

By: Representatives Remak, Hale, Harris,
Keen

To: Ways and Means

HOUSE BILL NO. 211

1 AN ACT TO AMEND SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO
2 EXCLUDE FROM THE DEFINITION OF "GROSS INCOME" FOR PURPOSES OF THE
3 STATE INCOME TAX LAW AMOUNTS RECEIVED AS PAYMENT FOR COMPENSATION
4 OR DAMAGES FOR PROPERTY TAKEN BY EMINENT DOMAIN OR CONDEMNATION AS
5 AUTHORIZED BY LAW, PROVIDED THAT THE PURCHASE DATE FOR THE
6 PROPERTY IS NOT LESS THAN FIVE (5) YEARS BEFORE THE DATE THE
7 PROPERTY IS TAKEN BY EMINENT DOMAIN OR CONDEMNATION; AND FOR
8 RELATED PURPOSES.

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

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

12 27-7-15. (1) For the purposes of this article, except as
13 otherwise provided, the term "gross income" means and includes the
14 income of a taxpayer derived from salaries, wages, fees or
15 compensation for service, of whatever kind and in whatever form
16 paid, including income from governmental agencies and subdivisions
17 thereof; or from professions, vocations, trades, businesses,
18 commerce or sales, or renting or dealing in property, or
19 reacquired property; also from annuities, interest, rents,
20 dividends, securities, insurance premiums, reinsurance premiums,
21 considerations for supplemental insurance contracts, or the



22 transaction of any business carried on for gain or profit, or
23 gains, or profits, and income derived from any source whatever and
24 in whatever form paid. The amount of all such items of income
25 shall be included in the gross income for the taxable year in
26 which received by the taxpayer. The amount by which an eligible
27 employee's salary is reduced pursuant to a salary reduction
28 agreement authorized under Section 25-17-5 shall be excluded from
29 the term "gross income" within the meaning of this article.

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

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

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

38 (i) Prior to January 1, 2001, federal rules,
39 regulations and revenue procedures shall be followed with respect
40 to installment sales except they shall be applied and administered
41 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
42 106th Congress, had not been enacted. This provision will
43 generally affect taxpayers, reporting on the accrual method of
44 accounting, entering into installment note agreements on or after
45 December 17, 1999. Any gain or profit resulting from the casual
46 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



72 the previously paid tax on the recognized gain, is payable over
73 the period of the remaining installments. If the tax on the
74 previously recognized gain has been paid in full to this state,
75 the return on which the payment was made may be amended for this
76 purpose only. The statute of limitations in Section 27-7-49 shall
77 not bar an amended return for this purpose.

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

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

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



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

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

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

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

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

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

118 (d) Interest upon the obligations of the United States
119 or its possessions, or securities issued under the provisions of
120 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 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.



320 (hh) The amount deposited in a catastrophe savings
321 account established under Sections 27-7-1001 through 27-7-1007,
322 interest income earned on the catastrophe savings account, and
323 distributions from the catastrophe savings account; however, any
324 amount withdrawn from a catastrophe savings account for purposes
325 other than paying qualified catastrophe expenses shall be included
326 in gross income, except as otherwise provided by Sections
327 27-7-1001 through 27-7-1007.

328 (ii) Interest, dividends, gains or income of any kind
329 on any account in the Mississippi Achieving a Better Life
330 Experience (ABLE) Trust Fund, as established in Chapter 28, Title
331 43, to the extent that such amounts remain on deposit in the ABLE
332 Trust Fund or are withdrawn pursuant to a qualified withdrawal, as
333 defined in Section 43-28-11.

334 (jj) Subject to the limitations provided under Section
335 27-7-1103, amounts deposited into a first-time homebuyer savings
336 account and any interest or other income earned attributable to an
337 account and monies or funds withdrawn or distributed from an
338 account for the payment of eligible costs by or on behalf of a
339 qualified beneficiary; however, any monies or funds withdrawn or
340 distributed from a first-time homebuyer savings account for any
341 purpose other than the payment of eligible costs by or on behalf
342 of a qualified beneficiary shall be included in gross income. For
343 the purpose of this paragraph (jj), the terms "first-time
344 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
- (ix) Livestock Gross Margin Insurance Plan.

(ll) Amounts received as advances and/or grants under the federal Coronavirus Aid, Relief, and Economic Security Act, the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act.



(mm) Any and all cancelled indebtedness provided for under the Coronavirus Aid, Relief, and Economic Security Act and the Consolidated Appropriations Act of 2021.

(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.

(* * * qq) Amounts received as grants under the Shuttered Venue Operators Grant Program and Restaurant Revitalization Fund authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act.

(* * * rr) Amounts received as grants under the Mississippi Agriculture Stabilization Act.

(ss) Amounts received as payment for compensation or damages for property taken by eminent domain or condemnation as authorized under Section 11-27-1 et seq., Sections 65-1-301 through 65-1-347, or any other provision of law, provided that the purchase date for the property is not less than five (5) years before the date the property is taken by eminent domain or condemnation.

(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



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

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

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

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

433 (h) If refund or credit of any overpayment of tax for
434 any taxable year resulting from the application of this subsection
435 (5) is prevented by the operation of any law or rule of law, such
436 refund or credit of such overpayment of tax may, nevertheless, be
437 made or allowed if claim therefor is filed with the Department of
438 Revenue within three (3) years after the date of the enactment of
439 this subsection.

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



442 (6) A shareholder of an S corporation, as defined in Section
443 27-8-3(1)(g), shall take into account the income, loss, deduction
444 or credit of the S corporation only to the extent provided in
445 Section 27-8-7(2).

446 **SECTION 2.** Nothing in this act shall affect or defeat any
447 claim, assessment, appeal, suit, right or cause of action for
448 taxes due or accrued under the income tax laws before the date on
449 which this act becomes effective, whether such claims,
450 assessments, appeals, suits or actions have been begun before the
451 date on which this act becomes effective or are begun thereafter;
452 and the provisions of the income tax laws are expressly continued
453 in full force, effect and operation for the purpose of the
454 assessment, collection and enrollment of liens for any taxes due
455 or accrued and the execution of any warrant under such laws before
456 the date on which this act becomes effective, and for the
457 imposition of any penalties, forfeitures or claims for failure to
458 comply with such laws.

459 **SECTION 3.** This act shall take effect and be in force from
460 and after January 1, 2025.

