

REPORT OF CONFERENCE COMMITTEE

MR. SPEAKER AND MADAM PRESIDENT:

We, the undersigned conferees, have had under consideration the amendments to the following entitled BILL:

H. B. No. 1780: Taxation; provide certain tax incentives for the production of motion pictures in Mississippi.

We, therefore, respectfully submit the following report and recommendation:

1. That the Senate recede from its Amendment No. 1.
2. That the House and Senate adopt the following amendment:

Amend by striking all after the enacting clause and inserting in lieu thereof the following:

23 **SECTION 1.** The provisions of Sections 1 through 4 of this
24 act shall be known and may be cited as the "Mississippi Motion
25 Picture Incentive Act."

26 **SECTION 2.** As used in Sections 1 through 4 of this act, the
27 following terms shall have the meanings ascribed in this section
28 unless the context clearly indicates otherwise:

29 (a) "Base investment" means the actual investment made
30 and expended in Mississippi by a motion picture production company
31 in connection with the production of a state-certified production
32 in the state. The term "base investment" shall not include
33 payroll.

34 (b) "Motion picture" means a nationally distributed
35 feature-length film, video, television series or commercial made
36 in Mississippi, in whole or in part, for theatrical or television
37 viewing or as a television pilot. The term "motion picture" shall
38 not include the production of television coverage of news and
39 athletic events, or a film, video, television series or commercial
40 that contains any material or performance defined in Section
41 97-29-103.

42 (c) "Motion picture production company" means a company
43 engaged in the business of producing nationally distributed motion

44 pictures, videos, television series or commercials intended for a
45 theatrical release or for television viewing. The term "motion
46 picture production company" shall not mean or include any company
47 owned, affiliated, or controlled, in whole or in part, by any
48 company or person which is in default on a loan made by the state
49 or a loan guaranteed by the state, or any company or person who
50 has ever declared bankruptcy under which an obligation of the
51 company or person to pay or repay public funds or monies was
52 discharged as a part of such bankruptcy.

53 (d) "Payroll" means salary, wages or other compensation
54 including related benefits.

55 (e) "Resident" or "resident of Mississippi" means a
56 natural person, and for the purpose of determining eligibility for
57 the tax credit provided by Section 3 of this act, any person
58 domiciled in the State of Mississippi and any other person who
59 maintains a permanent place of abode within the state and spends
60 in the aggregate more than six (6) months of each year within the
61 state.

62 (f) "State" means the State of Mississippi.

63 (g) "State-certified production" means a motion picture
64 approved by the Mississippi Development Authority produced by a
65 motion picture production company in the state.

66 **SECTION 3.** (1) A motion picture production company shall be
67 entitled to a tax credit for the employment of residents of
68 Mississippi in connection with production of a state-certified
69 production in the state. The credit shall be equal to ten percent
70 (10%) of the total aggregate payroll for residents employed in
71 connection with such state-certified production during the taxable
72 year.

73 (2) The credit may be applied to the tax liability
74 applicable to the motion picture production company imposed by
75 Chapter 7 of Title 27, Mississippi Code of 1972. The credit shall

76 be limited to the tax liability created by the activity for which
77 the credit is granted.

78 (3) If the motion picture production company is an entity
79 not subject to the tax imposed by Chapter 7 of Title 27,
80 Mississippi Code of 1972, the tax credit shall flow through to its
81 partners or members as follows:

82 (a) Corporate partners or members shall claim their
83 share of the credit on their corporation income tax return.

84 (b) Individual partners or members shall claim their
85 share of the credit on their individual income tax returns.

86 (c) Partners or members that are estates or trusts
87 shall claim their share of the credit on their fiduciary income
88 tax returns.

89 (4) Any unused credit may be carried forward no more than
90 ten (10) years from the date the credit was earned. The credit
91 authorized in this section is not refundable.

92 (5) A motion picture production company desiring a tax
93 credit under this section must submit an application to the State
94 Tax Commission. The application must include a detailed
95 accounting of the total aggregate payroll for residents employed
96 in connection with such state-certified production during the
97 taxable year and any other information required by the State Tax
98 Commission.

