MISSISSIPPI LEGISLATURE

H. B. No. 1691

AN ACT TO ALLOW PARTNERSHIPS, S CORPORATIONS OR SIMILAR PASS-THROUGH ENTITIES TO ELECT TO BE TAXED AS AN ELECTING PASS-THROUGH ENTITIES FOR STATE INCOME TAX PURPOSES AND PAY INCOME TAX AT THE ENTITY LEVEL; TO PROVIDE THE MANNER BY WHICH A PARTNERSHIP, S CORPORATION OR SIMILAR PASS-THROUGH ENTITY MAY ELECT TO BE TAXED AS AN ELECTING PASS-THROUGH ENTITY; TO PROVIDE THAT EACH OWNER, MEMBER, PARTNER OR SHAREHOLDER OF AN ELECTING PASS-THROUGH ENTITY SHALL REPORT HIS OR HER PRO RATA OR DISTRIBUTIVE SHARE OF THE INCOME OF THE ELECTING PASS-THROUGH ENTITY BUT SHALL NOT BE LIABLE FOR INCOME TAX IMPOSED ON SUCH PRO RATA OR DISTRIBUTIVE SHARE; TO PROVIDE THAT EACH OWNER, MEMBER, PARTNER OR SHAREHOLDER OF AN ELECTING PASS-THROUGH ENTITY SHALL BE ALLOWED A CREDIT AGAINST INCOME TAXES IN AN AMOUNT EQUAL TO HIS OR HER PRO RATA OR DISTRIBUTIVE SHARE OF INCOME TAX PAID BY THE ELECTING PASS-THROUGH ENTITY WITH RESPECT TO THE CORRESPONDING TAXABLE YEAR; TO AMEND SECTION 27-7-25, MISSISSIPPI CODE OF 1972, TO CONFORM TO THE PROVISIONS OF THIS ACT; TO BRING FORWARD SECTIONS 27-7-5, 27-7-15, 27-7-27, 27-7-29, 27-7-33 AND 27-7-41, MISSISSIPPI CODE OF 1972, WHICH ARE SECTIONS OF THE INCOME TAX LAW OF 1952, FOR THE PURPOSES OF POSSIBLE AMENDMENT; TO AMEND SECTION 27-8-7, MISSISSIPPI CODE OF 1972, TO CONFORM TO THE PROVISIONS OF THIS ACT; TO BRING FORWARD SECTIONS 27-8-3, 27-8-11, 27-8-15, 27-8-19 AND 27-8-21, MISSISSIPPI CODE OF 1972, WHICH ARE SECTIONS OF THE MISSISSIPPI S CORPORATION INCOME TAX ACT, FOR THE PURPOSES OF POSSIBLE AMENDMENT; TO BRING FORWARD SECTION 79-29-127, MISSISSIPPI CODE OF 1972, WHICH IS A SECTION OF THE REVISED MISSISSIPPI LIMITED LIABILITY COMPANY ACT, FOR THE PURPOSES OF POSSIBLE AMENDMENT; TO AMEND SECTION 25-11-109, MISSISSIPPI CODE OF 1972, TO AUTHORIZE CERTAIN MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO RECEIVE NOT MORE THAN FIVE YEARS OF CREDITABLE SERVICE FOR SERVICE RENDERED AS AN EMPLOYEE OF ANY PUBLIC OR PRIVATE EMPLOYER THAT DOES NOT PARTICIPATE IN THE RETIREMENT SYSTEM; TO PROVIDE THAT IN ORDER TO BE ABLE TO RECEIVE THAT SERVICE, THE MEMBER CANNOT BE RECEIVING AND WILL NOT BE
ENTITLED TO RECEIVE A RETIREMENT ALLOWANCE THAT INCLUDES THAT
SERVICE FROM ANY PUBLIC OR PRIVATE RETIREMENT SYSTEM OR PLAN
SPONSORED BY THE EMPLOYER, AND THE MEMBER MUST PAY TO THE
RETIREMENT SYSTEM BEFORE THE DATE OF RETIREMENT THE ACTUARIAL COST
AS DETERMINED BY THE ACTUARY FOR EACH YEAR, OR PORTION THEREOF, OF
CREDITABLE SERVICE; TO PROVIDE THAT IF THE MEMBER MAKES PAYMENT TO
THE RETIREMENT SYSTEM FOR ANY PORTION OF THAT SERVICE WITHIN ONE
MONTH AFTER THE SERVICE IS RENDERED, THE AMOUNT OF THE PAYMENT BY
THE MEMBER SHALL BE THE SUM OF THE CONTRIBUTION RATES FOR THE
EMPLOYER AND THE EMPLOYEE TIMES THE MEMBER'S EARNED COMPENSATION
FOR THE LAST FISCAL YEAR THAT THE MEMBER WAS AN ACTIVE MEMBER OF
THE RETIREMENT SYSTEM, AND NOT THE ACTUARIAL COST FOR THAT
SERVICE; AND FOR RELATED PURPOSES.

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

SECTION 1. (1) (a) For calendar year 2022, and for each
calendar year thereafter, any partnership, S corporation or
similar pass-through entity may elect to be taxed as an electing
pass-through entity and pay the tax imposed under this chapter at
the entity level. For the purposes of this section, the term
"electing pass-through entity" means a partnership, S corporation
or similar pass-through entity that has made an election pursuant
to this section.

