

By: Representative Busby

To: Ways and Means

HOUSE BILL NO. 672

1 AN ACT TO AMEND SECTION 27-7-26, MISSISSIPPI CODE OF 1972,
2 WHICH AUTHORIZES PARTNERSHIPS, S CORPORATIONS OR SIMILAR
3 PASS-THROUGH ENTITIES TO ELECT TO BE TAXED AS AN ELECTING
4 PASS-THROUGH ENTITY FOR STATE INCOME TAX PURPOSES AND PAY INCOME
5 TAX AT THE ENTITY LEVEL, AND ALLOWS EACH OWNER, MEMBER, PARTNER OR
6 SHAREHOLDER OF AN ELECTING PASS-THROUGH ENTITY A CREDIT AGAINST
7 INCOME TAXES IN AN AMOUNT EQUAL TO HIS OR HER PRO RATA OR
8 DISTRIBUTIVE SHARE OF INCOME TAX PAID BY THE ELECTING PASS-THROUGH
9 ENTITY WITH RESPECT TO THE CORRESPONDING TAXABLE YEAR, TO PROVIDE
10 THAT ANY EXCESS CREDIT NOT USED IN A TAXABLE YEAR MAY BE CARRIED
11 FORWARD FOR FIVE CONSECUTIVE YEARS FROM THE CLOSE OF THE TAXABLE
12 YEAR IN WHICH THE CREDIT WAS ALLOWED; AND FOR RELATED PURPOSES.

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

14 **SECTION 1.** Section 27-7-26, Mississippi Code of 1972, is
15 amended as follows:

16 27-7-26. (1) (a) For calendar year 2022, and for each
17 calendar year thereafter, any partnership, S corporation or
18 similar pass-through entity may elect to be taxed as an electing
19 pass-through entity and pay the tax imposed under this chapter at
20 the entity level. For the purposes of this section, the term
21 "electing pass-through entity" means a partnership, S corporation
22 or similar pass-through entity that has made an election pursuant
23 to this section.



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

44 (c) Each owner, member, partner or shareholder of an
45 electing pass-through entity shall report his or her pro rata or
46 distributive share of the income of the electing pass-through
47 entity but shall not be liable for the tax imposed under this
48 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, and any excess credit not used in a taxable year may be carried forward for five (5) consecutive years from the close of the taxable year in which the credit was allowed.

(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. This act shall take effect and be in force from and after January 1, 2022.