99 (6) The State Tax Commission shall have all powers necessary
100 to implement and administer the provisions of this section, and
101 the commission shall promulgate rules and regulations, in
102 accordance with the Mississippi Administrative Procedures Law,
103 necessary for the implementation of this section.

104 **SECTION 4.** (1) A motion picture production company shall be
105 entitled to a rebate of a portion of the base investment made by
106 the motion picture production company. The amount of the rebate

107 shall be equal to ten percent (10%) of the base investment made by
108 the motion picture production company.

109 (2) A motion picture production company desiring a rebate
110 under this section must submit an application to the State Tax
111 Commission upon completion of the project. The application must
112 include a detailed accounting of the base investment made by the
113 motion picture production company and any other information
114 required by the State Tax Commission. Rebates made by the State
115 Tax Commission under this section shall be made from current
116 income tax collections.

117 (3) The State Tax Commission shall have all powers necessary
118 to implement and administer the provisions of this section, and
119 the State Tax Commission shall promulgate rules and regulations,
120 in accordance with the Mississippi Administrative Procedures Law,
121 necessary for the implementation of this section.

122 **SECTION 5.** Section 27-65-11, Mississippi Code of 1972, is
123 amended as follows:

124 27-65-11. (a) "Manufacturer" means one who is exclusively
125 or predominately engaged in the business of manufacturing as
126 defined under the terms "to manufacture" or "manufacturing." A
127 person who is engaged in manufacturing and nonmanufacturing
128 activities may be classified as a manufacturer as to his
129 manufacturing activities which are operated as a separate business
130 or division.

131 (b) "To manufacture" or "manufacturing" embraces activities
132 of an industrial or commercial nature wherein labor or skill is
133 applied, by hand or machinery, to materials belonging to the
134 manufacturer so that a new, different, or more useful article of
135 tangible personal property or substance of trade or commerce or
136 electric power is produced for sale or rental and includes the
137 production or fabrication of special-made or custom-made articles
138 for sale or rental.

139 "To manufacture" or "manufacturing" does not include
140 activities such as cooking or preparing food or food products by a
141 retailer in the regular course of retail trade; repairing and
142 reconditioning property; the filling of prescriptions by a
143 pharmacist; the washing or screening of mineral products; the
144 cutting, hauling and decking of logs; or similar preparatory
145 functions even when performed by a manufacturer.

146 (c) "Remanufacturing" embraces activities of an industrial
147 or commercial nature wherein labor or skill is applied by hand or
148 machinery to materials, a portion of which may belong to the
149 customer, so that rebuilt articles of tangible personal property,
150 comparable in quality to new articles of the same property, are
151 created, a majority of the value of which is produced by the
152 remanufacturing activity.

153 (d) "Custom processor" means one who is exclusively or
154 predominately engaged in the business of custom processing or
155 remanufacturing as defined under the terms "custom processing" and
156 "remanufacturing."

157 (e) "Custom processing" means the performance of a
158 manufacturing service done or made to order upon the property of
159 the customer and shall include laundering, cleaning and pressing,
160 but shall not include "repairs" or "maintenance" as these terms
161 are defined herein; nor self-service commercial laundering,
162 drying, cleaning and pressing equipment.

163 (f) "Manufacturing machinery" shall mean and include that
164 machinery owned or leased by a manufacturer or custom processor
165 for use by said manufacturer or custom processor in his plant
166 directly and exclusively in manufacturing tangible personal
167 property for subsequent sale, rental or in custom processing for a
168 fee. Motorized units, conveyors, track and track structures,
169 conduits, and similar items for use in transporting the unfinished

170 product from storage or from one (1) phase of the manufacturing
171 process to another may be classed as "manufacturing machinery."

172 "Manufacturing machinery" shall also include laboratory
173 machinery which shall include X-ray machines and film, scales,
174 chemical equipment, pressure and tensile analysis machines and
175 similar equipment to determine the quality of the product in
176 process of manufacture, and equipment used in the processing of
177 waste materials to avoid air and water pollution, but only when
178 located at the manufacturer's plant site.