(b) A partnership, S corporation or similar
pass-through entity desiring to be taxed as an electing
pass-through entity shall submit the appropriate form to the
Department of Revenue at any time during the tax year or on or
before the fifteenth day of the third month following the close of
that taxable year for which the entity elects to be taxed as an
electing pass-through entity. This election shall be binding for
that taxable year and all taxable years thereafter and shall not
be revoked unless the electing pass-through entity submits the
appropriate form to the department at any time during a subsequent
taxable year or on or before the fifteenth day of the third month following the close of that taxable year for which the entity elects to no longer be taxed as an electing pass-through entity. Both the election to become an electing pass-through entity and the revocation of that election shall be accomplished by a vote by or written consent of the members of the governing body of the entity as well as a vote by or written consent of the owners, members, partners or shareholders holding greater than fifty percent (50%) percent of the voting control of the entity, within the time prescribed in this subsection.

(c) Each owner, member, partner or shareholder of an electing pass-through entity shall report his or her pro rata or distributive share of the income of the electing pass-through entity but shall not be liable for the tax imposed under this chapter on such pro rata or distributive share of the income of the electing pass-through entity. Each owner, member, partner or shareholder of an electing pass-through entity shall be allowed a credit against the taxes imposed under this chapter in an amount equal to his or her pro rata or distributive share of tax paid by the electing pass-through entity with respect to the corresponding taxable year.

(2) The adjusted basis of the owners, members or partners of an electing pass-through entity in their ownership interests in the electing pass-through entity shall be calculated without regard to the election under this section.
SECTION 2. Section 27-7-25, Mississippi Code of 1972, is amended as follows:

27-7-25. (1) Individuals carrying on businesses in partnerships shall be liable for income tax only in their individual capacity, unless for federal purposes the partnership is taxable as a corporation. If so, then the partnership is also taxable as a corporation for state purposes and is subject to all of the corporate tax laws and regulations. The gross income of an individual partner shall be the gross income the partnership distributed on the same basis as net income or earnings may be distributed. If the preceding exception applies, then the partner will be treated as a shareholder in a corporation.

There shall be included in computing the net income of each partner his distributive share, whether distributed or not, of the net income of the partnership for the taxable year.

The net income of the partnership shall be computed in the same manner and on the same basis as provided for individuals, provided no personal exemption shall be granted and, provided further, that husband and wife partnerships shall not be recognized for the purpose of this article, unless it can be proven that husband and wife have each contributed capital out of their separate estates, and not by gift, from one to the other.

In the case of partnerships, each partner that would otherwise be required to include more than twelve (12) months of income in a single taxable year may elect to include such excess
in income in one (1) year or ratably over a period of four (4) taxable years.

In the event the individual partners fail to report and pay the taxes imposed according to this section, then the partnership and the general partners shall be jointly and severally liable for said tax liability and shall be assessed accordingly. However, the partnership and/or general partner shall not be liable if the partnership withholds five percent (5%) of the net gain or profit of the partnership for the tax year and remits the same to the commissioner. Such amounts paid to the commissioner shall be deemed to be payments of estimated tax of the partners and shall be allocated pro rata to the partners' taxpayer accounts. The commissioner may allow, or require, block or composite filing by a partnership, or withholding on a nonresident partner.

Magnetic media reporting may be required in a manner to be determined by the commissioner.

Partnership returns shall be filed in such manner and at such time as prescribed by law.

(2) For a partnership that has made an election under Section 1 of this act to be taxed as an electing pass-through entity, the partnership shall pay income tax as provided for in Section 1 of this act.

SECTION 3. Section 27-7-5, Mississippi Code of 1972, is brought forward as follows:
27-7-5. (1) There is hereby assessed and levied, to be collected and paid as hereinafter provided, for the calendar year 1983 and fiscal years ending during the calendar year 1983 and all taxable years thereafter, upon the entire net income of every resident individual, corporation, association, trust or estate, in excess of the credits provided, a tax at the following rates:

(a) (i) Through calendar year 2017, on the first Five Thousand Dollars ($5,000.00) of taxable income, or any part thereof, the rate shall be three percent (3%);

(ii) For calendar year 2018, on the first One Thousand Dollars ($1,000.00) of taxable income there shall be no tax levied, and on the next Four Thousand Dollars ($4,000.00) of taxable income, or any part thereof, the rate shall be three percent (3%);

(iii) For calendar year 2019, on the first Two Thousand Dollars ($2,000.00) of taxable income there shall be no tax levied, and on the next Three Thousand Dollars ($3,000.00) of taxable income, or any part thereof, the rate shall be three percent (3%);

(iv) For calendar year 2020, on the first Three Thousand Dollars ($3,000.00) of taxable income there shall be no tax levied, and on the next Two Thousand Dollars ($2,000.00) of taxable income, or any part thereof, the rate shall be three percent (3%).
(v) For calendar year 2021, on the first Four Thousand Dollars ($4,000.00) of taxable income there shall be no tax levied, and on the next One Thousand Dollars ($1,000.00) of taxable income, or any part thereof, the rate shall be three percent (3%);

(vi) For calendar year 2022 and all taxable years thereafter, there shall be no tax levied on the first Five Thousand Dollars ($5,000.00) of taxable income;

(b) On taxable income in excess of Five Thousand Dollars ($5,000.00) up to and including Ten Thousand Dollars ($10,000.00), or any part thereof, the rate shall be four percent (4%); and

(c) On all taxable income in excess of Ten Thousand Dollars ($10,000.00), the rate shall be five percent (5%).

