

By: Representatives Bailey, Hines, Watson,  
Straughter, Whittington

To: Ways and Means

HOUSE BILL NO. 1785

1 AN ACT TO AMEND SECTION 27-65-101, MISSISSIPPI CODE OF 1972,  
2 TO PROVIDE THAT INCOME RECEIVED FROM THE STRIPPING AND PAINTING OF  
3 COMMERCIAL AIRCRAFT ENGAGED IN FOREIGN OR INTERSTATE  
4 TRANSPORTATION BUSINESS SHALL BE EXEMPT FROM SALES TAXATION; AND  
5 FOR RELATED PURPOSES.

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

7 **SECTION 1.** Section 27-65-101, Mississippi Code of 1972, is  
8 amended as follows:

9 27-65-101. (1) The exemptions from the provisions of this  
10 chapter which are of an industrial nature or which are more  
11 properly classified as industrial exemptions than any other  
12 exemption classification of this chapter shall be confined to  
13 those persons or property exempted by this section or by the  
14 provisions of the Constitution of the United States or the State  
15 of Mississippi. No industrial exemption as now provided by any  
16 other section except Section 57-3-33 shall be valid as against the  
17 tax herein levied. Any subsequent industrial exemption from the  
18 tax levied hereunder shall be provided by amendment to this  
19 section. No exemption provided in this section shall apply to  
20 taxes levied by Section 27-65-15 or 27-65-21.

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

23 (a) Sales of boxes, crates, cartons, cans, bottles and  
24 other packaging materials to manufacturers and wholesalers for use  
25 as containers or shipping materials to accompany goods sold by  
26 said manufacturers or wholesalers where possession thereof will  
27 pass to the customer at the time of sale of the goods contained

28 therein and sales to anyone of containers or shipping materials  
29 for use in ships engaged in international commerce.

30 (b) Sales of raw materials, catalysts, processing  
31 chemicals, welding gases or other industrial processing gases  
32 (except natural gas) to a manufacturer for use directly in  
33 manufacturing or processing a product for sale or rental or  
34 repairing or reconditioning vessels or barges of fifty (50) tons  
35 load displacement and over. For the purposes of this exemption,  
36 electricity used directly in the electrolysis process in the  
37 production of sodium chlorate shall be considered a raw material.  
38 This exemption shall not apply to any property used as fuel except  
39 to the extent that such fuel comprises by-products which have no  
40 market value.

41 (c) The gross proceeds of sales of dry docks, offshore  
42 drilling equipment for use in oil exploitation or production,  
43 vessels or barges of fifty (50) tons load displacement and over,  
44 when sold by the manufacturer or builder thereof.

45 (d) Sales to commercial fishermen of commercial fishing  
46 boats of over five (5) tons load displacement and not more than  
47 fifty (50) tons load displacement as registered with the United  
48 States Coast Guard and licensed by the Mississippi Commission on  
49 Marine Resources.

50 (e) The gross income from repairs to vessels and barges  
51 engaged in foreign trade or interstate transportation.

52 (f) Sales of petroleum products to vessels or barges  
53 for consumption in marine international commerce or interstate  
54 transportation businesses.

55 (g) Sales and rentals of rail rolling stock (and  
56 component parts thereof) for ultimate use in interstate commerce  
57 and gross income from services with respect to manufacturing,  
58 repairing, cleaning, altering, reconditioning or improving such  
59 rail rolling stock (and component parts thereof).

60           (h) Sales of raw materials, catalysts, processing  
61 chemicals, welding gases or other industrial processing gases  
62 (except natural gas) used or consumed directly in manufacturing,  
63 repairing, cleaning, altering, reconditioning or improving such  
64 rail rolling stock (and component parts thereof). This exemption  
65 shall not apply to any property used as fuel.

66           (i) Sales of machinery or tools or repair parts  
67 therefor or replacements thereof, fuel or supplies used directly  
68 in manufacturing, converting or repairing ships of three thousand  
69 (3,000) tons load displacement and over, but not to include office  
70 and plant supplies or other equipment not directly used on the  
71 ship being built, converted or repaired.