179 Machinery used by a manufacturer to move, repair, clean,
180 alter, improve, or otherwise recondition, rail rolling stock for
181 sale or rental shall likewise constitute "manufacturing
182 machinery."

183 "Manufacturing machinery" shall also include machinery and
184 equipment used in the production of motion pictures such as
185 editing equipment, audio equipment, lighting equipment, projection
186 equipment, camera equipment, sound equipment, cables, computer
187 equipment used in the editing process, computer equipment used in
188 the creation of special effects, and computer equipment used in
189 the graphic and animation process. For the purposes of this
190 paragraph the term "motion picture" means a nationally distributed
191 feature-length film, video, television series or commercial made
192 in Mississippi, in whole or in part, for theatrical or television
193 viewing or as a television pilot. The term "motion picture" shall
194 not include the production of television coverage of news and
195 athletic events, or a film, video, television series or commercial
196 that contains any material or performance defined in Section
197 97-29-103. Manufacturing machinery used in the production of
198 motion pictures shall not be limited to a plant site.

199 "Manufacturing machinery" shall not include machinery for use
200 in the hatching of baby chicks, the severance of timber, sand,
201 gravel, oil, gas or other natural resources produced or severed

202 from the soil or water, maintenance or repair machinery, research
203 laboratory machinery, storage warehouse machinery, equipment for
204 protection of the plant or comfort of the personnel, or other
205 equipment and supplies of like character. "Manufacturing
206 machinery" does not include machine foundations or materials for
207 their construction.

208 (g) "Machine parts" are component parts of manufacturing
209 machinery and do not include parts for service equipment,
210 nonmanufacturing machinery, fuels, lubricants, paints, or tools
211 for maintenance.

212 (h) "Manufacturing plant" means the real and personal
213 property owned or leased by a manufacturer which is assembled and
214 used at a fixed location to perform activities defined as
215 "manufacturing."

216 (i) "Repair," "repairs," or "maintenance" means the
217 restoring of property in some measure to its original condition,
218 which may involve the use of either personal property or labor or
219 both, but, for the purposes of this chapter, the total charge for
220 the service shall constitute gross income taxable in the class in
221 which it falls.

222 (j) "Producer" means any person producing natural resource
223 products or agricultural or horticultural products from the soil
224 or water for sale.

225 **SECTION 6.** Section 27-65-101, Mississippi Code of 1972, as
226 amended by House bill 1659, 2004 Regular Session, is amended as
227 follows:

228 **[From and after August 1, 2003, through June 30, 2004, this**
229 **section shall read as follows:]**

230 27-65-101. (1) The exemptions from the provisions of this
231 chapter which are of an industrial nature or which are more
232 properly classified as industrial exemptions than any other
233 exemption classification of this chapter shall be confined to

234 those persons or property exempted by this section or by the
235 provisions of the Constitution of the United States or the State
236 of Mississippi. No industrial exemption as now provided by any
237 other section except Section 57-3-33 shall be valid as against the
238 tax herein levied. Any subsequent industrial exemption from the
239 tax levied hereunder shall be provided by amendment to this
240 section. No exemption provided in this section shall apply to
241 taxes levied by Section 27-65-15 or 27-65-21.

242 The tax levied by this chapter shall not apply to the
243 following:

244 (a) Sales of boxes, crates, cartons, cans, bottles and
245 other packaging materials to manufacturers and wholesalers for use
246 as containers or shipping materials to accompany goods sold by
247 said manufacturers or wholesalers where possession thereof will
248 pass to the customer at the time of sale of the goods contained
249 therein and sales to anyone of containers or shipping materials
250 for use in ships engaged in international commerce.

251 (b) Sales of raw materials, catalysts, processing
252 chemicals, welding gases or other industrial processing gases
253 (except natural gas) to a manufacturer for use directly in
254 manufacturing or processing a product for sale or rental or
255 repairing or reconditioning vessels or barges of fifty (50) tons
256 load displacement and over. For the purposes of this exemption,
257 electricity used directly in the electrolysis process in the
258 production of sodium chlorate shall be considered a raw material.
259 This exemption shall not apply to any property used as fuel except
260 to the extent that such fuel comprises by-products which have no
261 market value.

