

Senate Amendments to House Bill No. 999

TO THE CLERK OF THE HOUSE:

THIS IS TO INFORM YOU THAT THE SENATE HAS ADOPTED THE AMENDMENTS SET OUT BELOW:

AMENDMENT NO. 1

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

8 **SECTION 1.** Section 27-7-15, Mississippi Code of 1972, is
9 amended as follows:

10 27-7-15. (1) For the purposes of this article, except as
11 otherwise provided, the term "gross income" means and includes the
12 income of a taxpayer derived from salaries, wages, fees or
13 compensation for service, of whatever kind and in whatever form
14 paid, including income from governmental agencies and subdivisions
15 thereof; or from professions, vocations, trades, businesses,
16 commerce or sales, or renting or dealing in property, or
17 reacquired property; also from annuities, interest, rents,
18 dividends, securities, insurance premiums, reinsurance premiums,
19 considerations for supplemental insurance contracts, or the
20 transaction of any business carried on for gain or profit, or
21 gains, or profits, and income derived from any source whatever and
22 in whatever form paid. The amount of all such items of income
23 shall be included in the gross income for the taxable year in
24 which received by the taxpayer. The amount by which an eligible
25 employee's salary is reduced pursuant to a salary reduction
26 agreement authorized under Section 25-17-5 shall be excluded from
27 the term "gross income" within the meaning of this article.

28 (2) In determining gross income for the purpose of this
29 section, the following, under regulations prescribed by the
30 commissioner, shall be applicable:

31 (a) **Dealers in property.** Federal rules, regulations
32 and revenue procedures shall be followed with respect to

33 installment sales unless a transaction results in the shifting of
34 income from inside the state to outside the state.

35 (b) **Casual sales of property.**

36 (i) Prior to January 1, 2001, federal rules,
37 regulations and revenue procedures shall be followed with respect
38 to installment sales except they shall be applied and administered
39 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
40 106th Congress, had not been enacted. This provision will
41 generally affect taxpayers, reporting on the accrual method of
42 accounting, entering into installment note agreements on or after
43 December 17, 1999. Any gain or profit resulting from the casual
44 sale of property will be recognized in the year of sale.

45 (ii) From and after January 1, 2001, federal
46 rules, regulations and revenue procedures shall be followed with
47 respect to installment sales except as provided in this
48 subparagraph (ii). Gain or profit from the casual sale of
49 property shall be recognized in the year of sale. When a taxpayer
50 recognizes gain on the casual sale of property in which the gain
51 is deferred for federal income tax purposes, a taxpayer may elect
52 to defer the payment of tax resulting from the gain as allowed and
53 to the extent provided under regulations prescribed by the
54 commissioner. If the payment of the tax is made on a deferred
55 basis, the tax shall be computed based on the applicable rate for
56 the income reported in the year the payment is made. Except as
57 otherwise provided in subparagraph (iii) of this paragraph (b),
58 deferring the payment of the tax shall not affect the liability
59 for the tax. If at any time the installment note is sold,
60 contributed, transferred or disposed of in any manner and for any
61 purpose by the original note holder, or the original note holder
62 is merged, liquidated, dissolved or withdrawn from this state,
63 then all deferred tax payments under this section shall
64 immediately become due and payable.

65 (iii) If the selling price of the property is
66 reduced by any alteration in the terms of an installment note,
67 including default by the purchaser, the gain to be recognized is

68 recomputed based on the adjusted selling price in the same manner
69 as for federal income tax purposes. The tax on this amount, less
70 the previously paid tax on the recognized gain, is payable over
71 the period of the remaining installments. If the tax on the
72 previously recognized gain has been paid in full to this state,
73 the return on which the payment was made may be amended for this
74 purpose only. The statute of limitations in Section 27-7-49 shall
75 not bar an amended return for this purpose.

76 (c) **Reserves of insurance companies.** In the case of
77 insurance companies, any amounts in excess of the legally required
78 reserves shall be included as gross income.

