

By: Representative Dedeaux

To: Ways and Means

HOUSE BILL NO. 443

1 AN ACT TO AMEND SECTION 27-7-9, MISSISSIPPI CODE OF 1972, TO
2 PROVIDE THAT NO CAPITAL GAIN SHALL BE RECOGNIZED FROM ANY
3 TRANSACTION WHICH WOULD OTHERWISE RESULT IN A GAIN, IF THE
4 PROCEEDS OF SUCH TRANSACTION ARE USED TO PURCHASE GENERAL
5 OBLIGATION BONDS OF THE STATE OF MISSISSIPPI BEARING A MAXIMUM
6 INTEREST RATE TO MATURITY OF NOT MORE THAN THREE PERCENT; TO LIMIT
7 THE AMOUNT OF SUCH EXEMPTION; TO AMEND SECTION 27-9-11,
8 MISSISSIPPI CODE OF 1972, TO PROVIDE THAT THE VALUE OF ANY BONDS
9 OWNED BY A DECEDENT WHICH ARE GENERAL OBLIGATION BONDS OF THE
10 STATE OF MISSISSIPPI BEARING A MAXIMUM INTEREST RATE TO MATURITY
11 OF NOT MORE THAN THREE PERCENT, SHALL BE DEDUCTED FROM THE VALUE
12 OF THE DECEDENT'S TAXABLE ESTATE FOR PURPOSE OF THE STATE ESTATE
13 TAX LAW; AND FOR RELATED PURPOSES.

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

15 SECTION 1. Section 27-7-9, Mississippi Code of 1972, is
16 amended as follows:

17 27-7-9. (a) Except as provided in subsection (f)(11) of
18 this section, and Sections 27-7-95 through 27-7-103, determination
19 of amount of gain or loss.

20 (1) Computation of gain or loss. The gain from the
21 sale or other disposition of property shall be the excess of the
22 amount realized therefrom over the adjusted basis provided in
23 subsection (c) for determining gain, and the loss shall be the
24 excess of the adjusted basis provided in subsection (c) for
25 determining loss over the amount realized.

26 (2) Amount realized. The amount realized from the sale
27 or other disposition of property shall be the sum of any money
28 received plus the fair market value of the property (other than
29 money) received.

30 (3) Installment sales. Nothing in this section shall
31 be construed to prevent (in the case of property sold under

contract providing for payment in installments) the taxation of that portion of any installment payment representing gain or profit in the year in which such payment is received.

(b) Recognition of gain or loss. Except as otherwise provided in this section, on the sale or exchange of property the entire amount of the gain or loss, determined under subsection (a), shall be recognized.

(c) Adjusted basis for determining gain or loss.

(1) In general. The adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis determined under subsection (d) adjusted as provided in subsection (e).

(2) Bargain sale to a charitable organization. If a deduction is allowed under Section 27-7-17 (relating to charitable contributions) by reason of a sale, then the adjusted basis for determining the gain from such sale shall be that portion of the adjusted basis which bears the same ratio to the adjusted basis as the amount realized bears to the fair market value of the property.

(d) Basis of property.

(1) Property acquired after March 16, 1912. The basis for ascertaining the gain derived or the loss sustained from the sale or other disposition of property, real, personal or mixed, shall be, in the case of property acquired after March 16, 1912, the cost of such property, except as otherwise provided in this subsection.

(2) Inventory property. If the property should have been included in the last inventory, the basis shall be the last inventory value thereof.

(3) Property acquired by gift. In the case of property acquired by gift after January 1, 1936, the basis shall be the same as that which it would have in the hands of the donor or the last preceding owner by whom it was not acquired by gift. If the facts necessary to determine such basis are unknown to the donee, the commissioner shall, if possible, obtain such facts from such donor, or last preceding owner, or any other person cognizant thereof. If the commissioner finds it impossible to obtain such

69 facts, the commissioner shall establish a basis for the property
70 from the best information available. In the case of property
71 acquired by gift on or before January 1, 1936, the basis for
72 ascertaining gain or loss from the sale or other disposition
73 thereof shall be the fair market price or value of such property
74 at the time of acquisition.

