

By: Representative Smith (39th)

To: Ways and Means

HOUSE BILL NO. 413

1 AN ACT ENTITLED THE "MISSISSIPPI CRITICAL PHYSICIAN AND NURSE
2 PRACTITIONER SHORTAGE INCENTIVE ACT OF 2016"; TO PROVIDE THAT THE
3 GROSS INCOME OF NEWLY LICENSED PHYSICIANS AND NURSE PRACTITIONERS
4 PRACTICING MEDICINE AND RESIDING IN CRITICAL PHYSICIAN SHORTAGE
5 AREAS SHALL NOT INCLUDE ANY INCOME IN EXCESS OF \$100,000.00
6 DERIVED FROM PROVIDING MEDICAL SERVICES IN CRITICAL PHYSICIAN
7 SHORTAGE AREAS; TO PROVIDE THAT THE EXEMPTION FROM GROSS INCOME
8 AUTHORIZED BY THIS SECTION MAY BE UTILIZED BY THE QUALIFYING
9 PHYSICIAN OR NURSE PRACTITIONER FOR TEN CONSECUTIVE YEARS IF THE
10 PHYSICIAN OR NURSE PRACTITIONER PRACTICES AND RESIDES IN SUCH AN
11 AREA FOR THAT PERIOD OF TIME; TO AMEND SECTION 27-7-15,
12 MISSISSIPPI CODE OF 1972, IN CONFORMITY THERETO; AND FOR RELATED
13 PURPOSES.

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

15 **SECTION 1.** (1) This act shall be known and may be cited as
16 the "Mississippi Critical Physician and Nurse Practitioner
17 Shortage Incentive Act of 2016."

18 (2) The purpose of this act is to attract newly licensed and
19 qualified physicians and nurse practitioners to practice and
20 reside in geographical areas of the state in which there exists a
21 critical shortage of physicians and to retain such physicians and
22 nurse practitioners in such areas.

23 **SECTION 2.** (1) As used in this section:



24 (a) "Critical physician shortage areas" means those
25 areas of the state designated as rural or underserved by the
26 Mississippi Rural Physicians Scholarship Commission pursuant to
27 Section 37-144-1 et seq.

28 (b) "Newly licensed physician" means a physician who
29 has been licensed to practice medicine or has completed post
30 graduate medical residency or fellowship training for less than
31 one (1) year.

32 (c) "Newly licensed nurse practitioner" means a nurse
33 practitioner who has been certified under Section 73-15-20
34 for less than one (1) year.

35 (2) The gross income of newly licensed physicians and newly
36 licensed nurse practitioners practicing medicine and residing in
37 critical physician shortage areas shall not include any income in
38 excess of One Hundred Thousand Dollars (\$100,000.00) derived from
39 providing medical services in critical physician shortage areas
40 and income above that amount shall be exempt from taxation under
41 this article. The exemption from gross income authorized by this
42 section may be utilized by the qualifying physician or nurse
43 practitioner for ten (10) consecutive years if the physician or
44 nurse practitioner practices and resides in such an area for that
45 period of time.

46 (3) The department shall promulgate rules and regulations to
47 implement this section.



48 **SECTION 3.** Section 27-7-15, Mississippi Code of 1972, is
49 amended as follows:

50 27-7-15. (1) For the purposes of this article, except as
51 otherwise provided, the term "gross income" means and includes the
52 income of a taxpayer derived from salaries, wages, fees or
53 compensation for service, of whatever kind and in whatever form
54 paid, including income from governmental agencies and subdivisions
55 thereof; or from professions, vocations, trades, businesses,
56 commerce or sales, or renting or dealing in property, or
57 reacquired property; also from annuities, interest, rents,
58 dividends, securities, insurance premiums, reinsurance premiums,
59 considerations for supplemental insurance contracts, or the
60 transaction of any business carried on for gain or profit, or
61 gains, or profits, and income derived from any source whatever and
62 in whatever form paid. The amount of all such items of income
63 shall be included in the gross income for the taxable year in
64 which received by the taxpayer. The amount by which an eligible
65 employee's salary is reduced pursuant to a salary reduction
66 agreement authorized under Section 25-17-5 shall be excluded from
67 the term "gross income" within the meaning of this article.

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

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



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

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

76 (i) Prior to January 1, 2001, federal rules,
77 regulations and revenue procedures shall be followed with respect
78 to installment sales except they shall be applied and administered
79 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
80 106th Congress, had not been enacted. This provision will
81 generally affect taxpayers, reporting on the accrual method of
82 accounting, entering into installment note agreements on or after
83 December 17, 1999. Any gain or profit resulting from the casual
84 sale of property will be recognized in the year of sale.