79 (d) **Affiliated companies or persons.** As regards sales,
80 exchanges or payments for services from one to another of
81 affiliated companies or persons or under other circumstances where
82 the relation between the buyer and seller is such that gross
83 proceeds from the sale or the value of the exchange or the payment
84 for services are not indicative of the true value of the subject
85 matter of the sale, exchange or payment for services, the
86 commissioner shall prescribe uniform and equitable rules for
87 determining the true value of the gross income, gross sales,
88 exchanges or payment for services, or require consolidated returns
89 of affiliates.

90 (e) **Alimony and separate maintenance payments.** The
91 federal rules, regulations and revenue procedures in determining
92 the deductibility and taxability of alimony payments shall be
93 followed in this state.

94 (f) **Reimbursement for expenses of moving.** There shall
95 be included in gross income (as compensation for services) any
96 amount received or accrued, directly or indirectly, by an
97 individual as a payment for or reimbursement of expenses of moving
98 from one residence to another residence which is attributable to
99 employment or self-employment.

100 (3) In the case of taxpayers other than residents, gross
101 income includes gross income from sources within this state.

102 (4) The words "gross income" do not include the following
103 items of income which shall be exempt from taxation under this
104 article:

105 (a) The proceeds of life insurance policies and
106 contracts paid upon the death of the insured. However, the income
107 from the proceeds of such policies or contracts shall be included
108 in the gross income.

109 (b) The amount received by the insured as a return of
110 premium or premiums paid by him under life insurance policies,
111 endowment, or annuity contracts, either during the term or at
112 maturity or upon surrender of the contract.

113 (c) The value of property acquired by gift, bequest,
114 devise or descent, but the income from such property shall be
115 included in the gross income.

116 (d) Interest upon the obligations of the United States
117 or its possessions, or securities issued under the provisions of
118 the Federal Farm Loan Act of July 17, 1916, or bonds issued by the
119 War Finance Corporation, or obligations of the State of
120 Mississippi or political subdivisions thereof.

121 (e) The amounts received through accident or health
122 insurance as compensation for personal injuries or sickness, plus
123 the amount of any damages received for such injuries or such
124 sickness or injuries, or through the War Risk Insurance Act, or
125 any law for the benefit or relief of injured or disabled members
126 of the military or naval forces of the United States.

127 (f) Income received by any religious denomination or by
128 any institution or trust for moral or mental improvements,
129 religious, Bible, tract, charitable, benevolent, fraternal,
130 missionary, hospital, infirmary, educational, scientific,
131 literary, library, patriotic, historical or cemetery purposes or
132 for two (2) or more of such purposes, if such income be used
133 exclusively for carrying out one or more of such purposes.

134 (g) Income received by a domestic corporation which is
135 "taxable in another state" as this term is defined in this
136 article, derived from business activity conducted outside this

137 state. Domestic corporations taxable both within and without the
138 state shall determine Mississippi income on the same basis as
139 provided for foreign corporations under the provisions of this
140 article.

141 (h) In case of insurance companies, there shall be
142 excluded from gross income such portion of actual premiums
143 received from an individual policyholder as is paid back or
144 credited to or treated as an abatement of premiums of such
145 policyholder within the taxable year.

146 (i) Income from dividends that has already borne a tax
147 as dividend income under the provisions of this article, when such
148 dividends may be specifically identified in the possession of the
149 recipient.

150 (j) Amounts paid by the United States to a person as
151 added compensation for hazardous duty pay as a member of the Armed
152 Forces of the United States in a combat zone designated by
153 Executive Order of the President of the United States.

154 (k) Amounts received as retirement allowances,
155 pensions, annuities or optional retirement allowances paid under
156 the federal Social Security Act, the Railroad Retirement Act, the
157 Federal Civil Service Retirement Act, or any other retirement
158 system of the United States government, retirement allowances paid
159 under the Mississippi Public Employees' Retirement System,
160 Mississippi Highway Safety Patrol Retirement System or any other
161 retirement system of the State of Mississippi or any political
162 subdivision thereof. The exemption allowed under this paragraph
163 (k) shall be available to the spouse or other beneficiary at the
164 death of the primary retiree.