72           (j) Sales of tangible personal property to persons  
73 operating ships in international commerce for use or consumption  
74 on board such ships. This exemption shall be limited to cases in  
75 which procedures satisfactory to the commissioner, ensuring  
76 against use in this state other than on such ships, are  
77 established.

78           (k) Sales of materials used in the construction of a  
79 building, or any addition or improvement thereon, and sales of any  
80 machinery and equipment not later than three (3) months after the  
81 completion of construction of the building, or any addition  
82 thereon, to be used therein, to qualified businesses, as defined  
83 in Section 57-51-5, which are located in a county or portion  
84 thereof designated as an enterprise zone pursuant to Sections  
85 57-51-1 through 57-51-15.

86           (l) Sales of materials used in the construction of a  
87 building, or any addition or improvement thereon, and sales of any  
88 machinery and equipment not later than three (3) months after the  
89 completion of construction of the building, or any addition  
90 thereon, to be used therein, to qualified businesses, as defined  
91 in Section 57-54-5.

92 (m) Income from storage and handling of perishable  
93 goods by a public storage warehouse.

94 (n) The value of natural gas lawfully injected into the  
95 earth for cycling, repressuring or lifting of oil, or lawfully  
96 vented or flared in connection with the production of oil;  
97 however, if any gas so injected into the earth is sold for such  
98 purposes, then the gas so sold shall not be exempt.

99 (o) The gross collections from self-service commercial  
100 laundering, drying, cleaning and pressing equipment.

101 (p) Sales of materials used in the construction of a  
102 building, or any addition or improvement thereon, and sales of any  
103 machinery and equipment not later than three (3) months after the  
104 completion of construction of the building, or any addition  
105 thereon, to be used therein, to qualified companies, certified as  
106 such by the Mississippi Development Authority under Section  
107 57-53-1.

108 (q) Sales of component materials used in the  
109 construction of a building, or any addition or improvement  
110 thereon, sales of machinery and equipment to be used therein, and  
111 sales of manufacturing or processing machinery and equipment which  
112 is permanently attached to the ground or to a permanent foundation  
113 and which is not by its nature intended to be housed within a  
114 building structure, not later than three (3) months after the  
115 initial start-up date, to permanent business enterprises engaging  
116 in manufacturing or processing in Tier Three areas (as such term  
117 is defined in Section 57-73-21), which businesses are certified by  
118 the State Tax Commission as being eligible for the exemption  
119 granted in this paragraph (q).

120 (r) Sales of component materials used in the  
121 construction of a building, or any addition or improvement  
122 thereon, and sales of any machinery and equipment not later than  
123 three (3) months after the completion of the building, addition or  
124 improvement thereon, to be used therein, for any company

125 establishing or transferring its national or regional headquarters  
126 from within or outside the State of Mississippi and creating a  
127 minimum of thirty-five (35) jobs at the new headquarters in this  
128 state. The Tax Commission shall establish criteria and prescribe  
129 procedures to determine if a company qualifies as a national or  
130 regional headquarters for the purpose of receiving the exemption  
131 provided in this paragraph.

132 (s) The gross proceeds from the sale of semitrailers,  
133 trailers, boats, travel trailers, motorcycles and all-terrain  
134 cycles if exported from this state within forty-eight (48) hours  
135 and registered and first used in another state.

136 (t) Gross income from the storage and handling of  
137 natural gas in underground salt domes and in other underground  
138 reservoirs, caverns, structures and formations suitable for such  
139 storage.

140 (u) Sales of machinery and equipment to nonprofit  
141 organizations if the organization: (i) is tax-exempt pursuant to  
142 Section 501(c)(4) of the Internal Revenue Code of 1986, as  
143 amended; (ii) assists in the implementation of the national  
144 contingency plan or area contingency plan, and which is created in  
145 response to the requirements of Title IV, Subtitle B of the Oil  
146 Pollution Act of 1990, Public Law 101-380; and (iii) engages  
147 primarily in programs to contain, clean up and otherwise mitigate  
148 spills of oil or other substances occurring in the United States  
149 coastal and tidal waters. For purposes of this exemption,  
150 "machinery and equipment" means any ocean-going vessels, barges,  
151 booms, skimmers and other capital equipment used primarily in the  
152 operations of nonprofit organizations referred to herein.