75 (4) Property acquired by bequests, devises and
76 inheritance. If personal property was acquired by specific
77 bequest, or if real property was acquired by general or specific
78 devise or by intestacy, the basis shall be the fair market value
79 of the property at the time of the death of the decedent. If the
80 property was acquired by the decedent's estate from the decedent,
81 the basis in the hands of the estate shall be the fair market
82 value of the property at the time of the death of the decedent.
83 In all other cases, if the property was acquired either by will or
84 by intestacy, the basis shall be the fair market value of the
85 property at the time of the distribution to the taxpayer. In the
86 case of property transferred in trust to pay the income for life
87 to or upon the order or direction of the grantor, with the right
88 reserved to the grantor at all times prior to his death to revoke
89 the trust, the basis of such property in the hands of the persons
90 entitled under the terms of the trust instrument to the property
91 after the grantor's death shall, after such death, be the same as
92 if the trust instrument had been a will executed on the day of the
93 grantor's death.

94 (5) Property acquired by a transfer in trust. If the
95 property was acquired by a transfer in trust (other than by a
96 transfer in trust by a bequest or devise), the basis shall be the
97 same as it would be in the hands of the grantor, increased in the
98 amount of gain, or decreased in the amount of loss, recognized to
99 the grantor upon such transfer under this section.

100 (6) Property acquired in tax-free exchanges. If the
101 property was acquired upon an exchange described in subsection

(f), the basis shall be the same as in the case of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized upon such exchange by the terms of this act. If the property so acquired consisted in part of the type of property permitted by subsection (f) to be received without recognition of gain or loss, and in part of other property, the basis provided in this subsection shall be allocated between the properties (other than money) received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange.

(7) Property acquired in tax-free distribution. If the property consists of stock or securities distributed to a taxpayer in connection with a transaction described in subsection (f), the basis in the case of the stock in respect of which the distribution was made shall be apportioned, under rules and regulations prescribed by the commissioner, between such stock and the stock or securities distributed.

(8) Property acquired in involuntary conversions. If the property was acquired as the result of a compulsory or involuntary conversion described in subsection (f), the basis shall be the same as in the case of property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of said subsection determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion.

(9) Property acquired in wash sales. If substantially identical property was acquired in place of stock or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under Section 27-7-17(d), the basis in

the case of property so acquired shall be the basis in the case of the stock or securities so sold or disposed of, except that, if the repurchase price was in excess of the sales price, such basis shall be increased in the amount of the difference, or if the repurchase price was less than the sales price, such basis shall be decreased in the amount of the difference.

(10) Property acquired before March 16, 1912. The basis for determining the gain or loss from the sale or other disposition of property acquired before March 16, 1912, shall be:

(A) The cost of such property (or in the case of such property as is described in subsection (d)(2) or (4) of this section the basis as therein provided, or in the case of property acquired by gift or transfer in trust, the fair market value of such property at the time of such acquisition); or

(B) The fair market value of such property as of March 16, 1912, whichever is greater.

In determining the fair market value of stock in a corporation as of March 16, 1912, due regard shall be given to the fair market value of the assets of the corporation as of that date.

(e) Adjustments to basis.

(1) In general. In computing the amount of gain or loss from the sale or other disposition of property, proper adjustment shall be made for any expenditure, receipt, loss or other item, properly chargeable to capital account since the basis date. The cost or other basis of the property shall also be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, and depletion, which have since the acquisition of the property been allowable in respect of such property whether or not such deductions were claimed by the taxpayer or formerly allowed. In the case of stock, the basis shall be diminished by the amount of distributions previously made in respect to such stock, to the extent provided under this

168 section.

169 (2) Substituted basis. Whenever it appears that the
170 basis of the property in the hands of a taxpayer is a substituted
171 basis, then the adjustments provided in subsection (e)(1) shall be
172 made after first making in respect of such substituted basis
173 proper adjustments of a similar nature in respect of the period
174 during which the property was held by the transferor, donor or
175 grantor, or during which the other property was held by the person
176 for whom the basis is to be determined. The term "substituted
177 basis" as used in this subsection means a basis determined under
178 any provision of this section or under any corresponding provision
179 of a prior Income Tax Law, providing that the basis shall be
180 determined by reference to the basis in the hands of a transferor,
181 donor or grantor, or, by reference to other property held at any
182 time by the person for whom the basis is to be determined.

183 (f) Recognition of gain or loss -- exceptions.

184 (1) Exchange solely in kind.