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

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

(4) In the case of taxpayers having a fiscal year beginning in a calendar year with a rate in effect that is different than
the rate in effect for the next calendar year and ending in the
next calendar year, the tax due for that taxable year shall be
determined by:

(a) Computing for the full fiscal year the amount of
tax that would be due under the rates in effect for the calendar
year in which the fiscal year begins; and

(b) Computing for the full fiscal year the amount of
tax that would be due under the rates in effect for the calendar
year in which the fiscal year ends; and

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

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

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

SECTION 4. Section 27-7-15, Mississippi Code of 1972, is
brought forward as follows:

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

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

230          (a) **Dealers in property.** Federal rules, regulations and revenue procedures shall be followed with respect to installment sales unless a transaction results in the shifting of income from inside the state to outside the state.

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

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

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

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

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

(d) **Affiliated companies or persons.** As regards sales, exchanges or payments for services from one to another of affiliated companies or persons or under other circumstances where the relation between the buyer and seller is such that gross proceeds from the sale or the value of the exchange or the payment for services are not indicative of the true value of the subject matter of the sale, exchange or payment for services, the commissioner shall prescribe uniform and equitable rules for determining the true value of the gross income, gross sales,
(e) **Alimony and separate maintenance payments.** The federal rules, regulations and revenue procedures in determining the deductibility and taxability of alimony payments shall be followed in this state.

(f) **Reimbursement for expenses of moving.** There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one (1) residence to another residence which is attributable to employment or self-employment.

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

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

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

(b) The amount received by the insured as a return of premium or premiums paid by him under life insurance policies, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract.
(c) The value of property acquired by gift, bequest, devise or descent, but the income from such property shall be included in the gross income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(aa) The amount deposited in a health savings account, and any interest accrued thereon, that is a part of a health savings account program as specified in the Health Savings Accounts Act created in Sections 83-62-1 through 83-62-9; however, any amount withdrawn from such account for purposes other than paying qualified medical expenses or to procure health coverage shall be included in gross income, except as otherwise provided by Sections 83-62-7 and 83-62-9.
(bb) Amounts received as qualified disaster relief payments shall be treated in the same manner as provided under the United States Internal Revenue Code, as amended.

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

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

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

(i) "Qualified individual" means any individual whose household income does not exceed one hundred twenty percent (120%) of the area median gross income (as defined by the United States Department of Housing and Urban Development), adjusted for household size, for the area in which the housing is located.

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

1. Homeownership education or counseling;

2. The development of affordable housing; or
3. The development or administration of employer-assisted housing programs.

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

   (iv) "Qualified housing expenses" means:

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

      2. With respect to homeownership assistance, an amount not to exceed the lesser of Ten Thousand Dollars ($10,000.00) or six percent (6%) of the purchase price of the employee's principal residence that is paid for the purpose of assisting employees with down payments, payment of closing costs, reduced interest mortgages, mortgage guarantee programs, mortgage forgiveness programs, equity contribution programs, or contributions to homebuyer education and/or homeownership counseling of eligible employees.

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

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

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

(ii) Interest, dividends, gains or income of any kind on any account in the Mississippi Achieving a Better Life Experience (ABLE) Trust Fund, as established in Chapter 28, Title 43, to the extent that such amounts remain on deposit in the ABLE Trust Fund or are withdrawn pursuant to a qualified withdrawal, as defined in Section 43-28-11.

(jj) Subject to the limitations provided under Section 27-7-1103, amounts deposited into a first-time homebuyer savings account and any interest or other income earned attributable to an account and monies or funds withdrawn or distributed from an account for the payment of eligible costs by or on behalf of a
qualified beneficiary; however, any monies or funds withdrawn or
distributed from a first-time homebuyer savings account for any
purpose other than the payment of eligible costs by or on behalf
of a qualified beneficiary shall be included in gross income. For
the purpose of this paragraph (jj), the terms "first-time
homebuyer savings account," "eligible costs" and "qualified
beneficiary" mean and have the same definitions as such terms have
in Section 27-7-1101.

(kk) Amounts paid by an agricultural disaster program
as compensation to an agricultural producer, cattle farmer or
cattle rancher who has suffered a loss as the result of a disaster
or emergency, including, but not limited to, the following United
States Department of Agriculture programs:

(i) Livestock Forage Disaster Program;

(ii) Livestock Indemnity Program;

(iii) Emergency Assistance for Livestock, Honey

Bees and Farm-raised Fish Program;

(iv) Emergency Conservation Program;

(v) Noninsured Crop Disaster Assistance Program;

(vi) Pasture, Rangeland, Forage Pilot Insurance

Program;

(vii) Annual Forage Pilot Program;

(viii) Livestock Risk Protection Insurance

Program; and

(11) Amounts received as advances and/or grants under the federal Coronavirus Aid, Relief, and Economic Security Act.

(mm) Any and all cancelled indebtedness provided for under the Coronavirus Aid, Relief, and Economic Security Act.

(nn) Amounts received as payments under Section 27-3-85.

(oo) Amounts received as grants under the 2020 COVID-19 Mississippi Business Assistance Act.

(pp) Amounts received as grants under Section 57-1-521.

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

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

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

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

(d) "Missing status" means the status of an employee or
member of the Armed Forces who is in active service and is
officially carried or determined to be absent in a status of (i)
missing; (ii) missing in action; (iii) interned in a foreign
country; (iv) captured, beleaguered or besieged by a hostile
force; or (v) detained in a foreign country against his will; but
does not include the status of an employee or member of the Armed
Forces for a period during which he is officially determined to be
absent from his post of duty without authority.

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

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

(g) "Compensation" means (i) basic pay; (ii) special
pay; (iii) incentive pay; (iv) basic allowance for quarters; (v)
(h) If refund or credit of any overpayment of tax for any taxable year resulting from the application of this subsection (5) is prevented by the operation of any law or rule of law, such refund or credit of such overpayment of tax may, nevertheless, be made or allowed if claim therefor is filed with the Department of Revenue within three (3) years after the date of the enactment of this subsection.

