corresponding levy in Section 27-65-23 on the rental or lease of private carriers of passengers and light carriers of property as defined in Section 27-51-101 shall be deposited, without

(12) Notwithstanding any other provision of this section to the contrary, on or before August 15, 1995, and each succeeding month thereafter, the sales tax revenue collected during the preceding month under the provisions of Section 27-65-17(1) on retail sales of private carriers of passengers and light carriers of property, as defined in Section 27-51-101 and the corresponding levy in Section 27-65-23 on the rental or lease of these vehicles, shall be deposited, after diversion, into the Motor Vehicle Ad Valorem Tax Reduction Fund established in Section 27-51-105.

(13) On or before July 15, 1994, and on or before the fifteenth day of each succeeding month thereafter, that portion of the avails of the tax imposed in Section 27-65-22, which is derived from activities held on the Mississippi state fairgrounds complex, shall be paid into a special fund hereby created in the State Treasury and shall be expended pursuant to legislative appropriations solely to defray the costs of repairs and renovation at such Trade Mart and Coliseum.

(14) On or before August 15, 1998, and each succeeding month thereafter through July 15, 2005, that portion of the avails of the tax imposed in Section 27-65-23 which is derived from sales by cotton compresses or cotton warehouses and which would otherwise be paid into the General Fund, shall be deposited in an amount not to exceed Two Million Dollars ($2,000,000.00) into the special fund created pursuant to Section 69-37-39.

(15) Notwithstanding any other provision of this section to the contrary, on or before September 15, 2000, and each succeeding month thereafter, the sales tax revenue collected during the preceding month under the provisions of Section 27-65-19(1)(f) and (g)(i)2, shall be deposited, without diversion, into the Telecommunications Ad Valorem Tax Reduction Fund established in Section 27-38-7.
(16) On or before August 15, 2000, and each succeeding month thereafter, the sales tax revenue collected during the preceding month under the provisions of this chapter on the gross proceeds of sales of a project as defined in Section 57-30-1 shall be deposited, after all diversions except the diversion provided for in subsection (1) of this section, into the Sales Tax Incentive Fund created in Section 57-30-3.

(17) Notwithstanding any other provision of this section to the contrary, on or before April 15, 2002, and each succeeding month thereafter, the sales tax revenue collected during the preceding month under Section 27-65-23 on sales of parking services of parking garages and lots at airports shall be deposited, without diversion, into the special fund created pursuant to Section 27-5-101(d).

(18) The remainder of the amounts collected under the provisions of this chapter shall be paid into the State Treasury to the credit of the General Fund.

(19) It shall be the duty of the municipal officials of any municipality which expands its limits, or of any community which incorporates as a municipality, to notify the commissioner of such action thirty (30) days before the effective date. Failure to so notify the commissioner shall cause such municipality to forfeit the revenue which it would have been entitled to receive during this period of time when the commissioner had no knowledge of the action. If any funds have been erroneously disbursed to any municipality or any overpayment of tax is recovered by the taxpayer, the commissioner may make correction and adjust the error or overpayment with such municipality by withholding the necessary funds from any subsequent payment to be made to the municipality.

SECTION 3. 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 4. This act shall take effect and be in force from and after July 1, 2003.