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

266 (d) Sales to commercial fishermen of commercial fishing
267 boats of over five (5) tons load displacement and not more than
268 fifty (50) tons load displacement as registered with the United
269 States Coast Guard and licensed by the Mississippi Commission on
270 Marine Resources.

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

273 (f) Sales of petroleum products to vessels or barges
274 for consumption in marine international commerce or interstate
275 transportation businesses.

276 (g) Sales and rentals of rail rolling stock (and
277 component parts thereof) for ultimate use in interstate commerce
278 and gross income from services with respect to manufacturing,
279 repairing, cleaning, altering, reconditioning or improving such
280 rail rolling stock (and component parts thereof).

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

287 (i) Sales of machinery or tools or repair parts
288 therefor or replacements thereof, fuel or supplies used directly
289 in manufacturing, converting or repairing ships of three thousand
290 (3,000) tons load displacement and over, but not to include office
291 and plant supplies or other equipment not directly used on the
292 ship being built, converted or repaired.

293 (j) Sales of tangible personal property to persons
294 operating ships in international commerce for use or consumption
295 on board such ships. This exemption shall be limited to cases in
296 which procedures satisfactory to the commissioner, ensuring

297 against use in this state other than on such ships, are
298 established.

299 (k) Sales of materials used in the construction of a
300 building, or any addition or improvement thereon, and sales of any
301 machinery and equipment not later than three (3) months after the
302 completion of construction of the building, or any addition
303 thereon, to be used therein, to qualified businesses, as defined
304 in Section 57-51-5, which are located in a county or portion
305 thereof designated as an enterprise zone pursuant to Sections
306 57-51-1 through 57-51-15.

307 (l) Sales of materials used in the construction of a
308 building, or any addition or improvement thereon, and sales of any
309 machinery and equipment not later than three (3) months after the
310 completion of construction of the building, or any addition
311 thereon, to be used therein, to qualified businesses, as defined
312 in Section 57-54-5.

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

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

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

322 (p) Sales of materials used in the construction of a
323 building, or any addition or improvement thereon, and sales of any
324 machinery and equipment not later than three (3) months after the
325 completion of construction of the building, or any addition
326 thereon, to be used therein, to qualified companies, certified as
327 such by the Mississippi Development Authority under Section
328 57-53-1.

329 (q) Sales of component materials used in the
330 construction of a building, or any addition or improvement
331 thereon, sales of machinery and equipment to be used therein, and
332 sales of manufacturing or processing machinery and equipment which
333 is permanently attached to the ground or to a permanent foundation
334 and which is not by its nature intended to be housed within a
335 building structure, not later than three (3) months after the
336 initial start-up date, to permanent business enterprises engaging
337 in manufacturing or processing in Tier Three areas (as such term
338 is defined in Section 57-73-21), which businesses are certified by
339 the State Tax Commission as being eligible for the exemption
340 granted in this paragraph (q).

341 (r) Sales of component materials used in the
342 construction of a building, or any addition or improvement
343 thereon, and sales of any machinery and equipment not later than
344 three (3) months after the completion of the building, addition or
345 improvement thereon, to be used therein, for any company
346 establishing or transferring its national or regional headquarters
347 from within or outside the State of Mississippi and creating a
348 minimum of thirty-five (35) jobs at the new headquarters in this
349 state. The Tax Commission shall establish criteria and prescribe
350 procedures to determine if a company qualifies as a national or
351 regional headquarters for the purpose of receiving the exemption
352 provided in this paragraph.

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

357 (t) Gross income from the storage and handling of
358 natural gas in underground salt domes and in other underground
359 reservoirs, caverns, structures and formations suitable for such
360 storage.

361 (u) Sales of machinery and equipment to nonprofit
362 organizations if the organization: (i) is tax-exempt pursuant to
363 Section 501(c)(4) of the Internal Revenue Code of 1986, as
364 amended; (ii) assists in the implementation of the national
365 contingency plan or area contingency plan, and which is created in
366 response to the requirements of Title IV, Subtitle B of the Oil
367 Pollution Act of 1990, Public Law 101-380; and (iii) engages
368 primarily in programs to contain, clean up and otherwise mitigate
369 spills of oil or other substances occurring in the United States
370 coastal and tidal waters. For purposes of this exemption,
371 "machinery and equipment" means any ocean-going vessels, barges,
372 booms, skimmers and other capital equipment used primarily in the
373 operations of nonprofit organizations referred to herein.