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

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

SECTION 5. Section 27-7-27, Mississippi Code of 1972, is brought forward as follows:

27-7-27. (1) The tax imposed under the income tax laws of the State of Mississippi shall apply to the income of estates of any kind or property held in trust except:

(a) That a trust forming part of a pension plan, stock bonus plan, disability or death benefit plan or profit-sharing plan of an employer for the exclusive benefit of some or all of his or its employees, or their beneficiaries, to which contributions are made by such employer, or employees, or both,
for the purpose of distributing to such employees, or their beneficiaries, the earnings and principal of the fund accumulated by the trust in accordance with such plan, shall not be taxable under the income tax laws of the State of Mississippi provided that the trust is irrevocable and no part of the trust corpus or income can be used for purposes other than for the exclusive benefit of employees, or their beneficiaries; but any amount actually distributed or made available to any distributee shall be taxable to him in the year in which so distributed or made available to the extent that it exceeds amounts paid in by him.

(b) That all trusts of real or personal property, or real and personal property combined, created under a retirement plan for which provision has been made under the laws of the United States of America exempting such trust from federal income tax, shall be exempt from income taxation by the State of Mississippi.

(2) Notwithstanding the provisions of subsection (1) of this section, a taxpayer shall include any Mississippi unrelated business taxable income in computing its taxable income under this chapter. As used in this subsection "Mississippi unrelated business taxable income" includes:

(a) "Unrelated business taxable income" as defined under the provisions of the Internal Revenue Code, as amended, and not otherwise inconsistent with other provisions of this chapter, and
(b) Any income attributable to an ownership interest in an S corporation.

(3) A trust required to include the activity of a disregarded entity for federal income tax purposes shall do likewise for the purpose of computing income for this state.

(4) Except as otherwise provided in this section, the gross and net income shall be determined in the same manner as is provided by law for any other taxpayer.

SECTION 6. Section 27-7-29, Mississippi Code of 1972, is brought forward as follows:

27-7-29. (a) Except as otherwise provided in subsection (b) of this section, all income received by the following organizations shall be exempt from taxation under this article:

(1) Fraternal beneficiary societies, orders or associations.

(2) Mutual savings banks, domestic or foreign when organized and operated on a nonprofit basis and for public purposes; and farm loan associations when organized and operated on a nonprofit basis and for public purposes.

(3) Cemetery corporations; religious, charitable, educational or scientific associations or institutions, including any community chest, funds or foundations, organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals,
no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(4) Business leagues, labor organizations, agricultural or horticultural associations, chambers of commerce, or boards of trade not organized for profit, and no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(5) Civic leagues and social clubs or organizations not organized for profit, but operated exclusively for the promotion of social welfare.

(6) Clubs organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private stockholder or member.

(7) Farmers and fruit growers cooperatives or other like organizations organized and operated as sales agents for the purpose of marketing the products of members and turning back to them the proceeds of sales, less the necessary selling expenses and on the basis of the quantity of produce furnished by them, and other nonprofit agricultural associations organized and operated under the provisions of the cooperative marketing laws of this state. Corporations that are treated as cooperatives for federal income tax purposes will be exempt from income taxation under this chapter to the same extent as provided for federal income tax purposes.
(8) Nonprofit cooperative electric power associations or corporations, or like associations, when organized and operated for public purposes and when no part of the income inures to the benefit of any private stockholder or individual.

(9) Any nonprofit corporation that is required to be organized and formed for the purpose of operating and managing the state's prison industries.

(b) Any Mississippi unrelated business taxable income shall be included in taxable income for any organization described in this section. As used in this subsection "Mississippi unrelated business taxable income" includes:

(1) "Unrelated business taxable income" as defined under the provisions of the Internal Revenue Code, as amended, and not otherwise inconsistent with other provisions of this chapter, and

(2) Any income attributable to an ownership interest in an S corporation.

SECTION 7. Section 27-7-33, Mississippi Code of 1972, is brought forward as follows:

27-7-33. (1) Every partnership shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowed by this article, and shall include in the return the names and addresses of the individuals who would be entitled to share in the net income, if distributed, and the amount of the distributive share of each individual. The return
shall contain an oath or be verified by a written declaration that it is made under the penalties of perjury.

(2) A partnership required to include the activity of a disregarded entity for federal income tax purposes shall do likewise for the purpose of computing income for this state.

(3) A partnership taxable year is required to be the same for Mississippi income tax purposes as determined for federal income tax purposes.

SECTION 8. Section 27-7-41, Mississippi Code of 1972, is brought forward as follows:

27-7-41. Except as otherwise provided in this section, returns of individuals, estates, trusts and partnerships shall be filed on or before the 15th day of the fourth month following the close of the fiscal year; or if the return is filed on the basis of a calendar year, it shall be filed on or before April 15 of each year. Except as otherwise provided in this section, returns of corporations shall be filed on or before the 15th day of the third month following the close of the fiscal year; or if the return is filed on the basis of a calendar year, it shall be filed on or before March 15 of each year. For tax years beginning after December 31, 2015, the date for filing a return under this section shall be the same as the date provided for filing the corresponding federal return.

If the date for filing any report, claim, tax return, statement, remittance, or other document falls upon a Saturday,
Sunday or legal holiday, the filing shall be considered timely if performed on the next business day.

All returns shall be made to the commissioner.