85 (ii) From and after January 1, 2001, federal
86 rules, regulations and revenue procedures shall be followed with
87 respect to installment sales except as provided in this
88 subparagraph (ii). Gain or profit from the casual sale of
89 property shall be recognized in the year of sale. When a taxpayer
90 recognizes gain on the casual sale of property in which the gain
91 is deferred for federal income tax purposes, a taxpayer may elect
92 to defer the payment of tax resulting from the gain as allowed and
93 to the extent provided under regulations prescribed by the
94 commissioner. If the payment of the tax is made on a deferred
95 basis, the tax shall be computed based on the applicable rate for
96 the income reported in the year the payment is made. Except as
97 otherwise provided in subparagraph (iii) of this paragraph (b),



98 deferring the payment of the tax shall not affect the liability
99 for the tax. If at any time the installment note is sold,
100 contributed, transferred or disposed of in any manner and for any
101 purpose by the original note holder, or the original note holder
102 is merged, liquidated, dissolved or withdrawn from this state,
103 then all deferred tax payments under this section shall
104 immediately become due and payable.

105 (iii) If the selling price of the property is
106 reduced by any alteration in the terms of an installment note,
107 including default by the purchaser, the gain to be recognized is
108 recomputed based on the adjusted selling price in the same manner
109 as for federal income tax purposes. The tax on this amount, less
110 the previously paid tax on the recognized gain, is payable over
111 the period of the remaining installments. If the tax on the
112 previously recognized gain has been paid in full to this state,
113 the return on which the payment was made may be amended for this
114 purpose only. The statute of limitations in Section 27-7-49 shall
115 not bar an amended return for this purpose.

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

119 (d) **Affiliated companies or persons.** As regards sales,
120 exchanges or payments for services from one to another of
121 affiliated companies or persons or under other circumstances where
122 the relation between the buyer and seller is such that gross



123 proceeds from the sale or the value of the exchange or the payment
124 for services are not indicative of the true value of the subject
125 matter of the sale, exchange or payment for services, the
126 commissioner shall prescribe uniform and equitable rules for
127 determining the true value of the gross income, gross sales,
128 exchanges or payment for services, or require consolidated returns
129 of affiliates.

130 (e) **Alimony and separate maintenance payments.** The
131 federal rules, regulations and revenue procedures in determining
132 the deductibility and taxability of alimony payments shall be
133 followed in this state.

134 (f) **Reimbursement for expenses of moving.** There shall
135 be included in gross income (as compensation for services) any
136 amount received or accrued, directly or indirectly, by an
137 individual as a payment for or reimbursement of expenses of moving
138 from one residence to another residence which is attributable to
139 employment or self-employment.

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

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

145 (a) The proceeds of life insurance policies and
146 contracts paid upon the death of the insured. However, the income



147 from the proceeds of such policies or contracts shall be included
148 in the gross income.

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

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

156 (d) Interest upon the obligations of the United States
157 or its possessions, or securities issued under the provisions of
158 the Federal Farm Loan Act of 1916, or bonds issued by the War
159 Finance Corporation, or obligations of the State of Mississippi or
160 political subdivisions thereof.

161 (e) The amounts received through accident or health
162 insurance as compensation for personal injuries or sickness, plus
163 the amount of any damages received for such injuries or such
164 sickness or injuries, or through the War Risk Insurance Act, or
165 any law for the benefit or relief of injured or disabled members
166 of the military or naval forces of the United States.

167 (f) Income received by any religious denomination or by
168 any institution or trust for moral or mental improvements,
169 religious, Bible, tract, charitable, benevolent, fraternal,
170 missionary, hospital, infirmary, educational, scientific,
171 literary, library, patriotic, historical or cemetery purposes or



172 for two (2) or more of such purposes, if such income be used
173 exclusively for carrying out one or more of such purposes.

174 (g) Income received by a domestic corporation which is
175 "taxable in another state" as this term is defined in this
176 article, derived from business activity conducted outside this
177 state. Domestic corporations taxable both within and without the
178 state shall determine Mississippi income on the same basis as
179 provided for foreign corporations under the provisions of this
180 article.

181 (h) In case of insurance companies, there shall be
182 excluded from gross income such portion of actual premiums
183 received from an individual policyholder as is paid back or
184 credited to or treated as an abatement of premiums of such
185 policyholder within the taxable year.

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

190 (j) Amounts paid by the United States to a person as
191 added compensation for hazardous duty pay as a member of the Armed
192 Forces of the United States in a combat zone designated by
193 Executive Order of the President of the United States.

194 (k) Amounts received as retirement allowances,
195 pensions, annuities or optional retirement allowances paid under
196 the federal Social Security Act, the Railroad Retirement Act, the



197 Federal Civil Service Retirement Act, or any other retirement
198 system of the United States government, retirement allowances paid
199 under the Mississippi Public Employees' Retirement System,
200 Mississippi Highway Safety Patrol Retirement System or any other
201 retirement system of the State of Mississippi or any political
202 subdivision thereof. The exemption allowed under this paragraph
203 (k) shall be available to the spouse or other beneficiary at the
204 death of the primary retiree.

