

By: Representative Robinson (84th)

To: Ways and Means

HOUSE BILL NO. 25

1 AN ACT TO AMEND SECTION 27-7-15, MISSISSIPPI CODE OF 1972, TO
2 REVISE THE DEFINITION OF THE TERM "GROSS INCOME" TO EXCLUDE
3 COMPENSATION RECEIVED FOR ACTIVE FEDERAL SERVICE AS A MEMBER OF
4 THE ARMED FORCES OF THE UNITED STATES IN AN ACTIVE DUTY STATUS;
5 AND FOR RELATED PURPOSES.

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

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

9 **[Through June 30, 2003, this section shall read as follows:]**

10 27-7-15. (1) For the purposes of this article, except as
11 otherwise provided, the term "gross income" means and includes the
12 income of a taxpayer derived from salaries, wages, fees or
13 compensation for service, of whatever kind and in whatever form
14 paid, including income from governmental agencies and subdivisions
15 thereof; or from professions, vocations, trades, businesses,
16 commerce or sales, or renting or dealing in property, or
17 reacquired property; also from annuities, interest, rents,
18 dividends, securities, insurance premiums, reinsurance premiums,
19 considerations for supplemental insurance contracts, or the
20 transaction of any business carried on for gain or profit, or
21 gains, or profits, and income derived from any source whatever and
22 in whatever form paid. The amount of all such items of income
23 shall be included in the gross income for the taxable year in
24 which received by the taxpayer. The amount by which an eligible
25 employee's salary is reduced pursuant to a salary reduction
26 agreement authorized under Section 25-17-5 shall be excluded from
27 the term "gross income" within the meaning of this article.



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

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

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

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

45 (ii) From and after January 1, 2001, federal
46 rules, regulations and revenue procedures shall be followed with
47 respect to installment sales except as provided in this
48 subparagraph (ii). Gain or profit from the casual sale of
49 property shall be recognized in the year of sale. When a taxpayer
50 recognizes gain on the casual sale of property in which the gain
51 is deferred for federal income tax purposes, a taxpayer may elect
52 to defer the payment of tax resulting from the gain as allowed and
53 to the extent provided under regulations prescribed by the
54 commissioner. If the payment of the tax is made on a deferred
55 basis, the tax shall be computed based on the applicable rate for
56 the income reported in the year the payment is made. Except as
57 otherwise provided in subparagraph (iii) of this paragraph (b),
58 deferring the payment of the tax shall not affect the liability
59 for the tax. If at any time the installment note is sold,
60 contributed, transferred or disposed of in any manner and for any



61 purpose by the original note holder, or the original note holder
62 is merged, liquidated, dissolved or withdrawn from this state,
63 then all deferred tax payments under this section shall
64 immediately become due and payable.

65 (iii) If the selling price of the property is
66 reduced by any alteration in the terms of an installment note,
67 including default by the purchaser, the gain to be recognized is
68 recomputed based on the adjusted selling price in the same manner
69 as for federal income tax purposes. The tax on this amount, less
70 the previously paid tax on the recognized gain, is payable over
71 the period of the remaining installments. If the tax on the
72 previously recognized gain has been paid in full to this state,
73 the return on which the payment was made may be amended for this
74 purpose only. The statute of limitations in Section 27-7-49 shall
75 not bar an amended return for this purpose.

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

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

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



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

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

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

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

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

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

116 (d) Interest upon the obligations of the United States
117 or its possessions, or securities issued under the provisions of
118 the Federal Farm Loan Act of July 17, 1916, or bonds issued by the
119 War Finance Corporation, or obligations of the State of
120 Mississippi or political subdivisions thereof.

121 (e) The amounts received through accident or health
122 insurance as compensation for personal injuries or sickness, plus
123 the amount of any damages received for such injuries or such
124 sickness or injuries, or through the War Risk Insurance Act, or
125 any law for the benefit or relief of injured or disabled members
126 of the military or naval forces of the United States.