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

27-8-7. (1) An S corporation shall not be subject to the tax imposed by Section 27-7-5; however, for an S corporation that has made an election under Section 1 of this act to be taxed as an electing pass-through entity, the S corporation shall be subject to and pay such tax as provided for in Section 1 of this act.

(2) For purposes of Section 27-7-15, each shareholder's pro rata share of the S corporation's income attributable to the state, and each resident shareholder's pro rata share of the S corporation's income not attributable to the state, shall be taken into account by the shareholder in the manner provided in Section 1366 of the Code.

(3) For purposes of determining the amounts taken into account by the shareholders of an S corporation under subsection (2) of this section, the amount of any tax imposed on the S corporation under the Code shall not reduce the S corporation's income attributable to the state and income not attributable to the state.

**SECTION 10.** Section 27-8-3, Mississippi Code of 1972, is brought forward as follows:
27-8-3. (1) For purposes of this chapter, the following terms shall have meanings ascribed below:

(a) "C corporation" means a corporation which is not an S corporation.

(b) "Code" means the Internal Revenue Code of 1986, as amended and as applicable to the taxable period; references to sections of the code shall be deemed to refer to corresponding provisions of prior and subsequent federal tax laws.

(c) "Income attributable to the state" means items of income, loss, deduction or credit of the S corporation apportioned to this state under Section 27-7-23(c)(2) or allocated to this state under Section 27-7-23(c)(3).

(d) "Income not attributable to the state" means all items of income, loss, deduction or credit of the S corporation other than income attributable to the state.

(e) "Post-termination transition period" means that period defined in Section 1377(b)(1) of the code.

(f) "Pro rata share" means the portion of any item attributable to an S corporation shareholder for a taxable period determined in the manner provided in, and subject to any election made under, Section 1377(a) or 1362(e), as the case may be, of the code.

(g) "S corporation" means a corporation for which a valid election under Section 1362(a) of the code is in effect.
(h) "Taxable period" means any taxable year or portion of a taxable year during which a corporation is an S corporation.

(2) Except as otherwise expressly provided or clearly appearing from the context, any term used in this chapter shall have the same meaning as when used in a comparable context in the code, or in any statute relating to federal income taxes, in effect for the taxable period. Due consideration shall be given in the interpretation of this chapter to applicable sections of the code in effect from time to time and to federal rulings and regulations interpreting such sections, provided such code, rulings and regulations do not conflict with the provisions of this chapter.

SECTION 11. Section 27-8-11, Mississippi Code of 1972, is brought forward as follows:

27-8-11. (1) The initial basis in the hands of a resident shareholder of an S corporation in the stock of the S corporation and any indebtedness of the S corporation to the shareholder shall be determined in the manner provided under the Code and shall be determined as of the date that is the latest to occur of (a) the date on which the shareholder last became a resident of this state, (b) the date on which the shareholder acquired the stock or the indebtedness of the corporation or (c) the effective date of the corporation's most recent S election under the Code. This date may be before January 1, 1994.
(2) The initial basis of a resident shareholder in the stock and indebtedness of an S corporation shall be adjusted after the date specified in subsection (1) of this section in the manner and to the extent required by Section 1011 of the Code except that, with respect to any taxable period during which the shareholder is a resident of this state,

(a) Any differences between state and federal taxable income shall be taken into account; and

(b) Any adjustments made pursuant to Section 1367 of the Code for a taxable period during which this state did not measure the income of a shareholder of an S corporation by reference to the S corporation's income shall not be taken into account.

(3) The initial basis in the hands of a nonresident shareholder of an S corporation in the stock of the S corporation and any indebtedness of the S corporation to the shareholder shall be zero as of the date that is the latest to occur of (a) the date on which the shareholder last became a nonresident of this state, (b) the date on which the shareholder acquired the stock or the indebtedness of the corporation or (c) the effective date of the corporation's most recent S election under the Code. This date may be before January 1, 1994.

(4) The initial basis of a nonresident shareholder in the stock and indebtedness of an S corporation shall be adjusted after the date specified in subsection (3) of this section as provided
in Section 1367 of the Code, except that such adjustments shall be limited to that portion of the income attributable to the state that is taken into account by the shareholder pursuant to Section 27-8-7(2). In computing income attributable to the state for purposes of the preceding sentence, any modification made for income exempt from federal or this state's taxation shall not be taken into account.

(5) The basis in the hands of a resident shareholder of an S corporation in the stock of the S corporation shall be reduced by the amount allowed as a loss or deduction pursuant to Section 27-8-13(4).

(6) The basis in the hands of a resident shareholder of an S corporation in the stock of the S corporation shall be reduced by the amount of any cash distribution which is not taxable to the shareholder as a result of the application of Section 27-8-17(2).

(7) For purposes of this section, any person acquiring stock or indebtedness of an S corporation by gift from a person who is a resident of this state at the time of the gift shall be considered to have acquired the stock or indebtedness at the time the donor acquired the stock or indebtedness.

SECTION 12. Section 27-8-15, Mississippi Code of 1972, is brought forward as follows:

27-8-15. For purposes of this chapter, if a shareholder of an S corporation is both a resident and nonresident of this state during any taxable period, the shareholder's pro rata share of the...
S corporation's income attributable to the state and income not attributable to the state for the taxable period shall be further prorated between the shareholder's periods of residence and nonresidence during the taxable period, in accordance with the number of days in each period.