185 (A) Property held for productive use or
186 investment. No gain or loss shall be recognized if property held
187 for productive use in trade or business or for investment (not
188 including stock in trade or other property held primarily for
189 sale, nor stocks, bonds, notes, choses in action, certificates of
190 trust or beneficial interest, or other securities or evidence of
191 indebtedness or interest) is exchanged solely for property of a
192 like kind to be held either for productive use in trade or
193 business or for investment.

194 (B) Stock for stock in same corporation. No gain
195 or loss shall be recognized if common stock in a corporation is
196 exchanged solely for common stock in the same corporation, or if
197 preferred stock in a corporation is exchanged solely for preferred
198 stock in the same corporation.

199 (C) Transfers to corporation controlled by
200 transferor. No gain or loss shall be recognized if property is

201 transferred to a corporation by one or more persons solely in
202 exchange for stock or securities in such corporation, and if
203 immediately after the exchange such person or persons are in
204 control of the corporation; but in the case of an exchange by two
205 (2) or more persons, this subsection shall apply only if the
206 amount of the stock and securities received by each is
207 substantially in proportion to his interest in the property prior
208 to the exchange.

209 (D) Stock for stock on reorganization. No gain or
210 loss shall be recognized if stock or securities in a corporation,
211 a party to a reorganization, are, in pursuance of the plan of
212 reorganization, exchanged solely for stock or securities in such
213 corporation or in another corporation, a party to a
214 reorganization.

215 (2) Gain from exchanges not solely in kind. If an
216 exchange would be within the provisions of subsection (f)(1) of
217 this section, if it were not for the fact that the property
218 received in exchange consists not only of property permitted by
219 subsection (f)(1) to be received without the recognition of gain,
220 but also of other property or money, then the gain, if any, to the
221 recipient shall be recognized, but in an amount not in excess of
222 the sum of such money and the fair market value of such other
223 property so received.

224 (3) Loss from exchanges not solely in kind. If an
225 exchange would be within the provisions of subsection (f)(1) of
226 this section, if it were not for the fact that the property
227 received in exchange consists not only of property permitted by
228 subsection (f)(1) to be received without the recognition of gain
229 or loss but also of other property or money, then no loss from the
230 exchange shall be recognized.

231 (4) Distribution of stock on reorganization. If in
232 pursuance of a plan of reorganization, there is distributed to a
233 shareholder in a corporation, a party to the reorganization, stock

or securities in such corporation or in another corporation, a party to the reorganization, without the surrender by such shareholder of stock or securities in such corporation, no gain to the distributee from the receipt of such stock or securities shall be recognized.

(5) Distribution with effect of taxable dividend. If a distribution made in pursuance of a plan of reorganization is within the provisions of subsection (f)(4) of this section, but has the effect of the distribution of a taxable dividend, then there shall be taxed as a dividend to each distributee such an amount of the gain recognized under subsection (f)(2) as is not in excess of his rateable share of the undistributed earnings and profits of the corporation. The remainder, if any, of the gain recognized under subsection (f)(2) shall be taxed as a gain from the exchange of property.

(6) Involuntary conversions. If property, as a result of its destruction in whole or in part, theft, seizure or requisition or condemnation, or threat or imminence thereof, is compulsorily or involuntarily converted:

(A) Into property similar or related in service or use to the property so converted, no gain shall be recognized, but loss shall be recognized;

(B) Into money, no gain shall be recognized if such money is expended, within a period ending two (2) years after the close of the first taxable year in which any part of the gain upon the conversion is realized, in the acquisition of other property similar or related in service or use to the property so converted, or in the acquisition of control of a corporation owning such other property, or in the establishment of a replacement fund, but loss shall be recognized. If any part of the money is not so expended, the gain shall be recognized to the extent of the money which is not so expended, regardless of whether such money is received in one or more taxable years and

267 regardless of whether or not the money which is not so expended
268 constitutes gain. Provided, gain realized on property which is
269 compulsorily or involuntarily converted for public use under Title
270 II, Chapter 27, Mississippi Code of 1972, or any federal law
271 relating to the involuntary conversion of property for public use
272 shall not be recognized. Provided further, that gain realized on
273 property which is voluntarily converted for public use shall not
274 be recognized after it becomes evident that eminent domain
275 proceedings are probable.

