AN ACT TO AMEND SECTION 27-7-18, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT A PORTION OF THE FEDERAL SELF-EMPLOYMENT TAXES ASSESSED AGAINST SELF-EMPLOYED INDIVIDUALS SHALL BE ALLOWED AS AN ADJUSTMENT TO GROSS INCOME UNDER THE STATE INCOME TAX LAW; AND FOR RELATED PURPOSES.

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

SECTION 1. 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) Unreimbursed moving expenses incurred after December 31, 1994, 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) Amounts paid after December 31, 1998, 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) Contributions or payments 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.

(5) In the case of a self-employed individual, there shall be allowed as a deduction from gross income an amount equal to one-half (1/2) of the federal self-employment taxes imposed on such individual for the taxable year. However, for the 2003 calendar year, the deduction authorized by this subsection (5) shall not exceed one-third (1/3) of one-half (1/2) of the federal self-employment taxes imposed on such individual for the taxable year; for the 2004 calendar year, the deduction authorized by this subsection (5) shall not exceed two-thirds (2/3) of one-half (1/2) of the federal self-employment taxes imposed on such individual for the taxable year; and for the 2005 calendar year, and each calendar year thereafter, the deduction authorized by this subsection (5) shall be an amount equal to one-half (1/2) of the federal self-employment taxes imposed on such individual for the taxable year.

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 income 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 income 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 January 1, 2003.