374 (v) Sales of component materials and equipment to
375 approved business enterprises as provided under the Growth and
376 Prosperity Act.

377 (w) From and after July 1, 2001, sales of pollution
378 control equipment to manufacturers or custom processors for
379 industrial use. For the purposes of this exemption, "pollution
380 control equipment" means equipment, devices, machinery or systems
381 used or acquired to prevent, control, monitor or reduce air, water
382 or groundwater pollution, or solid or hazardous waste as required
383 by federal or state law or regulation.

384 (x) Sales or leases to a manufacturer of motor vehicles
385 operating a project that has been certified by the Mississippi
386 Major Economic Impact Authority as a project as defined in Section
387 57-75-5(f)(iv)1 of machinery and equipment; special tooling such
388 as dies, molds, jigs and similar items treated as special tooling
389 for federal income tax purposes; or repair parts therefor or
390 replacements thereof; repair services thereon; fuel, supplies,
391 electricity, coal and natural gas used directly in the manufacture

392 of motor vehicles or motor vehicle parts or used to provide
393 climate control for manufacturing areas.

394 (y) Sales or leases of component materials, machinery
395 and equipment used in the construction of a building, or any
396 addition or improvement thereon to an enterprise operating a
397 project that has been certified by the Mississippi Major Economic
398 Impact Authority as a project as defined in Section
399 57-75-5(f)(iv)1 and any other sales or leases required to
400 establish or operate such project.

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

403 (aa) The gross income from the stripping and painting
404 of commercial aircraft engaged in foreign or interstate
405 transportation business.

406 (2) Sales of component materials used in the construction of
407 a building, or any addition or improvement thereon, sales of
408 machinery and equipment to be used therein, and sales of
409 manufacturing or processing machinery and equipment which is
410 permanently attached to the ground or to a permanent foundation
411 and which is not by its nature intended to be housed within a
412 building structure, not later than three (3) months after the
413 initial start-up date, to permanent business enterprises engaging
414 in manufacturing or processing in Tier Two areas and Tier One
415 areas (as such areas are designated in accordance with Section
416 57-73-21), which businesses are certified by the State Tax
417 Commission as being eligible for the exemption granted in this
418 paragraph, shall be exempt from one-half (1/2) of the taxes
419 imposed on such transactions under this chapter.

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

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

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

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

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

429 (v) "Equipment used in the deployment of broadband
430 technologies" means any equipment capable of being used for or in
431 connection with the transmission of information at a rate, prior
432 to taking into account the effects of any signal degradation, that
433 is not less than three hundred eighty-four (384) kilobits per
434 second in at least one direction, including, but not limited to,
435 asynchronous transfer mode switches, digital subscriber line
436 access multiplexers, routers, servers, multiplexers, fiber optics
437 and related equipment.

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

443 (c) Sales of equipment to telecommunications
444 enterprises after June 30, 2003, and before July 1, 2013, that is
445 installed in Tier Two and Tier Three areas and used in the
446 deployment of broadband technologies shall be exempt from the
447 taxes imposed on such transactions under this chapter.

448 **[From and after July 1, 2004, this section shall read as**
449 **follows:]**

450 27-65-101. (1) The exemptions from the provisions of this
451 chapter which are of an industrial nature or which are more
452 properly classified as industrial exemptions than any other
453 exemption classification of this chapter shall be confined to
454 those persons or property exempted by this section or by the

455 provisions of the Constitution of the United States or the State
456 of Mississippi. No industrial exemption as now provided by any
457 other section except Section 57-3-33 shall be valid as against the
458 tax herein levied. Any subsequent industrial exemption from the
459 tax levied hereunder shall be provided by amendment to this
460 section. No exemption provided in this section shall apply to
461 taxes levied by Section 27-65-15 or 27-65-21.