276 The provisions of this subsection relating to the
277 nonrecognition of gain, including the exception provided in
278 subparagraph (B), shall apply only to an owner of the converted
279 property who has held title to such property for a period at least
280 three (3) years prior to the date of the disposition of the
281 converted property, provided that an owner who acquired such
282 property by bequest, devise, gift or inheritance shall be excluded
283 from this limitation, if the preceding owner acquired title to
284 such property at least three (3) years prior to the date of
285 disposition.

286 (7) Property exchanged treated as equivalent of cash.

287 When property other than property specified in subsection
288 (f)(1)(A) of this section is exchanged for other property, the
289 property received in exchange shall, for the purpose of
290 determining gain or loss, be treated as the equivalent of cash to
291 the amount of its fair market value.

292 (8) Distribution of assets of corporation. The
293 distribution to the taxpayer of the assets of a corporation shall
294 be treated as a sale of the stock or securities of the corporation
295 owned by him, and the gain or loss shall be computed accordingly.

296 (9) Organization of a corporation. In the case of the
297 organization of a corporation, the stock and securities received
298 shall be considered to take the place of property transferred
299 therefor, and no gain or loss shall be deemed to arise therefrom.

(10) Sales of certain interests in financial institutions domiciled in Mississippi, domestic corporations, domestic limited partnerships or domestic limited liability companies.

(A) No gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year; provided, however, that any gain that would otherwise be excluded by this provision shall first be applied against, and reduced by, any losses determined from sales or transactions described by this provision if the losses were incurred in the year of the gain or within the two (2) years preceding or subsequent to the gain.

(B) No gain shall be recognized from the sale of all or at least ninety percent (90%) of the assets in domestic corporations except those assets that represent the ownership interest of another entity provided:

(i) The assets of the corporation have been held for more than one (1) year;

(ii) The corporation is totally liquidated and dissolved within one (1) calendar year from the date of the sale of all or at least ninety percent (90%) of the assets of the corporation; and

(iii) The depreciation and/or amortization that has been taken on the assets of the corporation shall be recaptured and taxed as ordinary income in the same manner as provided for in Section 1245 of the Internal Revenue Code, as amended, and any corresponding regulations relating to Section 1245 property. All depreciation and/or amortization shall be recaptured up to cost prior to any nonrecognition of gains.

(11) Subject to the provisions of this paragraph (11), no gain shall be recognized from any transaction which would

otherwise result in a gain under this section, if the proceeds of such transaction are used to purchase general obligation bonds of the State of Mississippi bearing a maximum interest rate to maturity of not more than three percent (3%). The exemption provided in this subsection (11) shall be limited to the first One Hundred Thousand Dollars (\$100,000.00) realized from such transaction.

(g) Reorganization defined. The term "reorganization" means:

(1) A statutory merger or consolidation;

(2) The acquisition by one (1) corporation, in exchange solely for all or a part of its voting stock (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation), of stock of another corporation if, immediately after the acquisition, the acquiring corporation has control of such other corporation, or of substantially all the properties of another corporation;

(3) A transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor, or one or more of its shareholders (including persons who were shareholders immediately before the transfer), or any combination thereof, is in control of the corporation to which the assets are transferred;

(4) A recapitalization; or

(5) A mere change in identity, form, or place of organization, however effected.

(h) Party to a reorganization defined. The term "a party to a reorganization" includes a corporation resulting from a reorganization and includes both corporations in the case of an acquisition by one (1) corporation of at least a majority of the voting stock and at least a majority of the total number of shares of all other classes of stock of another corporation.

(i) Control defined. As used in this section, the term

"control" means the ownership of at least eighty percent (80%) of the voting stock and at least eighty percent (80%) of the total number of shares of all other classes of stock of the corporation.

(j) Special rules.

(1) Liquidation of subsidiaries. A transfer to a parent corporation from its subsidiary of property distributed in complete liquidation of the subsidiary shall result in no recognized gain or loss if the basis of the property in the hands of the parent corporation is the same as it was in the hands of the subsidiary.

(2) Gain or loss on sales or exchanges in connection with certain liquidations. Corporations adopting a plan of complete liquidation under the provisions of the Internal Revenue Code shall recognize the gain or loss from the sale or exchange of property by the corporation under said plan. The total gain or loss from the liquidating distributions shall be recognized by the shareholders; however, a credit for the tax paid by the liquidating corporation on the gain from the sale or exchange of property under the plan of liquidation will be allowed to the extent of any tax liability to the shareholders. The corporation shall provide to the State Tax Commission a list of all shareholders with their percentage of ownership, distribution, tax credit allowed, and any other information requested.