205 (l) Amounts received as retirement allowances,
206 pensions, annuities or optional retirement allowances paid by any
207 public or governmental retirement system not designated in
208 paragraph (k) or any private retirement system or plan of which
209 the recipient was a member at any time during the period of his
210 employment. Amounts received as a distribution under a Roth
211 Individual Retirement Account shall be treated in the same manner
212 as provided under the Internal Revenue Code of 1986, as amended.
213 The exemption allowed under this paragraph (l) shall be available
214 to the spouse or other beneficiary at the death of the primary
215 retiree.

216 (m) National Guard or Reserve Forces of the United
217 States compensation not to exceed the aggregate sum of Five
218 Thousand Dollars (\$5,000.00) for any taxable year through the 2005
219 taxable year, and not to exceed the aggregate sum of Fifteen
220 Thousand Dollars (\$15,000.00) for any taxable year thereafter.



221 (n) Compensation received for active service as a
222 member below the grade of commissioned officer and so much of the
223 compensation as does not exceed the maximum enlisted amount
224 received for active service as a commissioned officer in the Armed
225 Forces of the United States for any month during any part of which
226 such members of the Armed Forces (i) served in a combat zone as
227 designated by Executive Order of the President of the United
228 States or a qualified hazardous duty area as defined by federal
229 law, or both; or (ii) was hospitalized as a result of wounds,
230 disease or injury incurred while serving in such combat zone. For
231 the purposes of this paragraph (n), the term "maximum enlisted
232 amount" means and has the same definition as that term has in 26
233 USCS 112.

234 (o) The proceeds received from federal and state
235 forestry incentive programs.

236 (p) The amount representing the difference between the
237 increase of gross income derived from sales for export outside the
238 United States as compared to the preceding tax year wherein gross
239 income from export sales was highest, and the net increase in
240 expenses attributable to such increased exports. In the absence
241 of direct accounting, the ratio of net profits to total sales may
242 be applied to the increase in export sales. This paragraph (p)
243 shall only apply to businesses located in this state engaging in
244 the international export of Mississippi goods and services. Such



245 goods or services shall have at least fifty percent (50%) of value
246 added at a location in Mississippi.

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

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

257 (s) Amounts paid by the Mississippi Soil and Water
258 Conservation Commission from the Mississippi Soil and Water
259 Cost-Share Program for the installation of water quality best
260 management practices.

261 (t) Dividends received by a holding corporation, as
262 defined in Section 27-13-1, from a subsidiary corporation, as
263 defined in Section 27-13-1.

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



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

273 (w) Income resulting from transactions with a related
274 member where the related member subject to tax under this chapter
275 was required to, and did in fact, add back the expense of such
276 transactions as required by Section 27-7-17(2). Under no
277 circumstances may the exclusion from income exceed the deduction
278 add-back of the related member, nor shall the exclusion apply to
279 any income otherwise excluded under this chapter.

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

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

287 (z) Interest, dividends, gains or income of any kind on
288 any account in a qualified tuition program and amounts received as
289 distributions under a qualified tuition program shall be treated
290 in the same manner as provided under the United States Internal
291 Revenue Code, as amended. For the purposes of this paragraph (z),
292 the term "qualified tuition program" means and has the same
293 definition as that term has in 26 USCS 529.



294 (aa) The amount deposited in a health savings account,
295 and any interest accrued thereon, that is a part of a health
296 savings account program as specified in the Health Savings
297 Accounts Act created in Sections 83-62-1 through 83-62-9; however,
298 any amount withdrawn from such account for purposes other than
299 paying qualified medical expenses or to procure health coverage
300 shall be included in gross income, except as otherwise provided by
301 Sections 83-62-7 and 83-62-9.

302 (bb) Amounts received as qualified disaster relief
303 payments shall be treated in the same manner as provided under the
304 United States Internal Revenue Code, as amended.

305 (cc) Amounts received as a "qualified Hurricane Katrina
306 distribution" as defined in the United States Internal Revenue
307 Code, as amended.

308 (dd) Amounts received by an individual which may be
309 excluded from income as foreign earned income for federal income
310 tax purposes.

311 (ee) Amounts received by a qualified individual,
312 directly or indirectly, from an employer or nonprofit housing
313 organization that are qualified housing expenses associated with
314 an employer-assisted housing program. For purposes of this
315 paragraph (ee):

316 (i) "Qualified individual" means any individual
317 whose household income does not exceed one hundred twenty percent
318 (120%) of the area median gross income (as defined by the United



319 States Department of Housing and Urban Development), adjusted for
320 household size, for the area in which the housing is located.