462 The tax levied by this chapter shall not apply to the
463 following:

464 (a) Sales of boxes, crates, cartons, cans, bottles and
465 other packaging materials to manufacturers and wholesalers for use
466 as containers or shipping materials to accompany goods sold by
467 said manufacturers or wholesalers where possession thereof will
468 pass to the customer at the time of sale of the goods contained
469 therein and sales to anyone of containers or shipping materials
470 for use in ships engaged in international commerce.

471 (b) Sales of raw materials, catalysts, processing
472 chemicals, welding gases or other industrial processing gases
473 (except natural gas) to a manufacturer for use directly in
474 manufacturing or processing a product for sale or rental or
475 repairing or reconditioning vessels or barges of fifty (50) tons
476 load displacement and over. For the purposes of this exemption,
477 electricity used directly in the electrolysis process in the
478 production of sodium chlorate shall be considered a raw material.
479 This exemption shall not apply to any property used as fuel except
480 to the extent that such fuel comprises by-products which have no
481 market value.

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

486 (d) Sales to commercial fishermen of commercial fishing
487 boats of over five (5) tons load displacement and not more than
488 fifty (50) tons load displacement as registered with the United
489 States Coast Guard and licensed by the Mississippi Commission on
490 Marine Resources.

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

493 (f) Sales of petroleum products to vessels or barges
494 for consumption in marine international commerce or interstate
495 transportation businesses.

496 (g) Sales and rentals of rail rolling stock (and
497 component parts thereof) for ultimate use in interstate commerce
498 and gross income from services with respect to manufacturing,
499 repairing, cleaning, altering, reconditioning or improving such
500 rail rolling stock (and component parts thereof).

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

507 (i) Sales of machinery or tools or repair parts
508 therefor or replacements thereof, fuel or supplies used directly
509 in manufacturing, converting or repairing ships of three thousand
510 (3,000) tons load displacement and over, but not to include office
511 and plant supplies or other equipment not directly used on the
512 ship being built, converted or repaired.

513 (j) Sales of tangible personal property to persons
514 operating ships in international commerce for use or consumption
515 on board such ships. This exemption shall be limited to cases in
516 which procedures satisfactory to the commissioner, ensuring

517 against use in this state other than on such ships, are
518 established.

519 (k) Sales of materials used in the construction of a
520 building, or any addition or improvement thereon, and sales of any
521 machinery and equipment not later than three (3) months after the
522 completion of construction of the building, or any addition
523 thereon, to be used therein, to qualified businesses, as defined
524 in Section 57-51-5, which are located in a county or portion
525 thereof designated as an enterprise zone pursuant to Sections
526 57-51-1 through 57-51-15.

527 (l) Sales of materials used in the construction of a
528 building, or any addition or improvement thereon, and sales of any
529 machinery and equipment not later than three (3) months after the
530 completion of construction of the building, or any addition
531 thereon, to be used therein, to qualified businesses, as defined
532 in Section 57-54-5.

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

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

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

542 (p) Sales of materials used in the construction of a
543 building, or any addition or improvement thereon, and sales of any
544 machinery and equipment not later than three (3) months after the
545 completion of construction of the building, or any addition
546 thereon, to be used therein, to qualified companies, certified as
547 such by the Mississippi Development Authority under Section
548 57-53-1.

549 (q) Sales of component materials used in the
550 construction of a building, or any addition or improvement
551 thereon, sales of machinery and equipment to be used therein, and
552 sales of manufacturing or processing machinery and equipment which
553 is permanently attached to the ground or to a permanent foundation
554 and which is not by its nature intended to be housed within a
555 building structure, not later than three (3) months after the
556 initial start-up date, to permanent business enterprises engaging
557 in manufacturing or processing in Tier Three areas (as such term
558 is defined in Section 57-73-21), which businesses are certified by
559 the State Tax Commission as being eligible for the exemption
560 granted in this paragraph (q).

