

REPORT OF CONFERENCE COMMITTEE

MR. PRESIDENT AND MR. SPEAKER:

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

S. B. No. 2858: Taxpayer Pay Raise Act of 2016; phase out income taxation on first \$5,000.00 of taxable income; phase out franchise tax.

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

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

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

17 **SECTION 1.** Section 27-7-5, Mississippi Code of 1972, is
18 amended as follows:

19 27-7-5. (1) There is hereby assessed and levied, to be
20 collected and paid as hereinafter provided, for the calendar year
21 1983 and fiscal years ending during the calendar year 1983 and all
22 taxable years thereafter, upon the entire net income of every
23 resident individual, corporation, association, trust or estate, in
24 excess of the credits provided, a tax at the following rates:

25 (a) (i) For calendar year 2015 and fiscal years ending
26 during calendar year 2015, on the first Five Thousand Dollars
27 (\$5,000.00) of taxable income, or any part thereof, * * *~~at~~ the
28 rate * * *~~of~~ shall be three percent (3%);

29 (ii) For calendar year 2016 and fiscal years
30 ending during calendar year 2016, on the first One Thousand
31 Dollars (\$1,000.00) of taxable income there shall be no tax
32 levied, and on the next Four Thousand Dollars (\$4,000.00) of
33 taxable income, or any part thereof, the rate shall be three
34 percent (3%);

35 (iii) For calendar year 2017 and fiscal years
36 ending during calendar year 2017, on the first Two Thousand
37 Dollars (\$2,000.00) of taxable income there shall be no tax
38 levied, and on the next Three Thousand Dollars (\$3,000.00) of
39 taxable income, or any part thereof, the rate shall be three
40 percent (3%);

41 (iv) For calendar year 2018 and fiscal years
42 ending during calendar year 2018, on the first Three Thousand
43 Dollars (\$3,000.00) of taxable income there shall be no tax
44 levied, and on the next Two Thousand Dollars (\$2,000.00) of
45 taxable income, or any part thereof, the rate shall be three
46 percent (3%);

47 (v) For calendar year 2019 and fiscal years ending
48 during calendar year 2019, on the first Four Thousand Dollars
49 (\$4,000.00) of taxable income there shall be no tax levied, and on
50 the next One Thousand Dollars (\$1,000.00) of taxable income, or
51 any part thereof, the rate shall be three percent (3%);

52 (vi) For calendar year 2020 and fiscal years
53 ending during calendar year 2020 and all taxable years thereafter,

54 there shall be no tax levied on the first Five Thousand Dollars
55 (\$5,000.00) of taxable income;

56 (b) For calendar years through 2025 and all fiscal
57 years ending during calendar years through 2025, on * * *~~the next~~
58 Five Thousand Dollars (\$5,000.00) of taxable income in excess of
59 Five Thousand Dollars (\$5,000.00) up to and including Ten Thousand
60 Dollars (\$10,000.00), or any part thereof, * * *~~at~~ the
61 rate * * *~~of~~ shall be four percent (4%);

62 (i) For calendar year 2026 and fiscal years ending
63 during calendar year 2026, on the first Six Thousand Dollars
64 (\$6,000.00) of taxable income there shall be no tax levied, and on
65 the next Four Thousand Dollars (\$4,000.00) of taxable income, or
66 any part thereof, the rate shall be four percent (4%);

67 (ii) For calendar year 2027 and fiscal years
68 ending during calendar year 2027, on the first Seven Thousand
69 Dollars (\$7,000.00) of taxable income there shall be no tax
70 levied, and on the next Three Thousand Dollars (\$3,000.00) of
71 taxable income, or any part thereof, the rate shall be four
72 percent (4%);

73 (iii) For calendar year 2028 and fiscal years
74 ending during calendar year 2028, on the first Eight Thousand
75 Dollars (\$8,000.00) of taxable income there shall be no tax
76 levied, and on the next Two Thousand Dollars (\$2,000.00) of
77 taxable income, or any part thereof, the rate shall be four
78 percent (4%);