(3) Distribution of stock and securities of a controlled corporation. No gain shall be recognized on a distribution to a stockholder of a corporation if such gain would not be recognized to such stockholder for federal income tax purposes under the provisions of Section 355 of the federal Internal Revenue Code.

(4) Notwithstanding the other provisions of this section, a corporation or other entity that is involved in restructuring, reorganizing, distributing assets or profits, or changing ownership that results in an adjustment to its asset

basis is required to report a gain in the year such transaction occurs on any such transaction when the transaction involves assets owned or used in this state, or otherwise represents assets owned or used in this state. If a transfer of income or a change in asset valuation occurs on the tax records of the taxpayer, such transaction shall result in taxation to this state to the extent of the transfer of income or change in asset valuation.

(5) If a corporation or other entity makes an Internal Revenue Code Section 338 election, or other similar election under which the aggregate basis in assets are increased on the tax records of the taxpayer, then a similar election must also be made for Mississippi purposes, but the gain must be recognized by the corporation in which the increase in basis of the assets occurs. The corporation or other entity is allowed to increase its basis by the amount of gain recognized. An aggregate write-down of assets is not allowed. The parent corporation shall recognize the gain on the disposition of its stock.

(6) For state tax purposes, a corporation or other legal entity is considered separate from its shareholders, affiliated corporations or other entities. If a corporation or other legal entity enters into any transaction that is for the benefit of its shareholders or for the benefit of an affiliated corporation without an equal mutual business benefit of the corporation, then, the transaction will be adjusted or eliminated to arrive at taxable income to this state. All transactions entered into by a corporation must be at "arms-length." If requested by the commissioner, the taxpayer must be able to substantiate that the transaction occurred at "arms-length." If not, the transaction may be adjusted to the satisfaction of the commissioner. For purpose of this subsection, compliance with federal regulations promulgated under Internal Revenue Code Section 482, shall constitute "arms-length."

(k) Sale or exchange of residence.

(1) Loss on sale or exchange of residence. Loss from the sale or exchange of property used by the taxpayer as his principal residence is not recognized and cannot be deducted.

(2) Nonrecognition of gain. Except as otherwise provided in subsection (f)(11) of this section, gain shall be computed in accordance with the provisions of the Internal Revenue Code, rules, regulations and revenue procedures relating to the sale or exchange of a personal residence not in direct conflict with the provisions of the Mississippi Income Tax Law.

(3) Gain on the sale or exchange of residence. Except as otherwise provided in subsection (f)(11) of this section, a recognizable gain on the sale or exchange of a personal residence shall be included in gross income and treated as ordinary income.

(1) Distributions by corporations.

(1) Distributions of the property of a corporation, including partial and complete liquidations, shall be recognized by the distributing corporation and the gain or loss shall be computed on the difference of the fair market value of the assets distributed and their basis. The total gain or loss from the distributions to the shareholders shall be recognized by the shareholders subject to subsections (f)(8) and (j)(1); however, a credit for the tax paid by the distributing corporation on the gain from the sale or exchange of property under the plan of distribution will be allowed to the extent of any liability to the shareholders. The corporation shall provide to the State Tax Commission a list of all shareholders with their percentage of ownership, distribution, tax credit allowed, and any other information requested.

(2) Source of distributions. For the purposes of this act, every distribution is made out of earnings or profits to the extent thereof, and from the most recently accumulated earnings and profits. Any earnings or profit accumulated, or increase in value of property acquired, before March 16, 1912, may be

distributed exempt from tax (after the earnings and profits accumulated after March 16, 1912, have been distributed), but any such tax-free distribution shall be applied against and reduce the basis of the stock provided in subsection (d).

(3) Distributions in liquidation. Amounts distributed in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock, and amounts distributed in partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under subsection (a), but shall be recognized only to the extent provided in subsection (f). In the case of amounts distributed in partial liquidation, the part of such distribution which is property chargeable to capital account shall not be considered a distribution of earnings or profits within the meaning of paragraph (2) of this subsection for the purpose of determining the taxability of subsequent distributions by the corporations.