561 (r) Sales of component materials used in the
562 construction of a building, or any addition or improvement
563 thereon, and sales of any machinery and equipment not later than
564 three (3) months after the completion of the building, addition or
565 improvement thereon, to be used therein, for any company
566 establishing or transferring its national or regional headquarters
567 from within or outside the State of Mississippi and creating a
568 minimum of thirty-five (35) jobs at the new headquarters in this
569 state. The Tax Commission shall establish criteria and prescribe
570 procedures to determine if a company qualifies as a national or
571 regional headquarters for the purpose of receiving the exemption
572 provided in this paragraph.

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

577 (t) Gross income from the storage and handling of
578 natural gas in underground salt domes and in other underground
579 reservoirs, caverns, structures and formations suitable for such
580 storage.

581 (u) Sales of machinery and equipment to nonprofit
582 organizations if the organization: (i) is tax-exempt pursuant to
583 Section 501(c)(4) of the Internal Revenue Code of 1986, as
584 amended; (ii) assists in the implementation of the national
585 contingency plan or area contingency plan, and which is created in
586 response to the requirements of Title IV, Subtitle B of the Oil
587 Pollution Act of 1990, Public Law 101-380; and (iii) engages
588 primarily in programs to contain, clean up and otherwise mitigate
589 spills of oil or other substances occurring in the United States
590 coastal and tidal waters. For purposes of this exemption,
591 "machinery and equipment" means any ocean-going vessels, barges,
592 booms, skimmers and other capital equipment used primarily in the
593 operations of nonprofit organizations referred to herein.

594 (v) Sales or leases of * * * materials and equipment to
595 approved business enterprises as provided under the Growth and
596 Prosperity Act.

597 (w) From and after July 1, 2001, sales of pollution
598 control equipment to manufacturers or custom processors for
599 industrial use. For the purposes of this exemption, "pollution
600 control equipment" means equipment, devices, machinery or systems
601 used or acquired to prevent, control, monitor or reduce air, water
602 or groundwater pollution, or solid or hazardous waste as required
603 by federal or state law or regulation.

604 (x) Sales or leases to a manufacturer of motor vehicles
605 operating a project that has been certified by the Mississippi
606 Major Economic Impact Authority as a project as defined in Section
607 57-75-5(f)(iv)1 of machinery and equipment; special tooling such
608 as dies, molds, jigs and similar items treated as special tooling
609 for federal income tax purposes; or repair parts therefor or
610 replacements thereof; repair services thereon; fuel, supplies,
611 electricity, coal and natural gas used directly in the manufacture

612 of motor vehicles or motor vehicle parts or used to provide
613 climate control for manufacturing areas.

614 (y) Sales or leases of component materials, machinery
615 and equipment used in the construction of a building, or any
616 addition or improvement thereon to an enterprise operating a
617 project that has been certified by the Mississippi Major Economic
618 Impact Authority as a project as defined in Section
619 57-75-5(f)(iv)1 and any other sales or leases required to
620 establish or operate such project.

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

623 (aa) The gross income from the stripping and painting
624 of commercial aircraft engaged in foreign or interstate
625 transportation business.

626 (bb) Sales of production items used in the production
627 of motion pictures such as film; videotape; component building
628 materials used in the construction of a set; makeup; fabric used
629 as or in the making of costumes; clothing, including, shoes,
630 accessories and jewelry used as wardrobes; materials used as set
631 dressing; materials used as props on a set or by an actor;
632 materials used in the creation of special effects; and expendable
633 items purchased for limited use by grip, electric and camera
634 departments such as tape, fasteners and compressed air. For the
635 purposes of this paragraph (aa) the term "motion picture" means a
636 nationally distributed feature-length film, video, television
637 series or commercial made in Mississippi, in whole or in part, for
638 theatrical or television viewing or as a television pilot. The
639 term "motion picture" shall not include the production of
640 television coverage of news and athletic events, or a film, video,
641 television series or commercial that contains any material or
642 performance defined in Section 97-29-103.