127 (f) Income received by any religious denomination or by
128 any institution or trust for moral or mental improvements,
129 religious, Bible, tract, charitable, benevolent, fraternal,
130 missionary, hospital, infirmary, educational, scientific,
131 literary, library, patriotic, historical or cemetery purposes or
132 for two (2) or more of such purposes, if such income be used
133 exclusively for carrying out one or more of such purposes.

134 (g) Income received by a domestic corporation which is
135 "taxable in another state" as this term is defined in this
136 article, derived from business activity conducted outside this
137 state. Domestic corporations taxable both within and without the
138 state shall determine Mississippi income on the same basis as
139 provided for foreign corporations under the provisions of this
140 article.

141 (h) In case of insurance companies, there shall be
142 excluded from gross income such portion of actual premiums
143 received from an individual policyholder as is paid back or
144 credited to or treated as an abatement of premiums of such
145 policyholder within the taxable year.

146 (i) Income from dividends that has already borne a tax
147 as dividend income under the provisions of this article, when such
148 dividends may be specifically identified in the possession of the
149 recipient.

150 (j) Amounts paid by the United States to a person as
151 added compensation for hazardous duty pay as a member of the Armed
152 Forces of the United States in a combat zone designated by
153 Executive Order of the President of the United States.

154 (k) Amounts received as retirement allowances,
155 pensions, annuities or optional retirement allowances paid under
156 the federal Social Security Act, the Railroad Retirement Act, the
157 Federal Civil Service Retirement Act, or any other retirement
158 system of the United States government, retirement allowances paid
159 under the Mississippi Public Employees' Retirement System,



160 Mississippi Highway Safety Patrol Retirement System or any other
161 retirement system of the State of Mississippi or any political
162 subdivision thereof. The exemption allowed under this paragraph
163 (k) shall be available to the spouse or other beneficiary at the
164 death of the primary retiree.

165 (l) Amounts received as retirement allowances,
166 pensions, annuities or optional retirement allowances paid by any
167 public or governmental retirement system not designated in
168 paragraph (k) or any private retirement system or plan of which
169 the recipient was a member at any time during the period of his
170 employment. Amounts received as a distribution under a Roth
171 Individual Retirement Account shall be treated in the same manner
172 as provided under the Internal Revenue Code of 1986, as amended.
173 The exemption allowed under this paragraph (l) shall be available
174 to the spouse or other beneficiary at the death of the primary
175 retiree.

176 (m) Compensation not to exceed the aggregate sum of
177 Five Thousand Dollars (\$5,000.00) for any taxable year received by
178 a member of the National Guard or Reserve Forces of the United
179 States as payment for inactive duty training, active duty training
180 and state active duty.

181 (n) Compensation received for active federal service as
182 a member of the Armed Forces of the United States in an active
183 duty status.

184 (o) The proceeds received from federal and state
185 forestry incentives programs.

186 (p) The amount representing the difference between the
187 increase of gross income derived from sales for export outside the
188 United States as compared to the preceding tax year wherein gross
189 income from export sales was highest, and the net increase in
190 expenses attributable to such increased exports. In the absence
191 of direct accounting the ratio of net profits to total sales may
192 be applied to the increase in export sales. This paragraph (p)



193 shall only apply to businesses located in this state engaging in
194 the international export of Mississippi goods and services. Such
195 goods or services shall have at least fifty percent (50%) of value
196 added at a location in Mississippi.

197 (q) Amounts paid by the federal government for the
198 construction of soil conservation systems as required by a
199 conservation plan adopted pursuant to 16 USCS 3801 et seq.

200 (r) The amount deposited in a medical savings account,
201 and any interest accrued thereon, that is a part of a medical
202 savings account program as specified in the Medical Savings
203 Account Act under Sections 71-9-1 through 71-9-9; provided,
204 however, that any amount withdrawn from such account for purposes
205 other than paying eligible medical expense or to procure health
206 coverage shall be included in gross income.