165 (l) Amounts received as retirement allowances,
166 pensions, annuities or optional retirement allowances paid by any
167 public or governmental retirement system not designated in
168 paragraph (k) or any private retirement system or plan of which
169 the recipient was a member at any time during the period of his
170 employment. Amounts received as a distribution under a Roth
171 Individual Retirement Account shall be treated in the same manner

172 as provided under the Internal Revenue Code of 1986, as amended.
173 The exemption allowed under this paragraph (l) shall be available
174 to the spouse or other beneficiary at the death of the primary
175 retiree.

176 (m) Compensation not to exceed the aggregate sum of
177 Five Thousand Dollars (\$5,000.00) for any taxable year received by
178 a member of the National Guard or Reserve Forces of the United
179 States as payment for inactive duty training, active duty training
180 and state active duty.

181 (n) Compensation received for active service as a
182 member below the grade of commissioned officer and so much of the
183 compensation as does not exceed the maximum enlisted amount
184 received for active service as a commissioned officer in the Armed
185 Forces of the United States for any month during any part of which
186 such members of the Armed Forces (i) served in a combat zone as
187 designated by Executive Order of the President of the United
188 States or a qualified hazardous duty area as defined by federal
189 law, or both; or (ii) was hospitalized as a result of wounds,
190 disease or injury incurred while serving in such combat zone. For
191 the purposes of this paragraph (n), the term "maximum enlisted
192 amount" means and has the same definition as that term has in 26
193 USCS 112.

194 (o) The proceeds received from federal and state
195 forestry incentives programs.

196 (p) The amount representing the difference between the
197 increase of gross income derived from sales for export outside the
198 United States as compared to the preceding tax year wherein gross
199 income from export sales was highest, and the net increase in
200 expenses attributable to such increased exports. In the absence
201 of direct accounting the ratio of net profits to total sales may
202 be applied to the increase in export sales. This paragraph (p)
203 shall only apply to businesses located in this state engaging in
204 the international export of Mississippi goods and services. Such
205 goods or services shall have at least fifty percent (50%) of value
206 added at a location in Mississippi.

207 (q) Amounts paid by the federal government for the
208 construction of soil conservation systems as required by a
209 conservation plan adopted pursuant to 16 USCS 3801 et seq.

210 (r) The amount deposited in a medical savings account,
211 and any interest accrued thereon, that is a part of a medical
212 savings account program as specified in the Medical Savings
213 Account Act under Sections 71-9-1 through 71-9-9; provided,
214 however, that any amount withdrawn from such account for purposes
215 other than paying eligible medical expense or to procure health
216 coverage shall be included in gross income.

217 (s) Amounts paid by the Mississippi Soil and Water
218 Conservation Commission from the Mississippi Soil and Water
219 Cost-Share Program for the installation of water quality best
220 management practices.

221 (t) Dividends received by a holding corporation, as
222 defined in Section 27-13-1, from a subsidiary corporation, as
223 defined in Section 27-13-1.

224 (u) Interest, dividends, gains or income of any kind on
225 any account in the Mississippi Affordable College Savings Trust
226 Fund, as established in Sections 37-155-101 through 37-155-125, to
227 the extent that such amounts remain on deposit in the MACS Trust
228 Fund or are withdrawn pursuant to a qualified withdrawal, as
229 defined in Section 37-155-105.

230 (v) Interest, dividends or gains accruing on the
231 payments made pursuant to a prepaid tuition contract, as provided
232 for in Section 37-155-17.

233 (w) Income resulting from transactions with a related
234 member where the related member subject to tax under this chapter
235 was required to, and did in fact, add back the expense of such
236 transactions as required by Section 27-7-17(2). Under no
237 circumstances may the exclusion from income exceed the deduction
238 add-back of the related member, nor shall the exclusion apply to
239 any income otherwise excluded under this chapter.

240 (x) Amounts that are subject to the tax levied pursuant
241 to Section 27-7-901, and are paid to patrons by gaming
242 establishments licensed under the Mississippi Gaming Control Act.

243 (y) Amounts that are subject to the tax levied pursuant
244 to Section 27-7-903, and are paid to patrons by gaming
245 establishments not licensed under the Mississippi Gaming Control
246 Act.

247 (5) Prisoners of war, missing in action-taxable status.