SECTION 13. Section 27-8-19, Mississippi Code of 1972, is brought forward as follows:

27-8-19. (1) An S corporation which engages in activities in this state that would subject a C corporation to the requirement to file a return under Section 27-7-37 shall file with the State Tax Commission an annual return, in the form prescribed by the commission, on or before the due date prescribed for the filing of C corporation returns under Section 27-7-41. The return shall set forth the name, address and social security or federal identification number of each shareholder; the income attributable to the state and income not attributable to the state with respect to each shareholder as determined under this chapter; and such other information as the commission may prescribe by regulation. The S corporation shall furnish, on or before the day on which such return is filed, to each person who was a shareholder during the year a copy of such information shown on the return as the commission may prescribe by regulation. The S corporation also shall maintain the accumulated adjustments account described in Section 27-8-17(3)(b).
(2) The State Tax Commission shall permit S corporations to file composite returns and to make composite payments of tax on behalf of some or all of its nonresident shareholders. The commission may permit composite returns and payments to be made on behalf of resident shareholders.

(3) With respect to each of its nonresident shareholders and for each taxable period, an S corporation shall (a) timely file with the commission an agreement as provided in subsection (4) of this section or (b) make a payment to this state as provided in subsection (5) of this section. An S corporation that timely files an agreement as provided in subsection (4) of this section with respect to a nonresident shareholder for a taxable period shall be considered to have timely filed such an agreement for each subsequent taxable period. An S corporation that does not timely file such an agreement for a taxable period shall not be precluded from timely filing such an agreement for subsequent taxable periods.

(4) The agreement referred to in subsection (3)(a) of this section is an agreement of a nonresident shareholder of the S corporation:

(a) To file a return and to make timely payment of all taxes imposed on the shareholder by this state with respect to the income of the S corporation; and

(b) To be subject to personal jurisdiction in this state for purposes of the collection of income taxes, together
with related interest and penalties, imposed on the shareholder by this state with respect to the income of the S corporation.

The agreement will be considered to be timely filed for a taxable period and for all subsequent taxable periods if it is filed at or before the time the annual return for such taxable period is required to be filed.

In the event the S corporation fails to obtain an agreement of a nonresident shareholder as provided in subsection (3)(a) of this section or in the event a nonresident shareholder of an S corporation fails to file a return and to make timely payments of all taxes imposed on the shareholder by this state as provided in subsection (4)(a) of this section, the S corporation shall make a payment to the state as provided in subsection (5) of this section.

(5) The payment referred to in subsection (3)(b) and (4) of this section shall be in an amount equal to the highest marginal tax rate in effect under Section 27-7-5 multiplied by the shareholder's pro rata share of the income attributable to the state reflected on the corporation's return for the taxable period. An S corporation shall be entitled to recover a payment made pursuant to the preceding sentence from the shareholder on whose behalf the payment was made. Any such payment for a taxable period must be made at or before the time the annual return for such taxable period is required to be filed.
(6) Any amount paid by the corporation to this state under subsection (2) or (5) of this section shall be considered to be a payment by the shareholder on account of the income tax imposed on the shareholder for the taxable period under Section 27-7-5.

**SECTION 14.** Section 27-8-21, Mississippi Code of 1972, is brought forward as follows:

27-8-21. For purposes of Section 27-7-77, each resident shareholder shall be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to a state which does not measure the income of shareholders of an S corporation by reference to the income of the S corporation. For purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

**SECTION 15.** Section 79-29-127, Mississippi Code of 1972, is brought forward as follows:

79-29-127. Domestic limited liability companies and foreign limited liability companies shall be classified as an entity for purposes of the income tax laws of this state in the same manner as they are classified for federal income tax purposes.

**SECTION 16.** Section 25-11-109, Mississippi Code of 1972, is amended as follows:

25-11-109. (1) Under such rules and regulations as the board of trustees shall adopt, each person who becomes a member of this retirement system, as provided in Section 25-11-105, on or
before July 1, 1953, or who became a member of the system before July 1, 2007, and contributes to the system for a minimum period of four (4) years, or who became a member of the system on or after July 1, 2007, and contributes to the system for a minimum period of eight (8) years, shall receive credit for all state service rendered before February 1, 1953. To receive that credit, the member shall file a detailed statement of all services as an employee rendered by him in the state service before February 1, 1953. For any member who joined the system after July 1, 1953, and before July 1, 2007, any creditable service for which the member is not required to make contributions shall not be credited to the member until the member has contributed to the system for a minimum period of at least four (4) years. For any member who joined the system on or after July 1, 2007, any creditable service for which the member is not required to make contributions shall not be credited to the member until the member has contributed to the system for a minimum period of at least eight (8) years.

(2) (a) (i) In the computation of creditable service for service rendered before July 1, 2017, under the provisions of this article, the total months of accumulative service during any fiscal year shall be calculated in accordance with the schedule as follows: ten (10) or more months of creditable service during any fiscal year shall constitute a year of creditable service; seven (7) months to nine (9) months inclusive, three-quarters (3/4) of a year of creditable service; four (4) months to six (6) months
inclusive, one-half (1/2) year of creditable service; one (1) month to three (3) months inclusive, one-quarter (1/4) of a year of creditable service.

(ii) In the computation of creditable service rendered on or after July 1, 2017, under the provisions of this article, service credit shall be awarded in monthly increments in a manner prescribed by regulations of the board.

(b) In no case shall credit be allowed for any period of absence without compensation except for disability while in receipt of a disability retirement allowance, nor shall less than fifteen (15) days of service in any month, or service less than the equivalent of one-half (1/2) of the normal working load for the position and less than one-half (1/2) of the normal compensation for the position in any month, constitute a month of creditable service, nor shall more than one (1) year of service be creditable for all services rendered in any one (1) fiscal year; however, for a school employee, substantial completion of the legal school term when and where the service was rendered shall constitute a year of service credit. Any state or local elected official shall be deemed a full-time employee for the purpose of creditable service. However, an appointed or elected official compensated on a per diem basis only shall not be allowed creditable service for terms of office.