207 (s) Amounts paid by the Mississippi Soil and Water
208 Conservation Commission from the Mississippi Soil and Water
209 Cost-Share Program for the installation of water quality best
210 management practices.

211 (t) Dividends received by a holding corporation, as
212 defined in Section 27-13-1, from a subsidiary corporation, as
213 defined in Section 27-13-1.

214 (u) Interest, dividends, gains or income of any kind on
215 any account in the Mississippi Affordable College Savings Trust
216 Fund, as established in Sections 37-155-101 through 37-155-125, to
217 the extent that such amounts remain on deposit in the MACS Trust
218 Fund or are withdrawn pursuant to a qualified withdrawal, as
219 defined in Section 37-155-105.

220 (v) Interest, dividends or gains accruing on the
221 payments made pursuant to a prepaid tuition contract, as provided
222 for in Section 37-155-17.

223 (w) Income resulting from transactions with a related
224 member where the related member subject to tax under this chapter
225 was required to, and did in fact, add back the expense of such



226 transactions as required by Section 27-7-17(2). Under no
227 circumstances may the exclusion from income exceed the deduction
228 add-back of the related member, nor shall the exclusion apply to
229 any income otherwise excluded under this chapter.

230 (x) Amounts that are subject to the tax levied pursuant
231 to Section 27-7-901, and are paid to patrons by gaming
232 establishments licensed under the Mississippi Gaming Control Act.

233 (y) Amounts that are subject to the tax levied pursuant
234 to Section 27-7-903, and are paid to patrons by gaming
235 establishments not licensed under the Mississippi Gaming Control
236 Act.

237 (5) Prisoners of war, missing in action-taxable status.

238 (a) **Members of the Armed Forces.** Gross income does not
239 include compensation received for active service as a member of
240 the Armed Forces of the United States for any month during any
241 part of which such member is in a missing status, as defined in
242 paragraph (d) of this subsection, during the Vietnam Conflict as a
243 result of such conflict.

244 (b) **Civilian employees.** Gross income does not include
245 compensation received for active service as an employee for any
246 month during any part of which such employee is in a missing
247 status during the Vietnam Conflict as a result of such conflict.

248 (c) **Period of conflict.** For the purpose of this
249 subsection, the Vietnam Conflict began February 28, 1961, and ends
250 on the date designated by the President by Executive Order as the
251 date of the termination of combatant activities in Vietnam. For
252 the purpose of this subsection, an individual is in a missing
253 status as a result of the Vietnam Conflict if immediately before
254 such status began he was performing service in Vietnam or was
255 performing service in Southeast Asia in direct support of military
256 operations in Vietnam. "Southeast Asia," as used in this
257 paragraph, is defined to include Cambodia, Laos, Thailand and
258 waters adjacent thereto.



259 (d) "Missing status" means the status of an employee or
260 member of the Armed Forces who is in active service and is
261 officially carried or determined to be absent in a status of (i)
262 missing; (ii) missing in action; (iii) interned in a foreign
263 country; (iv) captured, beleaguered or besieged by a hostile
264 force; or (v) detained in a foreign country against his will; but
265 does not include the status of an employee or member of the Armed
266 Forces for a period during which he is officially determined to be
267 absent from his post of duty without authority.

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

271 (f) "Employee" means one who is a citizen or national
272 of the United States or an alien admitted to the United States for
273 permanent residence and is a resident of the State of Mississippi
274 and is employed in or under a federal executive agency or
275 department of the Armed Forces.

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

280 (h) If refund or credit of any overpayment of tax for
281 any taxable year resulting from the application of subsection (5)
282 of this section is prevented by the operation of any law or rule
283 of law, such refund or credit of such overpayment of tax may,
284 nevertheless, be made or allowed if claim therefor is filed with
285 the State Tax Commission within three (3) years after the date of
286 the enactment of this subsection.

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

289 (6) A shareholder of an S corporation, as defined in Section
290 27-8-3(1)(g), shall take into account the income, loss, deduction



291 or credit of the S corporation only to the extent provided in
292 Section 27-8-7(2).