248 (a) **Members of the Armed Forces.** Gross income does not
249 include compensation received for active service as a member of
250 the Armed Forces of the United States for any month during any
251 part of which such member is in a missing status, as defined in
252 paragraph (d) of this subsection, during the Vietnam Conflict as a
253 result of such conflict.

254 (b) **Civilian employees.** Gross income does not include
255 compensation received for active service as an employee for any
256 month during any part of which such employee is in a missing
257 status during the Vietnam Conflict as a result of such conflict.

258 (c) **Period of conflict.** For the purpose of this
259 subsection, the Vietnam Conflict began February 28, 1961, and ends
260 on the date designated by the President by Executive Order as the
261 date of the termination of combatant activities in Vietnam. For
262 the purpose of this subsection, an individual is in a missing
263 status as a result of the Vietnam Conflict if immediately before
264 such status began he was performing service in Vietnam or was
265 performing service in Southeast Asia in direct support of military
266 operations in Vietnam. "Southeast Asia," as used in this
267 paragraph, is defined to include Cambodia, Laos, Thailand and
268 waters adjacent thereto.

269 (d) "Missing status" means the status of an employee or
270 member of the Armed Forces who is in active service and is
271 officially carried or determined to be absent in a status of (i)
272 missing; (ii) missing in action; (iii) interned in a foreign
273 country; (iv) captured, beleaguered or besieged by a hostile
274 force; or (v) detained in a foreign country against his will; but

275 does not include the status of an employee or member of the Armed
276 Forces for a period during which he is officially determined to be
277 absent from his post of duty without authority.

278 (e) "Active service" means active federal service by an
279 employee or member of the Armed Forces of the United States in an
280 active duty status.

281 (f) "Employee" means one who is a citizen or national
282 of the United States or an alien admitted to the United States for
283 permanent residence and is a resident of the State of Mississippi
284 and is employed in or under a federal executive agency or
285 department of the Armed Forces.

286 (g) "Compensation" means (i) basic pay; (ii) special
287 pay; (iii) incentive pay; (iv) basic allowance for quarters; (v)
288 basic allowance for subsistence; and (vi) station per diem
289 allowances for not more than ninety (90) days.

290 (h) If refund or credit of any overpayment of tax for
291 any taxable year resulting from the application of subsection (5)
292 of this section is prevented by the operation of any law or rule
293 of law, such refund or credit of such overpayment of tax may,
294 nevertheless, be made or allowed if claim therefor is filed with
295 the State Tax Commission within three (3) years after the date of
296 the enactment of this subsection.

297 (i) The provisions of this subsection shall be
298 effective for taxable years ending on or after February 28, 1961.

299 (6) A shareholder of an S corporation, as defined in Section
300 27-8-3(1)(g), shall take into account the income, loss, deduction
301 or credit of the S corporation only to the extent provided in
302 Section 27-8-7(2).

303 **SECTION 2.** Nothing in this act shall affect or defeat any
304 claim, assessment, appeal, suit, right or cause of action for
305 taxes due or accrued under the income tax laws before the date on
306 which this act becomes effective, whether such claims,
307 assessments, appeals, suits or actions have been begun before the
308 date on which this act becomes effective or are begun thereafter;
309 and the provisions of the income tax laws are expressly continued

310 in full force, effect and operation for the purpose of the
311 assessment, collection and enrollment of liens for any taxes due
312 or accrued and the execution of any warrant under such laws before
313 the date on which this act becomes effective, and for the
314 imposition of any penalties, forfeitures or claims for failure to
315 comply with such laws.

316 **SECTION 3.** This act shall take effect and be in force from
317 and after January 1, 2004.

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

1 AN ACT TO AMEND SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO
2 INCREASE THE AMOUNT OF COMPENSATION RECEIVED BY A COMMISSIONED
3 OFFICER IN THE ARMED FORCES FOR SERVICE IN A COMBAT ZONE THAT IS
4 EXCLUDED FROM THE MEANING OF "GROSS INCOME" FOR PURPOSES OF THE
5 STATE INCOME TAX LAW; TO EXTEND THE EXCLUSION TO COMPENSATION
6 RECEIVED IN A HAZARDOUS DUTY AREA; AND FOR RELATED PURPOSES.

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John O. Gilbert
Secretary of the Senate