

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.