293 **[From and after July 1, 2003, this section shall read as**
294 **follows:]**

295 27-7-15. (1) For the purposes of this article, except as
296 otherwise provided, the term "gross income" means and includes the
297 income of a taxpayer derived from salaries, wages, fees or
298 compensation for service, of whatever kind and in whatever form
299 paid, including income from governmental agencies and subdivisions
300 thereof; or from professions, vocations, trades, businesses,
301 commerce or sales, or renting or dealing in property, or
302 reacquired property; also from annuities, interest, rents,
303 dividends, securities, insurance premiums, reinsurance premiums,
304 considerations for supplemental insurance contracts, or the
305 transaction of any business carried on for gain or profit, or
306 gains, or profits, and income derived from any source whatever and
307 in whatever form paid. The amount of all such items of income
308 shall be included in the gross income for the taxable year in
309 which received by the taxpayer. The amount by which an eligible
310 employee's salary is reduced pursuant to a salary reduction
311 agreement authorized under Section 25-17-5 shall be excluded from
312 the term "gross income" within the meaning of this article.

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

316 (a) **Dealers in property.** Federal rules, regulations
317 and revenue procedures shall be followed with respect to
318 installment sales.

319 (b) **Casual sales of property.** Federal rules,
320 regulations and revenue procedures shall be followed with respect
321 to installment sales.

322 (i) The term "installment sale" means a
323 disposition of property where at least one (1) payment is to be



324 received after the close of the taxable year in which the
325 disposition occurs.

326 (ii) The term "installment method" means a method
327 under which the income recognized for any taxable year from the
328 disposition is that proportion of the payments received in that
329 year which the gross profit (realized or to be realized when
330 payment is completed) bears to the total contract price.

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

334 (d) **Affiliated companies or persons.** As regards sales,
335 exchanges or payments for services from one to another of
336 affiliated companies or persons or under other circumstances where
337 the relation between the buyer and seller is such that gross
338 proceeds from the sale or the value of the exchange or the payment
339 for services are not indicative of the true value of the subject
340 matter of the sale, exchange or payment for services, the
341 commissioner shall prescribe uniform and equitable rules for
342 determining the true value of the gross income, gross sales,
343 exchanges or payment for services, or require consolidated returns
344 of affiliates.

345 (e) **Alimony and separate maintenance payments.** The
346 federal rules, regulations and revenue procedures in determining
347 the deductibility and taxability of alimony payments shall be
348 followed in this state.

349 (f) **Reimbursement for expenses of moving.** There shall
350 be included in gross income (as compensation for services) any
351 amount received or accrued, directly or indirectly, by an
352 individual as a payment for or reimbursement of expenses of moving
353 from one residence to another residence which is attributable to
354 employment or self-employment.

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



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

360 (a) The proceeds of life insurance policies and
361 contracts paid upon the death of the insured. However, the income
362 from the proceeds of such policies or contracts shall be included
363 in the gross income.

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

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

371 (d) Interest upon the obligations of the United States
372 or its possessions, or securities issued under the provisions of
373 the Federal Farm Loan Act of July 17, 1916, or bonds issued by the
374 War Finance Corporation, or obligations of the State of
375 Mississippi or political subdivisions thereof.

376 (e) The amounts received through accident or health
377 insurance as compensation for personal injuries or sickness, plus
378 the amount of any damages received for such injuries or such
379 sickness or injuries, or through the War Risk Insurance Act, or
380 any law for the benefit or relief of injured or disabled members
381 of the military or naval forces of the United States.

382 (f) Income received by any religious denomination or by
383 any institution or trust for moral or mental improvements,
384 religious, Bible, tract, charitable, benevolent, fraternal,
385 missionary, hospital, infirmary, educational, scientific,
386 literary, library, patriotic, historical or cemetery purposes or
387 for two (2) or more of such purposes, if such income be used
388 exclusively for carrying out one or more of such purposes.