(c) In the computation of any retirement allowance or any annuity or benefits provided in this article, any fractional
period of service of less than one (1) year shall be taken into account and a proportionate amount of such retirement allowance, annuity or benefit shall be granted for any such fractional period of service.

(d) (i) In the computation of unused leave for creditable service authorized in Section 25-11-103, the following shall govern for members who retire before July 1, 2017:

twenty-one (21) days of unused leave shall constitute one (1) month of creditable service and in no case shall credit be allowed for any period of unused leave of less than fifteen (15) days. The number of months of unused leave shall determine the number of quarters or years of creditable service in accordance with the above schedule for membership and prior service.

(ii) In the computation of unused leave for creditable service authorized in Section 25-11-103, the following shall govern for members who retire on or after July 1, 2017:

creditable service for unused leave shall be calculated in monthly increments in which one (1) month of service credit shall be awarded for each twenty-one (21) days of unused leave, except that the first fifteen (15) to fifty-seven (57) days of leave shall constitute three (3) months of service for those who became a member of the system before July 1, 2017.

(iii) In order for the member to receive creditable service for the number of days of unused leave under
this paragraph, the system must receive certification from the governing authority.

(e) For the purposes of this subsection, members of the system who retire on or after July 1, 2010, shall receive credit for one-half (1/2) day of leave for each full year of membership service accrued after June 30, 2010. The amount of leave received by a member under this paragraph shall be added to the lawfully credited unused leave for which creditable service is provided under Section 25-11-103(i).

(f) For the purpose of this subsection, for members of the system who are elected officers and who retire on or after July 1, 1987, the following shall govern:

(i) For service before July 1, 1984, the members shall receive credit for leave (combined personal and major medical) for service as an elected official before that date at the rate of thirty (30) days per year.

(ii) For service on and after July 1, 1984, the member shall receive credit for personal and major medical leave beginning July 1, 1984, at the rates authorized in Sections 25-3-93 and 25-3-95, computed as a full-time employee.

(iii) If a member is employed in a covered nonelected position and a covered elected position simultaneously, that member may not receive service credit for accumulated unused leave for both positions at retirement for the period during which the member was dually employed. During the period during which
the member is dually employed, the member shall only receive credit for leave as provided for in this paragraph for an elected official.

(3) Subject to the above restrictions and to such other rules and regulations as the board may adopt, the board shall verify, as soon as practicable after the filing of such statements of service, the services therein claimed.

(4) Upon verification of the statement of prior service, the board shall issue a prior service certificate certifying to each member the length of prior service for which credit shall have been allowed on the basis of his statement of service. So long as membership continues, a prior service certificate shall be final and conclusive for retirement purposes as to such service, provided that any member may within five (5) years from the date of issuance or modification of such certificate request the board of trustees to modify or correct his prior service certificate. Any modification or correction authorized shall only apply prospectively.

When membership ceases, such prior service certificates shall become void. Should the employee again become a member, he shall enter the system as an employee not entitled to prior service credit except as provided in Sections 25-11-105(I), 25-11-113 and 25-11-117.

(5) Creditable service at retirement, on which the retirement allowance of a member shall be based, shall consist of
the membership service rendered by him since he last became a member, and also, if he has a prior service certificate that is in full force and effect, the amount of the service certified on his prior service certificate.

(6) Any member who served on active duty in the Armed Forces of the United States, who served in the Commissioned Corps of the United States Public Health Service before 1972 or who served in maritime service during periods of hostility in World War II, shall be entitled to creditable service at no cost for his service on active duty in the Armed Forces, in the Commissioned Corps of the United States Public Health Service before 1972 or in such maritime service, provided he entered state service after his discharge from the Armed Forces or entered state service after he completed such maritime service. The maximum period for such creditable service for all military service as defined in this subsection (6) shall not exceed four (4) years unless positive proof can be furnished by such person that he was retained in the Armed Forces during World War II or in maritime service during World War II by causes beyond his control and without opportunity of discharge. The member shall furnish proof satisfactory to the board of trustees of certification of military service or maritime service records showing dates of entrance into active duty service and the date of discharge. From and after July 1, 1993, no creditable service shall be granted for any military service or maritime service to a member who qualifies for a retirement
allowance in another public retirement system administered by the Board of Trustees of the Public Employees' Retirement System based, in whole or in part, on such military or maritime service. In no case shall the member receive creditable service if the member received a dishonorable discharge from the Armed Forces of the United States.

(7) (a) Any member of the Public Employees' Retirement System whose membership service is interrupted as a result of qualified military service within the meaning of Section 414(u)(5) of the Internal Revenue Code, and who has received the maximum service credit available under subsection (6) of this section, shall receive creditable service for the period of qualified military service that does not qualify as creditable service under subsection (6) of this section upon reentering membership service in an amount not to exceed five (5) years if:

(i) The member pays the contributions he would have made to the retirement system if he had remained in membership service for the period of qualified military service based upon his salary at the time his membership service was interrupted;

(ii) The member returns to membership service within ninety (90) days of the end of his qualified military service; and

(iii) The employer at the time the member's service was interrupted and to which employment the member returns
pays the contributions it would have made into the retirement
system for such period based on the member's salary at the time
the service was interrupted.

(b) The payments required to be made in paragraph
(a)(i) of this subsection may be made over a period beginning with
the date of return to membership service and not exceeding three
(3) times the member's qualified military service; however, in no
event shall such period exceed five (5) years.

