

By: Senator(s) Minor

To: Finance

SENATE BILL NO. 3196

1 AN ACT TO AMEND SECTIONS 27-7-27 AND 27-7-29, MISSISSIPPI
2 CODE OF 1972, TO PROVIDE FOR THE TAXATION OF BUSINESS INCOME
3 UNRELATED TO THE TAX EXEMPT PURPOSES OF CERTAIN ESTATES, TRUSTS OR
4 ORGANIZATIONS THAT ARE OTHERWISE EXEMPT FROM INCOME TAXATION; AND
5 FOR RELATED PURPOSES.

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

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

9 27-7-27. (1) The tax imposed under the income tax laws of
10 the State of Mississippi shall apply to the income of estates of
11 any kind or property held in trust except:

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

27 (b) That all trusts of real or personal property, or
28 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) 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 2. Section 27-7-29, Mississippi Code of 1972, is amended 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



62 purposes, or for the prevention of cruelty to children or animals,
63 no part of the net earnings of which inures to the benefit of any
64 private stockholder or individual.

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

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

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

77 (7) Farmers and fruit growers cooperatives or other
78 like organizations organized and operated as sales agents for the
79 purpose of marketing the products of members and turning back to
80 them the proceeds of sales, less the necessary selling expenses
81 and on the basis of the quantity of produce furnished by them, and
82 other nonprofit agricultural associations organized and operated
83 under the provisions of the cooperative marketing laws of this
84 state. Corporations that are treated as cooperatives for federal
85 income tax purposes will be exempt from income taxation under this
86 chapter to the same extent as provided for federal income tax
87 purposes.

88 (8) Nonprofit cooperative electric power associations
89 or corporations, or like associations, when organized and operated
90 for public purposes and when no part of the income inures to the
91 benefit of any private stockholder or individual.

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



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

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

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

105 **SECTION 3.** This act shall take effect and be in force from
106 and after January 1, 2002.