643 (2) Sales of component materials used in the construction of
644 a building, or any addition or improvement thereon, sales of
645 machinery and equipment to be used therein, and sales of
646 manufacturing or processing machinery and equipment which is
647 permanently attached to the ground or to a permanent foundation
648 and which is not by its nature intended to be housed within a
649 building structure, not later than three (3) months after the
650 initial start-up date, to permanent business enterprises engaging
651 in manufacturing or processing in Tier Two areas and Tier One
652 areas (as such areas are designated in accordance with Section
653 57-73-21), which businesses are certified by the State Tax
654 Commission as being eligible for the exemption granted in this
655 paragraph, shall be exempt from one-half (1/2) of the taxes
656 imposed on such transactions under this chapter.

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

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

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

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

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

666 (v) "Equipment used in the deployment of broadband
667 technologies" means any equipment capable of being used for or in
668 connection with the transmission of information at a rate, prior
669 to taking into account the effects of any signal degradation, that
670 is not less than three hundred eighty-four (384) kilobits per
671 second in at least one direction, including, but not limited to,
672 asynchronous transfer mode switches, digital subscriber line
673 access multiplexers, routers, servers, multiplexers, fiber optics
674 and related equipment.

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

680 (c) Sales of equipment to telecommunications
681 enterprises after June 30, 2003, and before July 1, 2013, that is
682 installed in Tier Two and Tier Three areas and used in the
683 deployment of broadband technologies shall be exempt from the
684 taxes imposed on such transactions under this chapter.

685 **SECTION 7.** This act shall take effect and be in force from
686 and after July 1, 2004, except for Section 6, which shall take
687 effect and be in force from and after August 1, 2003.

**Further, amend by striking the title in its entirety and
inserting in lieu thereof the following:**

1 AN ACT TO ENACT THE MISSISSIPPI MOTION PICTURE INCENTIVE ACT;
2 TO PROVIDE THAT A MOTION PICTURE PRODUCTION COMPANY SHALL BE
3 ENTITLED TO AN INCOME TAX CREDIT FOR THE EMPLOYMENT OF RESIDENTS
4 OF MISSISSIPPI IN CONNECTION WITH THE PRODUCTION OF A MOTION
5 PICTURE; TO PROVIDE FOR THE AMOUNT OF THE CREDIT; TO PROVIDE FOR A
6 REBATE OF A PERCENTAGE OF THE INVESTMENT MADE BY A MOTION PICTURE
7 PRODUCTION COMPANY IN CERTAIN MOTION PICTURES; TO PROVIDE FOR THE
8 AMOUNT OF THE REBATE; TO AMEND SECTION 27-65-11, MISSISSIPPI CODE
9 OF 1972, TO REVISE THE DEFINITION OF THE TERM "MANUFACTURING
10 MACHINERY" UNDER THE STATE SALES TAX LAW TO INCLUDE CERTAIN
11 MACHINERY AND EQUIPMENT USED IN THE PRODUCTION OF MOTION PICTURES;
12 TO AMEND SECTION 27-65-101, MISSISSIPPI CODE OF 1972, TO CREATE AN
13 INDUSTRIAL SALES TAX EXEMPTION FOR SALES OF CERTAIN MACHINERY AND
14 EQUIPMENT USED IN THE PRODUCTION OF MOTION PICTURES; TO PROVIDE
15 THAT INCOME RECEIVED FROM THE STRIPPING AND PAINTING OF COMMERCIAL
16 AIRCRAFT ENGAGED IN FOREIGN OR INTERSTATE TRANSPORTATION BUSINESS
17 SHALL BE EXEMPT FROM SALES TAXATION; TO CREATE AN INDUSTRIAL SALES
18 TAX EXEMPTION FOR LEASES OF MACHINERY AND EQUIPMENT ACQUIRED IN

19 THE INITIAL CONSTRUCTION OF FACILITIES FOR OR FOR THE EXPANSION OF
20 A BUSINESS ENTERPRISE IN A GROWTH AND PROSPERITY COUNTY; AND FOR
21 RELATED PURPOSES.

CONFEREES FOR THE HOUSE

X (SIGNED)
Percy W. Watson

X (SIGNED)
Mark Formby

X (SIGNED)
Frances Fredericks

CONFEREES FOR THE SENATE

X (SIGNED)
Thomas E. Robertson

X (SIGNED)
Alan Nunnelee

X (SIGNED)
Deborah Jeanne Dawkins