153 (v) Sales of component materials and equipment to  
154 approved business enterprises as provided under the Growth and  
155 Prosperity Act.

156 (w) From and after July 1, 2001, sales of pollution  
157 control equipment to manufacturers or custom processors for

158 industrial use. For the purposes of this exemption, "pollution  
159 control equipment" means equipment, devices, machinery or systems  
160 used or acquired to prevent, control, monitor or reduce air, water  
161 or groundwater pollution, or solid or hazardous waste as required  
162 by federal or state law or regulation.

163 (x) Sales or leases to a manufacturer of motor vehicles  
164 operating a project that has been certified by the Mississippi  
165 Major Economic Impact Authority as a project as defined in Section  
166 57-75-5(f)(iv)1 of machinery and equipment; special tooling such  
167 as dies, molds, jigs and similar items treated as special tooling  
168 for federal income tax purposes; or repair parts therefor or  
169 replacements thereof; repair services thereon; fuel, supplies,  
170 electricity, coal and natural gas used directly in the manufacture  
171 of motor vehicles or motor vehicle parts or used to provide  
172 climate control for manufacturing areas.

173 (y) Sales or leases of component materials, machinery  
174 and equipment used in the construction of a building, or any  
175 addition or improvement thereon to an enterprise operating a  
176 project that has been certified by the Mississippi Major Economic  
177 Impact Authority as a project as defined in Section  
178 57-75-5(f)(iv)1 and any other sales or leases required to  
179 establish or operate such project.

180 (z) Sales of component materials and equipment to a  
181 business enterprise as provided under Section 57-64-33.

182 (aa) The gross income from the stripping and painting  
183 of commercial aircraft engaged in foreign or interstate  
184 transportation business.

185 (2) Sales of component materials used in the construction of  
186 a building, or any addition or improvement thereon, sales of  
187 machinery and equipment to be used therein, and sales of  
188 manufacturing or processing machinery and equipment which is  
189 permanently attached to the ground or to a permanent foundation  
190 and which is not by its nature intended to be housed within a

191 building structure, not later than three (3) months after the  
192 initial start-up date, to permanent business enterprises engaging  
193 in manufacturing or processing in Tier Two areas and Tier One  
194 areas (as such areas are designated in accordance with Section  
195 57-73-21), which businesses are certified by the State Tax  
196 Commission as being eligible for the exemption granted in this  
197 paragraph, shall be exempt from one-half (1/2) of the taxes  
198 imposed on such transactions under this chapter.

199 (3) (a) For purposes of this subsection:

200 (i) "Telecommunications enterprises" shall have  
201 the meaning ascribed to such term in Section 57-73-21(13);

202 (ii) "Tier One areas" mean counties designated as  
203 Tier One areas pursuant to Section 57-73-21(1);

204 (iii) "Tier Two areas" mean counties designated as  
205 Tier Two areas pursuant to Section 57-73-21(1);

206 (iv) "Tier Three areas" mean counties designated  
207 as Tier Three areas pursuant to Section 57-73-21(1); and

208 (v) "Equipment used in the deployment of broadband  
209 technologies" means any equipment capable of being used for or in  
210 connection with the transmission of information at a rate, prior  
211 to taking into account the effects of any signal degradation, that  
212 is not less than three hundred eighty-four (384) kilobits per  
213 second in at least one direction, including, but not limited to,  
214 asynchronous transfer mode switches, digital subscriber line  
215 access multiplexers, routers, servers, multiplexers, fiber optics  
216 and related equipment.

217 (b) Sales of equipment to telecommunications  
218 enterprises after June 30, 2003, and before July 1, 2013, that is  
219 installed in Tier One areas and used in the deployment of  
220 broadband technologies shall be exempt from one-half (1/2) of the  
221 taxes imposed on such transactions under this chapter.

222 (c) Sales of equipment to telecommunications  
223 enterprises after June 30, 2003, and before July 1, 2013, that is

224 installed in Tier Two and Tier Three areas and used in the  
225 deployment of broadband technologies shall be exempt from the  
226 taxes imposed on such transactions under this chapter.

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

240         **SECTION 3.** This act shall take effect and be in force from  
241 and after July 1, 2004.