79 (iv) For calendar year 2029 and fiscal years
80 ending during calendar year 2029, on the first Nine Thousand
81 Dollars (\$9,000.00) of taxable income there shall be no tax
82 levied, and on the next One Thousand Dollars (\$1,000.00) of
83 taxable income, or any part thereof, the rate shall be four
84 percent (4%);

85 (v) For calendar year 2030 and fiscal years ending
86 during calendar year 2030 and all taxable years thereafter, there
87 shall be no tax levied on the first Ten Thousand Dollars
88 (\$10,000.00) of taxable income; and

89 (c) On all taxable income in excess of Ten Thousand
90 Dollars (\$10,000.00), * * ~~at~~ the rate * * ~~of~~ shall be five
91 percent (5%).

92 (2) An S corporation, as defined in Section 27-8-3(1)(g),
93 shall not be subject to the income tax imposed under this section.

94 (3) A like tax is hereby imposed to be assessed, collected
95 and paid annually, except as hereinafter provided, at the rate
96 specified in this section and as hereinafter provided, upon and
97 with respect to the entire net income, from all property owned or
98 sold, and from every business, trade or occupation carried on in
99 this state by individuals, corporations, partnerships, trusts or
100 estates, not residents of the State of Mississippi.

101 (4) In the case of taxpayers having a fiscal year beginning
102 in the calendar year 1982 and ending after the first day of

103 January 1983, the tax due for that taxable year shall be
104 determined by:

105 (a) Computing for the full fiscal year the amount of
106 tax that would be due under the rates in effect for the calendar
107 year 1982; and

108 (b) Computing for the full fiscal year the amount of
109 tax that would be due under the rates in effect for the calendar
110 year 1983; and

111 (c) Applying to the tax computed under paragraph (a)
112 the ratio which the number of months falling within the earlier
113 calendar year bears to the total number of months in the fiscal
114 year; and

115 (d) Applying to the tax computed under paragraph (b)
116 the ratio which the number of months falling within the later
117 calendar year bears to the total number of months within the
118 fiscal year; and

119 (e) Adding to the tax determined under paragraph (c)
120 the tax determined under paragraph (d) the sum of which shall be
121 the amount of tax due for the fiscal year.

122 **SECTION 2.** Section 27-7-18, Mississippi Code of 1972, is
123 amended as follows:

124 27-7-18. (1) Alimony payments. In the case of a person
125 described in Section 27-7-15(2)(e), there shall be allowed as a
126 deduction from gross income amounts paid as periodic payments to
127 the extent of such amounts as are includible in the gross income

128 of the spouse as provided in Section 27-7-15(2)(e), payment of
129 which is made within the person's taxable year.

130 (2) Unreimbursed moving expenses incurred after December 31,
131 1994, are deductible as an adjustment to gross income in
132 accordance with provisions of the United States Internal Revenue
133 Code, and rules, regulations and revenue procedures thereunder
134 relating to moving expenses, not in direct conflict with the
135 provisions of the Mississippi Income Tax Law.

136 (3) Amounts paid after December 31, 1998, by a self-employed
137 individual for insurance which constitute medical care for the
138 taxpayer, his spouse and dependents, are deductible as an
139 adjustment to gross income in accordance with provisions of the
140 United States Internal Revenue Code, and rules, regulations and
141 revenue procedures thereunder relating to such payments, not in
142 direct conflict with the provisions of the Mississippi Income Tax
143 Law.

144 (4) Contributions or payments to a Mississippi Affordable
145 College Savings (MACS) Program account are deductible from gross
146 income as provided in Section 37-155-113. Payments made under a
147 prepaid tuition contract entered into under the Mississippi
148 Prepaid Affordable College Tuition Program are deductible as
149 provided in Section 37-155-17.

150 (5) (a) Unreimbursed travel expenses, lodging expenses and
151 lost wages an individual incurred as a result of, and related to,
152 the donation, while living, of one or more of his or her organs

153 for human organ transplantation, are deductible from gross income.
154 The deduction from gross income authorized by this subsection may
155 be claimed for only once and may not exceed Ten Thousand Dollars
156 (\$10,000.00).