(c) The member shall furnish proof satisfactory to the
board of trustees of certification of military service showing
dates of entrance into qualified service and the date of discharge
as well as proof that the member has returned to active employment
within the time specified.

(8) Any member of the Public Employees' Retirement System
who became a member of the system before July 1, 2007, and who has
at least four (4) years of membership service credit, or who
became a member of the system on or after July 1, 2007, and who
has at least eight (8) years of membership service credit, shall
be entitled to receive a maximum of five (5) years' creditable
service for service rendered in another state as a public employee
of such other state, or a political subdivision, public education
system or other governmental instrumentality thereof, or service
rendered as a teacher in American overseas dependent schools
conducted by the Armed Forces of the United States for children of
citizens of the United States residing in areas outside the continental United States, provided that:

(a) The member shall furnish proof satisfactory to the board of trustees of certification of such services from the state, public education system, political subdivision or retirement system of the state where the services were performed or the governing entity of the American overseas dependent school where the services were performed; and

(b) The member is not receiving or will not be entitled to receive from the public retirement system of the other state or from any other retirement plan, including optional retirement plans, sponsored by the employer, a retirement allowance including such services; and

(c) The member shall pay to the retirement system on the date he or she is eligible for credit for such out-of-state service or at any time thereafter before the date of retirement the actuarial cost as determined by the actuary for each year of out-of-state creditable service. The provisions of this subsection are subject to the limitations of Section 415 of the Internal Revenue Code and regulations promulgated under that section.

(9) Any member of the Public Employees' Retirement System who became a member of the system before July 1, 2007, and has at least four (4) years of membership service credit, or who became a member of the system on or after July 1, 2007, and has at least
eight (8) years of membership service credit, and who receives, or has received, professional leave without compensation for professional purposes directly related to the employment in state service shall receive creditable service for the period of professional leave without compensation provided:

   (a) The professional leave is performed with a public institution or public agency of this state, or another state or federal agency;
   
   (b) The employer approves the professional leave showing the reason for granting the leave and makes a determination that the professional leave will benefit the employee and employer;
   
   (c) Such professional leave shall not exceed two (2) years during any ten-year period of state service;
   
   (d) The employee shall serve the employer on a full-time basis for a period of time equivalent to the professional leave period granted immediately following the termination of the leave period;
   
   (e) The contributing member shall pay to the retirement system the actuarial cost as determined by the actuary for each year of professional leave. The provisions of this subsection are subject to the regulations of the Internal Revenue Code limitations;
(f) Such other rules and regulations consistent herewith as the board may adopt and in case of question, the board shall have final power to decide the questions.

Any actively contributing member participating in the School Administrator Sabbatical Program established in Section 37-9-77 shall qualify for continued participation under this subsection (9).

(10) Any member of the Public Employees' Retirement System who became a member of the system before July 1, 2007, and has at least four (4) years of credited membership service, or who became a member of the system on or after July 1, 2007, and has at least eight (8) years of credited membership service, shall be entitled to receive a maximum of ten (10) years creditable service for:

(a) Any service rendered as an employee of any political subdivision of this state, or any instrumentality thereof, that does not participate in the Public Employees' Retirement System; or

(b) Any service rendered as an employee of any political subdivision of this state, or any instrumentality thereof, that participates in the Public Employees' Retirement System but did not elect retroactive coverage; or

(c) Any service rendered as an employee of any political subdivision of this state, or any instrumentality thereof, for which coverage of the employee's position was or is excluded; provided that the member pays into the retirement system.
the actuarial cost as determined by the actuary for each year, or portion thereof, of such service. After a member has made full payment to the retirement system for all or any part of such service, the member shall receive creditable service for the period of such service for which full payment has been made to the retirement system.

(11) Any member of the Public Employees' Retirement System who became a member of the system before July 1, 2007, and who has at least five (5) years of membership service credit, or who became a member of the system on or after July 1, 2007, and who has at least eight (8) years of membership service credit, shall be entitled to receive a maximum of five (5) years of creditable service for service rendered as an employee of any public or private employer that does not participate in the Public Employees' Retirement System, provided that:

(a) The member shall furnish proof satisfactory to the board of trustees of certification of that service from the employer for which the service was performed; and

(b) The member is not receiving or will not be entitled to receive a retirement allowance that includes that service from any public or private retirement system or plan sponsored by the employer; and

(c) The member may receive no more years of creditable service under this subsection (11) than an amount that, when combined with all other creditable service, excluding unused
leave, would cause the member to become eligible to receive a retirement allowance under Section 25-11-111; and

(d) The member shall pay to the retirement system on the date he or she is eligible for credit for that service or at any time thereafter before the date of retirement the actuarial cost as determined by the actuary for each year, or portion thereof, of creditable service. However, if the member makes payment to the retirement system for any portion of that service within one (1) month after the service is rendered, the amount of the payment by the member shall be the sum of the contribution rates for the employer and the employee times the member's earned compensation for the last fiscal year that the member was an active member of the retirement system, and not the actuarial cost for that service.

After a member has made full payment to the retirement system for all or any part of that service, the member shall receive creditable service for the period of that service for which full payment has been made to the retirement system. Compensation earned by the member for service rendered as an employee of any public or private employer in this state that does not participate in the Public Employees' Retirement System shall not be included for the purpose of determining the member's earned compensation or average compensation.

SECTION 17. Section 1 of this act shall be codified as a new section in Chapter 7, Title 27, Mississippi Code of 1972.
SECTION 18. Section 16 of this act shall take effect and be in force from and after July 1, 2022, and the remainder of this act shall take effect and be in force from and after January 1, 2022.