321 (ii) "Nonprofit housing organization" means an
322 organization that is organized as a not-for-profit organization
323 under the laws of this state or another state and has as one of
324 its purposes:

- 325 1. Homeownership education or counseling;
326 2. The development of affordable housing; or
327 3. The development or administration of
328 employer-assisted housing programs.

329 (iii) "Employer-assisted housing program" means a
330 separate written plan of any employer (including, without
331 limitation, tax-exempt organizations and public employers) for the
332 exclusive benefit of the employer's employees to pay qualified
333 housing expenses to assist the employer's employees in securing
334 affordable housing.

335 (iv) "Qualified housing expenses" means:

- 336 1. With respect to rental assistance, an
337 amount not to exceed Two Thousand Dollars (\$2,000.00) paid for the
338 purpose of assisting employees with security deposits and rental
339 subsidies; and

- 340 2. With respect to homeownership assistance,
341 an amount not to exceed the lesser of Ten Thousand Dollars
342 (\$10,000.00) or six percent (6%) of the purchase price of the
343 employee's principal residence that is paid for the purpose of



344 assisting employees with down payments, payment of closing costs,
345 reduced interest mortgages, mortgage guarantee programs, mortgage
346 forgiveness programs, equity contribution programs, or
347 contributions to home buyer education and/or homeownership
348 counseling of eligible employees.

349 (ff) For the 2010 taxable year and any taxable year
350 thereafter, amounts converted in accordance with the United States
351 Internal Revenue Code, as amended, from a traditional Individual
352 Retirement Account to a Roth Individual Retirement Account. The
353 exemption allowed under this paragraph (ff) shall be available to
354 the spouse or other beneficiary at the death of the primary
355 retiree.

356 (gg) Amounts received for the performance of disaster
357 or emergency-related work as defined in Section 27-113-5.

358 (hh) The amount deposited in a catastrophe savings
359 account established under Sections 27-7-1001 through 27-7-1007,
360 interest income earned on the catastrophe savings account, and
361 distributions from the catastrophe savings account; however, any
362 amount withdrawn from a catastrophe savings account for purposes
363 other than paying qualified catastrophe expenses shall be included
364 in gross income, except as otherwise provided by Sections
365 27-7-1001 through 27-7-1007.

366 (ii) Income not included in gross income and exempt
367 from taxation under this article by Section 2 of this act.

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



369 (a) **Members of the Armed Forces.** Gross income does not
370 include compensation received for active service as a member of
371 the Armed Forces of the United States for any month during any
372 part of which such member is in a missing status, as defined in
373 paragraph (d) of this subsection, during the Vietnam Conflict as a
374 result of such conflict.

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

379 (c) **Period of conflict.** For the purpose of this
380 subsection, the Vietnam Conflict began February 28, 1961, and ends
381 on the date designated by the President by Executive Order as the
382 date of the termination of combatant activities in Vietnam. For
383 the purpose of this subsection, an individual is in a missing
384 status as a result of the Vietnam Conflict if immediately before
385 such status began he was performing service in Vietnam or was
386 performing service in Southeast Asia in direct support of military
387 operations in Vietnam. "Southeast Asia," as used in this
388 paragraph, is defined to include Cambodia, Laos, Thailand and
389 waters adjacent thereto.

390 (d) "Missing status" means the status of an employee or
391 member of the Armed Forces who is in active service and is
392 officially carried or determined to be absent in a status of (i)
393 missing; (ii) missing in action; (iii) interned in a foreign



394 country; (iv) captured, beleaguered or besieged by a hostile
395 force; or (v) detained in a foreign country against his will; but
396 does not include the status of an employee or member of the Armed
397 Forces for a period during which he is officially determined to be
398 absent from his post of duty without authority.

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

402 (f) "Employee" means one who is a citizen or national
403 of the United States or an alien admitted to the United States for
404 permanent residence and is a resident of the State of Mississippi
405 and is employed in or under a federal executive agency or
406 department of the Armed Forces.

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

411 (h) If refund or credit of any overpayment of tax for
412 any taxable year resulting from the application of this subsection
413 (5) * * * is prevented by the operation of any law or rule of law,
414 such refund or credit of such overpayment of tax may,
415 nevertheless, be made or allowed if claim therefor is filed with
416 the Department of Revenue within three (3) years after the date of
417 the enactment of this subsection.



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

420 (6) A shareholder of an S corporation, as defined in Section
421 27-8-3(1)(g), shall take into account the income, loss, deduction
422 or credit of the S corporation only to the extent provided in
423 Section 27-8-7(2).

424 **SECTION 4.** Section 2 of this act shall be codified as a new
425 section in Chapter 7, Title 27, Mississippi Code of 1972.

426 **SECTION 5.** This act shall take effect and be in force from
427 and after July 1, 2016.