157 (b) As used in this subsection, "organ" means all or
158 part of a liver, pancreas, kidney, intestine, lung or bone marrow.

159 (6) In the case of a self-employed individual, there shall
160 be allowed as a deduction from gross income an amount equal to:

161 (a) Seventeen percent (17%) of the federal
162 self-employment taxes imposed on such individual for taxable years
163 ending in calendar year 2016;

164 (b) Thirty-four percent (34%) of the federal
165 self-employment taxes imposed on such individual for taxable years
166 ending in calendar year 2017; and

167 (c) Fifty percent (50%) of the federal self-employment
168 taxes imposed on such individual for taxable years ending in
169 calendar year 2018 and thereafter.

170 **SECTION 3.** Section 27-13-5, Mississippi Code of 1972, is
171 amended as follows:

172 27-13-5. (1) **Franchise tax levy.** (a) Except as otherwise
173 provided in subsections (3), (4), (5) and (7) of this section,
174 there is hereby imposed, to be paid and collected as hereinafter
175 provided, a franchise or excise tax upon every corporation,
176 association or joint-stock company or partnership treated as a
177 corporation under the income tax laws or regulations, organized or

178 created for pecuniary gain, having privileges not possessed by
179 individuals, and having authorized capital stock now existing in
180 this state, or hereafter organized, created or established, under
181 and by virtue of the laws of the State of Mississippi, equal to:

182 (i) For tax years beginning before January 1,
183 2017, Two Dollars and Fifty Cents (\$2.50) for each One Thousand
184 Dollars (\$1,000.00), or fraction thereof, of the value of the
185 capital used, invested or employed in the exercise of any power,
186 privilege or right enjoyed by such organization within this state,
187 except as hereinafter provided.

188 (ii) For tax years beginning on or after January
189 1, 2017, but before January 1, 2018, Two Dollars and Twenty-five
190 Cents (\$2.25) for each One Thousand Dollars (\$1,000.00), or
191 fraction thereof, of the value of the capital used, invested or
192 employed in the exercise of any power, privilege or right enjoyed
193 by such organization within this state, except as hereinafter
194 provided.

195 (iii) For tax years beginning on or after January
196 1, 2018, but before January 1, 2019, Two Dollars (\$2.00) for each
197 One Thousand Dollars (\$1,000.00), or fraction thereof, of the
198 value of the capital used, invested or employed in the exercise of
199 any power, privilege or right enjoyed by such organization within
200 this state, except as hereinafter provided.

201 (iv) For tax years beginning on or after January
202 1, 2019, but before January 1, 2020, One Dollar and Seventy-five

203 Cents (\$1.75) for each One Thousand Dollars (\$1,000.00), or
204 fraction thereof, of the value of the capital used, invested or
205 employed in the exercise of any power, privilege or right enjoyed
206 by such organization within this state, except as hereinafter
207 provided.

208 (v) For tax years beginning on or after January 1,
209 2020, but before January 1, 2021, One Dollar and Fifty Cents
210 (\$1.50) for each One Thousand Dollars (\$1,000.00), or fraction
211 thereof, of the value of the capital used, invested or employed in
212 the exercise of any power, privilege or right enjoyed by such
213 organization within this state, except as hereinafter provided.

214 (vi) For tax years beginning on or after January
215 1, 2021, but before January 1, 2022, One Dollar and Twenty-five
216 Cents (\$1.25) for each One Thousand Dollars (\$1,000.00), or
217 fraction thereof, of the value of the capital used, invested or
218 employed in the exercise of any power, privilege or right enjoyed
219 by such organization within this state, except as hereinafter
220 provided.

221 (vii) For tax years beginning on or after January
222 1, 2022, but before January 1, 2023, One Dollar (\$1.00) for each
223 One Thousand Dollars (\$1,000.00), or fraction thereof, of the
224 value of the capital used, invested or employed in the exercise of
225 any power, privilege or right enjoyed by such organization within
226 this state, except as hereinafter provided.