389 (g) Income received by a domestic corporation which is
390 "taxable in another state" as this term is defined in this
391 article, derived from business activity conducted outside this
392 state. Domestic corporations taxable both within and without the
393 state shall determine Mississippi income on the same basis as
394 provided for foreign corporations under the provisions of this
395 article.

396 (h) In case of insurance companies, there shall be
397 excluded from gross income such portion of actual premiums
398 received from an individual policyholder as is paid back or
399 credited to or treated as an abatement of premiums of such
400 policyholder within the taxable year.

401 (i) Income from dividends that has already borne a tax
402 as dividend income under the provisions of this article, when such
403 dividends may be specifically identified in the possession of the
404 recipient.

405 (j) Amounts paid by the United States to a person as
406 added compensation for hazardous duty pay as a member of the Armed
407 Forces of the United States in a combat zone designated by
408 Executive Order of the President of the United States.

409 (k) Amounts received as retirement allowances,
410 pensions, annuities or optional retirement allowances paid under
411 the federal Social Security Act, the Railroad Retirement Act, the
412 Federal Civil Service Retirement Act, or any other retirement
413 system of the United States government, retirement allowances paid
414 under the Mississippi Public Employees' Retirement System,
415 Mississippi Highway Safety Patrol Retirement System or any other
416 retirement system of the State of Mississippi or any political
417 subdivision thereof. The exemption allowed under this paragraph
418 (k) shall be available to the spouse or other beneficiary at the
419 death of the primary retiree.

420 (l) Amounts received as retirement allowances,
421 pensions, annuities or optional retirement allowances paid by any



422 public or governmental retirement system not designated in
423 paragraph (k) or any private retirement system or plan of which
424 the recipient was a member at any time during the period of his
425 employment. Amounts received as a distribution under a Roth
426 individual retirement account shall be treated in the same manner
427 as provided under the Internal Revenue Code of 1986, as amended.
428 The exemption allowed under this paragraph (l) shall be available
429 to the spouse or other beneficiary at the death of the primary
430 retiree.

431 (m) Compensation not to exceed the aggregate sum of
432 Five Thousand Dollars (\$5,000.00) for any taxable year received by
433 a member of the National Guard or Reserve Forces of the United
434 States as payment for inactive duty training, active duty training
435 and state active duty.

436 (n) Compensation received for active federal service as
437 a member of the Armed Forces of the United States in an active
438 duty status.

439 (o) The proceeds received from federal and state
440 forestry incentives programs.

441 (p) The amount representing the difference between the
442 increase of gross income derived from sales for export outside the
443 United States as compared to the preceding tax year wherein gross
444 income from export sales was highest, and the net increase in
445 expenses attributable to such increased exports. In the absence
446 of direct accounting the ratio of net profits to total sales may
447 be applied to the increase in export sales. This paragraph (p)
448 shall only apply to businesses located in this state engaging in
449 the international export of Mississippi goods and services. Such
450 goods or services shall have at least fifty percent (50%) of value
451 added at a location in Mississippi.

452 (q) Amounts paid by the federal government for the
453 construction of soil conservation systems as required by a
454 conservation plan adopted pursuant to 16 USCS 3801 et seq.



455 (r) The amount deposited in a medical savings account,
456 and any interest accrued thereon, that is a part of a medical
457 savings account program as specified in the Medical Savings
458 Account Act under Sections 71-9-1 through 71-9-9; provided,
459 however, that any amount withdrawn from such account for purposes
460 other than paying eligible medical expense or to procure health
461 coverage shall be included in gross income.

462 (s) Amounts paid by the Mississippi Soil and Water
463 Conservation Commission from the Mississippi Soil and Water
464 Cost-Share Program for the installation of water quality best
465 management practices.

466 (t) Dividends received by a holding corporation, as
467 defined in Section 27-13-1, from a subsidiary corporation, as
468 defined in Section 27-13-1.