(4) Other distributions. If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders, is not out of increase in value of property accrued before March 16, 1912, and is not out of earnings or profits, then the amount of such distribution shall be applied against and reduce the basis of the stock provided in subsection (d), and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property.

(5) Stock dividends. A stock dividend shall not be subject to tax.

(6) Cancellation or redemption of stock. If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or

cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after March 16, 1912, shall be treated as a taxable dividend.

(7) "Amounts distributed in partial liquidation" defined. As used in this subsection, the term "amounts distributed in partial liquidation" means distribution by a corporation in complete cancellation or redemption of a part of its stock, or one of a series of distributions in complete cancellation or redemption of all or a portion of its stock.

(8) Distributions of stock pursuant to order enforcing the Antitrust Laws. Any distribution of stock which is made pursuant to the order of any court enforcing the Antitrust Laws of the United States, or of any state, shall be a distribution which is not out of earnings and profits of the distributing corporation, but the value of the stock so distributed shall be applied against and reduce the basis of the stock of the distributing corporation provided in subsection (d), and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property.

SECTION 2. Section 27-9-11, Mississippi Code of 1972, is amended as follows:

27-9-11. For the purposes of the tax imposed by this chapter the value of the taxable estate shall be determined in the case of a resident by deducting from the gross estate, after the deductions provided for in Section 27-9-9 have been made, the sum of One Hundred Twenty Thousand Six Hundred Sixty-six Dollars (\$120,666.00) in the case of a decedent dying in 1978; the sum of One Hundred Thirty-four Thousand Dollars (\$134,000.00) in the case of a decedent dying in 1979; the sum of One Hundred Forty-seven Thousand Three Hundred Thirty-three Dollars (\$147,333.00) in the case of a decedent dying in 1980; the sum of One Hundred Sixty-one Thousand Five Hundred Sixty-three Dollars (\$161,563.00) in the case of a decedent dying in 1981; and the sum of One Hundred

Seventy-five Thousand Six Hundred Twenty-five Dollars (\$175,625.00) in the case of a decedent dying in 1982 or any date thereafter prior to October 1, 1988; the sum of Four Hundred Thousand Dollars (\$400,000.00) in the case of a decedent dying on or after October 1, 1988, but prior to October 1, 1989; the sum of Five Hundred Thousand Dollars (\$500,000.00) in the case of a decedent dying on or after October 1, 1989, but prior to October 1, 1990; the sum of Six Hundred Thousand Dollars (\$600,000.00) in the case of a decedent dying on or after October 1, 1990, but prior to January 1, 1998; the sum of Six Hundred Twenty-five Thousand Dollars (\$625,000.00) in the case of a decedent dying in 1998; the sum of Six Hundred Fifty Thousand Dollars (\$650,000.00) in the case of a decedent dying in 1999; the sum of Six Hundred Seventy-five Thousand Dollars (\$675,000.00) in the case of a decedent dying in 2000 or 2001; the sum of Seven Hundred Thousand Dollars (\$700,000.00) in the case of a decedent dying in 2002 or 2003; the sum of Eight Hundred Fifty Thousand Dollars (\$850,000.00) in the case of a decedent dying in 2004; the sum of Nine Hundred Fifty Thousand Dollars (\$950,000.00) in the case of a decedent dying in 2005; and the sum of One Million Dollars (\$1,000,000.00) in the case of a decedent dying on or after January 1, 2006. In the case of a decedent dying on or after January 1, 1999, there shall also be deducted from the taxable estate the value of any bonds owned by the decedent if such bonds are general obligation bonds of the State of Mississippi bearing a maximum interest rate to maturity of not more than three percent (3%).

SECTION 3. Nothing in this act shall affect or defeat any claim, assessment, appeal, suit, right or cause of action for taxes due or accrued under the income tax laws or estate tax laws before the date on which this act becomes effective, whether such claims assessments, appeals, suits or actions have been begun before the date on which this act becomes effective or are begun

564 thereafter; and the provisions of the income tax laws and estate
565 tax laws are expressly continued in full force, effect and
566 operation for the purpose of the assessment, collection and
567 enrollment of liens for any taxes due or accrued and the execution
568 of any warrant under such laws before the date on which this act
569 becomes effective, and for the imposition of any penalties,
570 forfeitures or claims for failure to comply with such laws.

571 SECTION 4. This act shall take effect and be in force from
572 and after January 1, 1999.