227 (viii) For tax years beginning on or after January
228 1, 2023, but before January 1, 2024, Seventy-five Cents (\$0.75)
229 for each One Thousand Dollars (\$1,000.00), or fraction thereof, of
230 the value of the capital used, invested or employed in the
231 exercise of any power, privilege or right enjoyed by such
232 organization within this state, except as hereinafter provided.

233 (ix) For tax years beginning on or after January
234 1, 2024, but before January 1, 2025, Fifty Cents (\$0.50) for each
235 One Thousand Dollars (\$1,000.00), or fraction thereof, of the
236 value of the capital used, invested or employed in the exercise of
237 any power, privilege or right enjoyed by such organization within
238 this state, except as hereinafter provided.

239 (b) In no case shall the franchise tax due for the
240 accounting period be less than Twenty-five Dollars (\$25.00).

241 (c) It is the purpose of this section to require the
242 payment to the State of Mississippi of this tax for the right
243 granted by the laws of this state to exist as such organization,
244 and to enjoy, under the protection of the laws of this state, the
245 powers, rights, privileges and immunities derived from the state
246 by the form of such existence.

247 (2) **Annual report of domestic corporations.** Each domestic
248 corporation shall file an annual report as required by the
249 provisions of Section 79-4-16.22.

250 (3) A corporation that has negotiated a fee-in-lieu as
251 defined in Section 57-75-5 shall not be subject to the tax levied

252 by this section on such project; provided, however, that the
253 fee-in-lieu payment shall be otherwise treated in the same manner
254 as the payment of franchise taxes.

255 (4) An approved business enterprise as defined in the Growth
256 and Prosperity Act shall not be subject to the tax levied by this
257 section on the value of capital used, invested or employed by the
258 approved business enterprise in a growth and prosperity county or
259 supervisors district as provided in the Growth and Prosperity Act.

260 (5) A business enterprise operating a project as defined in
261 Section 57-64-33, in a county that is a member of a regional
262 economic development alliance created under the Regional Economic
263 Development Act shall not be subject to the tax levied by this
264 section on the value of capital used, invested or employed by the
265 business enterprise in such a county as provided in Section
266 57-64-33.

267 (6) The tax levied by this chapter and paid by a business
268 enterprise located in a redevelopment project area under Sections
269 57-91-1 through 57-91-11 shall be deposited into the Redevelopment
270 Project Incentive Fund created in Section 57-91-9.

271 (7) A business enterprise as defined in Section 57-113-1
272 that is exempt from certain state taxes under Section 57-113-5
273 shall not be subject to the tax levied by this section on the
274 value of capital used, invested or employed by the business
275 enterprise.

276 **SECTION 4.** Section 27-13-7, Mississippi Code of 1972, is
277 amended as follows:

278 27-13-7. (1) **Franchise tax levy.** (a) Except as otherwise
279 provided in subsections (3), (4), (5) and (7) of this section,
280 there is hereby imposed, levied and assessed upon every
281 corporation, association or joint-stock company, or partnership
282 treated as a corporation under the income tax laws or regulations
283 as hereinbefore defined, organized and existing under and by
284 virtue of the laws of some other state, territory or country, or
285 organized and existing without any specific statutory authority,
286 now or hereafter doing business or exercising any power, privilege
287 or right within this state, as hereinbefore defined, a franchise
288 or excise tax equal to:

289 (i) For tax years beginning before January 1,
290 2017, Two Dollars and Fifty Cents (\$2.50) of each One Thousand
291 Dollars (\$1,000.00), or fraction thereof, of the value of capital
292 used, invested or employed within this state, except as
293 hereinafter provided.

294 (ii) For tax years beginning on or after January
295 1, 2017, but before January 1, 2018, Two Dollars and Twenty-five
296 Cents (\$2.25) for each One Thousand Dollars (\$1,000.00), or
297 fraction thereof, of the value of the capital used, invested or
298 employed in the exercise of any power, privilege or right enjoyed
299 by such organization within this state, except as hereinafter
300 provided.