469 (u) Interest, dividends, gains or income of any kind on
470 any account in the Mississippi Affordable College Savings Trust
471 Fund, as established in Sections 37-155-101 through 37-155-125, to
472 the extent that such amounts remain on deposit in the MACS Trust
473 Fund or are withdrawn pursuant to a qualified withdrawal, as
474 defined in Section 37-155-105.

475 (v) Interest, dividends or gains accruing on the
476 payments made pursuant to a prepaid tuition contract, as provided
477 for in Section 37-155-17.

478 (w) Amounts that are subject to the tax levied pursuant
479 to Section 27-7-901, and are paid to patrons by gaming
480 establishments licensed under the Mississippi Gaming Control Act.

481 (x) Amounts that are subject to the tax levied pursuant
482 to Section 27-7-903, and are paid to patrons by gaming
483 establishments not licensed under the Mississippi Gaming Control
484 Act.

485 (5) Prisoners of war, missing in action-taxable status.

486 (a) **Members of the Armed Forces.** Gross income does not
487 include compensation received for active service as a member of



488 the Armed Forces of the United States for any month during any
489 part of which such member is in a missing status, as defined in
490 paragraph (d) of this subsection, during the Vietnam Conflict as a
491 result of such conflict.

492 (b) **Civilian employees.** Gross income does not include
493 compensation received for active service as an employee for any
494 month during any part of which such employee is in a missing
495 status during the Vietnam Conflict as a result of such conflict.

496 (c) **Period of conflict.** For the purpose of this
497 subsection, the Vietnam Conflict began February 28, 1961, and ends
498 on the date designated by the President by Executive Order as the
499 date of the termination of combatant activities in Vietnam. For
500 the purpose of this subsection, an individual is in a missing
501 status as a result of the Vietnam Conflict if immediately before
502 such status began he was performing service in Vietnam or was
503 performing service in Southeast Asia in direct support of military
504 operations in Vietnam. "Southeast Asia," as used in this
505 paragraph, is defined to include Cambodia, Laos, Thailand and
506 waters adjacent thereto.

507 (d) "Missing status" means the status of an employee or
508 member of the Armed Forces who is in active service and is
509 officially carried or determined to be absent in a status of (i)
510 missing; (ii) missing in action; (iii) interned in a foreign
511 country; (iv) captured, beleaguered or besieged by a hostile
512 force; or (v) detained in a foreign country against his will; but
513 does not include the status of an employee or member of the Armed
514 Forces for a period during which he is officially determined to be
515 absent from his post of duty without authority.

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

519 (f) "Employee" means one who is a citizen or national
520 of the United States or an alien admitted to the United States for



521 permanent residence and is a resident of the State of Mississippi
522 and is employed in or under a federal executive agency or
523 department of the Armed Forces.

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

528 (h) If refund or credit of any overpayment of tax for
529 any taxable year resulting from the application of subsection (5)
530 of this section is prevented by the operation of any law or rule
531 of law, such refund or credit of such overpayment of tax may,
532 nevertheless, be made or allowed if claim therefor is filed with
533 the State Tax Commission within three (3) years after the date of
534 the enactment of this subsection.

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

537 (6) A shareholder of an S corporation, as defined in Section
538 27-8-3(1)(g), shall take into account the income, loss, deduction
539 or credit of the S corporation only to the extent provided in
540 Section 27-8-7(2).

541 **SECTION 2.** Nothing in this act shall affect or defeat any
542 claim, assessment, appeal, suit, right or cause of action for
543 taxes due or accrued under the income tax laws before the date on
544 which this act becomes effective, whether such claims,
545 assessments, appeals, suits or actions have been begun before the
546 date on which this act becomes effective or are begun thereafter;
547 and the provisions of the income tax laws are expressly continued
548 in full force, effect and operation for the purpose of the
549 assessment, collection and enrollment of liens for any taxes due
550 or accrued and the execution of any warrant under such laws before
551 the date on which this act becomes effective, and for the
552 imposition of any penalties, forfeitures or claims for failure to
553 comply with such laws.



554 **SECTION 3.** This act shall take effect and be in force from
555 and after January 1, 2003.