301 (iii) For tax years beginning on or after January
302 1, 2018, but before January 1, 2019, Two Dollars (\$2.00) for each
303 One Thousand Dollars (\$1,000.00), or fraction thereof, of the
304 value of the capital used, invested or employed in the exercise of
305 any power, privilege or right enjoyed by such organization within
306 this state, except as hereinafter provided.

307 (iv) For tax years beginning on or after January
308 1, 2019, but before January 1, 2020, One Dollar and Seventy-five
309 Cents (\$1.75) for each One Thousand Dollars (\$1,000.00), or
310 fraction thereof, of the value of the capital used, invested or
311 employed in the exercise of any power, privilege or right enjoyed
312 by such organization within this state, except as hereinafter
313 provided.

314 (v) For tax years beginning on or after January 1,
315 2020, but before January 1, 2021, One Dollar and Fifty Cents
316 (\$1.50) for each One Thousand Dollars (\$1,000.00), or fraction
317 thereof, of the value of the capital used, invested or employed in
318 the exercise of any power, privilege or right enjoyed by such
319 organization within this state, except as hereinafter provided.

320 (vi) For tax years beginning on or after January
321 1, 2021, but before January 1, 2022, One Dollar and Twenty-five
322 Cents (\$1.25) for each One Thousand Dollars (\$1,000.00), or
323 fraction thereof, of the value of the capital used, invested or
324 employed in the exercise of any power, privilege or right enjoyed

325 by such organization within this state, except as hereinafter
326 provided.

327 (vii) For tax years beginning on or after January
328 1, 2022, but before January 1, 2023, One Dollar (\$1.00) for each
329 One Thousand Dollars (\$1,000.00), or fraction thereof, of the
330 value of the capital used, invested or employed in the exercise of
331 any power, privilege or right enjoyed by such organization within
332 this state, except as hereinafter provided.

333 (viii) For tax years beginning on or after January
334 1, 2023, but before January 1, 2024, Seventy-five Cents (\$0.75)
335 for each One Thousand Dollars (\$1,000.00), or fraction thereof, of
336 the value of the capital used, invested or employed in the
337 exercise of any power, privilege or right enjoyed by such
338 organization within this state, except as hereinafter provided.

339 (ix) For tax years beginning on or after January
340 1, 2024, but before January 1, 2025, Fifty Cents (\$0.50) for each
341 One Thousand Dollars (\$1,000.00), or fraction thereof, of the
342 value of the capital used, invested or employed in the exercise of
343 any power, privilege or right enjoyed by such organization within
344 this state, except as hereinafter provided.

345 (b) In no case shall the franchise tax due for the
346 accounting period be less than Twenty-five Dollars (\$25.00).

347 (c) It is the purpose of this section to require the
348 payment of a tax by all organizations not organized under the laws
349 of this state, measured by the amount of capital or its

350 equivalent, for which such organization receives the benefit and
351 protection of the government and laws of the state.

352 (2) **Annual report of foreign corporations.** Each foreign
353 corporation authorized to transact business in this state shall
354 file an annual report as required by the provisions of Section
355 79-4-16.22.

356 (3) A corporation that has negotiated a fee-in-lieu as
357 defined in Section 57-75-5 shall not be subject to the tax levied
358 by this section on such project; provided, however, that the
359 fee-in-lieu payment shall be otherwise treated in the same manner
360 as the payment of franchise taxes.

361 (4) An approved business enterprise as defined in the Growth
362 and Prosperity Act shall not be subject to the tax levied by this
363 section on the value of capital used, invested or employed by the
364 approved business enterprise in a growth and prosperity county or
365 supervisors district as provided in the Growth and Prosperity Act.

366 (5) A business enterprise operating a project as defined in
367 Section 57-64-33, in a county that is a member of a regional
368 economic development alliance created under the Regional Economic
369 Development Act shall not be subject to the tax levied by this
370 section on the value of capital used, invested or employed by the
371 business enterprise in such a county as provided in Section
372 57-64-33.

373 (6) The tax levied by this chapter and paid by a business
374 enterprise located in a redevelopment project area under Sections

375 57-91-1 through 57-91-11 shall be deposited into the Redevelopment
376 Project Incentive Fund created in Section 57-91-9.

377 (7) A business enterprise as defined in Section 57-113-1
378 that is exempt from certain state taxes under Section 57-113-5
379 shall not be subject to the tax levied by this section on the
380 value of capital used, invested or employed by the business
381 enterprise.

382 **SECTION 5.** Sections 27-13-1, 27-13-3, 27-13-5, 27-13-7,
383 27-13-8, 27-13-9, 27-13-11, 27-13-13, 27-13-15, 27-13-17,
384 27-13-19, 27-13-21, 27-13-23, 27-13-25, 27-13-27, 27-13-29,
385 27-13-31, 27-13-33, 27-13-35, 27-13-37, 27-13-39, 27-13-41,
386 27-13-47, 27-13-49, 27-13-51, 27-13-53, 27-13-55, 27-13-57,
387 27-13-59, 27-13-61, 27-13-63, 27-13-65 and 27-13-67, Mississippi
388 Code of 1972, which are the corporation franchise tax law, are
389 repealed from and after January 1, 2025.

390 **SECTION 6.** This act shall be known and may be cited as the
391 "Taxpayer Pay Raise Act of 2016."

392 **SECTION 7.** Nothing in this act shall affect or defeat any
393 claim, assessment, appeal, suit, right or cause of action for
394 taxes due or accrued under the income tax law or corporation
395 franchise tax law before the date on which this act becomes
396 effective, whether such claims, assessments, appeals, suits or
397 actions have been begun before the date on which this act becomes
398 effective or are begun thereafter; and the provisions of the
399 income tax laws and corporation franchise tax laws are expressly

400 continued in full force, effect and operation for the purpose of
401 the assessment, collection and enrollment of liens for any taxes
402 due or accrued and the execution of any warrant under such laws
403 before the date on which this act becomes effective, and for the
404 imposition of any penalties, forfeitures or claims for failure to
405 comply with such laws.

406 **SECTION 8.** This act shall take effect and be in force from
407 and after July 1, 2016, and shall stand repealed from and after
408 June 30, 2016.

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

1 AN ACT TO CREATE THE TAXPAYER PAY RAISE ACT OF 2016; TO AMEND
2 SECTION 27-7-5, MISSISSIPPI CODE OF 1972, TO PHASE OUT, EFFECTIVE
3 CALENDAR YEAR 2020, INCOME TAXATION ON THE FIRST \$5,000.00 OF
4 TAXABLE INCOME; TO BEGIN PHASING OUT INCOME TAXATION ON THE NEXT
5 \$5,000.00 OF TAXABLE INCOME IN CALENDAR YEAR 2026 AND COMPLETE THE
6 PHASE-OUT OF INCOME TAXATION ON SUCH AMOUNT IN CALENDAR YEAR 2030;
7 TO AMEND SECTION 27-7-18, MISSISSIPPI CODE OF 1972, TO PROVIDE
8 THAT A PORTION OF THE FEDERAL SELF-EMPLOYMENT TAXES ASSESSED
9 AGAINST SELF-EMPLOYED INDIVIDUALS SHALL BE ALLOWED AS AN
10 ADJUSTMENT TO GROSS INCOME UNDER THE STATE INCOME TAX LAW; TO
11 AMEND SECTIONS 27-13-5 AND 27-13-7, MISSISSIPPI CODE OF 1972, TO
12 PHASE OUT THE CORPORATION FRANCHISE TAX EFFECTIVE JANUARY 1, 2025;
13 TO REPEAL, EFFECTIVE JANUARY 1, 2025, SECTIONS 27-13-1 THROUGH
14 27-13-67, MISSISSIPPI CODE OF 1972, WHICH ARE THE CORPORATION
15 FRANCHISE TAX LAW; AND FOR RELATED PURPOSES.

CONFEREES FOR THE SENATE

X (SIGNED)
Fillingane

X (SIGNED)
Kirby

X (SIGNED)
Polk

CONFEREES FOR THE HOUSE

X (SIGNED)
Smith

X (SIGNED)
Lamar

(NOT SIGNED)
White