

By: Representatives Smith, Paden, Hines,
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To: Ways and Means

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 1601

1 AN ACT TO AUTHORIZE TAXPAYERS TO ESTABLISH FIRST-TIME HOME
2 BUYER SAVINGS ACCOUNTS; TO DEFINE CERTAIN TERMS; TO PROVIDE THAT
3 THE AMOUNTS CONTRIBUTED TO A FIRST-TIME HOME BUYER SAVINGS
4 ACCOUNT, INTEREST AND OTHER INCOME EARNED ON AN ACCOUNT AND
5 DISTRIBUTIONS FROM SUCH AN ACCOUNT THAT ARE USED TO PAY ELIGIBLE
6 COSTS RELATED TO THE PURCHASE OF A SINGLE-FAMILY RESIDENCE SHALL
7 BE EXCLUDED FROM THE GROSS INCOME OF THE ACCOUNT HOLDER UNDER THE
8 STATE INCOME TAX LAW; TO AMEND SECTION 27-7-15, MISSISSIPPI CODE
9 OF 1972, IN CONFORMITY THERETO; AND FOR RELATED PURPOSES.

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

11 **SECTION 1.** (1) As used in Sections 1 and 2 of this act, the
12 following words shall have the meanings ascribed herein unless the
13 context clearly requires otherwise:

14 (a) "Account holder" means an individual who
15 establishes, individually or jointly with one or more other
16 individuals, an account with a financial institution for which the
17 account holder claims a first-time home buyer savings account
18 status on his Mississippi income tax return.

19 (b) "Allowable closing costs" means a disbursement
20 listed on a settlement statement for the purchase of a
21 single-family residence in this state by a qualified beneficiary.



22 (c) "Eligible costs" means the down payment and
23 allowable closing costs for the purchase of a single-family
24 residence in this state by a qualified beneficiary.

25 (d) "Financial institution" means any bank, trust
26 company, savings institution, consumer finance company, credit
27 union, safe deposit company, money market mutual fund, or similar
28 entity authorized to do business in this state.

29 (e) "First-time home buyer savings account" or
30 "account" means an account with a financial institution for which
31 the account holder claims first-time home buyer savings account
32 status on his Mississippi income tax return for taxable year 2018
33 or any taxable year thereafter, pursuant to Sections 1 and 2 of
34 this act for the purpose of paying or reimbursing eligible costs
35 for the purchase of a single-family residence in this state by a
36 qualified beneficiary.

37 (f) "Qualified beneficiary" means an individual or
38 individuals who reside in this state at the time of settlement on
39 the purchase of a single-family residence in this state and:

40 (i) Have never owned or purchased under contract
41 for deed, either individually or jointly, a single-family
42 residence in this state or outside of this state;

43 (ii) Are designated as the beneficiary of an
44 account designated by the account holder as a first-time home
45 buyer savings account; and



(iii) May apply monies or funds held in such account for eligible costs. A qualified beneficiary may use the funds from such account for eligible costs regardless of whether such qualified beneficiary purchases the single-family residence as sole owner or jointly with another individual.

(g) "Settlement statement" means the statement of receipts and disbursements for a transaction related to real estate, including a statement prescribed under the Real Estate Settlement Procedures Act of 1974 (RESPA), 12 USCS Section 2601 et seq., as amended, and the regulations thereunder, or an executed sales agreement for the purchase of a manufactured home being conveyed as personal property.

(h) "Single-family residence" means a single-family residence owned and occupied by a qualified beneficiary, and also includes a manufactured home, modular home, mobile home, condominium unit, or cooperative.

(i) "State" means the State of Mississippi.

SECTION 2. (1) (a) An account holder shall be responsible for the use or application of monies or funds in an account for which the account holder claims first-time home buyer savings account status.

(b) An account holder shall:

(i) Not use monies or funds held in an account to pay expenses of administering the account, except that a service fee may be deducted from the account by a financial institution;



(ii) Maintain documentation of the segregation of monies or funds in separate accounts and documentation of eligible costs for the purchase of a single-family residence in this state (such documentation may include the settlement statement); and

(iii) File with the account holder's Mississippi income tax return forms developed by the Department of Revenue regarding treatment of the account as a first-time home buyer savings account under Sections 1 and 2 of this act, along with the federal Form 1099 issued by the financial institution for such account.

(2) (a) Except as otherwise provided in Sections 1 and 2 of this act and Section 27-7-15, amounts contributed to and all interest or other income earned attributable to an account and monies or funds withdrawn or distributed from an account for the payment of eligible costs by or on behalf of a qualified beneficiary shall be excluded from the gross income of the account holder as provided under Section 27-7-15.

(b) (i) The amount of contributions made by an account holder in any tax year to a first-time home buyer savings account to be excluded from gross income as provided under Section 27-7-15 shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00) for any account holder who files an individual return.

(ii) The amount of contributions made by an account holder in any tax year to a first-time home buyer savings account to be excluded from gross income as provided under Section



27-7-15 shall not exceed Five Thousand Dollars (\$5,000.00) for any married couple who are joint account holders and file a joint return. Only cash and marketable securities may be contributed to an account.

(c) Upon being furnished proof of the death of an account holder, a financial institution shall distribute the principal and accumulated interest or other income of the account in accordance with the terms of the contract governing the account.

(3) If monies or funds are withdrawn from an account for any purpose other than the payment of eligible costs by or on behalf of a qualified beneficiary, then such monies or funds withdrawn from an account shall be added to gross income as provided in Section 27-7-15. In addition, there shall be imposed a penalty calculated using the federal Form 1099 showing the amount of income exempted from state income tax and assessing a ten percent (10%) penalty on the amount of such exempted income. However, the penalty shall not apply to the extent of monies or funds withdrawn that were (a) withdrawn by reason of the qualified beneficiary's death or disability, (b) a disbursement of assets of the account pursuant to a filing for protection under the United States Bankruptcy Code, 11 USCS Sections 101 through 1330, or (c) transferred from an account established under Sections 1 and 2 of this act into another account established under Sections 1 and 2 of this act for the benefit of another qualified beneficiary.



(4) (a) Financial institutions shall not be required to:

- (i) Designate an account as a first-time home buyer savings account, or designate the beneficiaries of such accounts, in the financial institutions' account contracts or systems or in any other way;
- (ii) Track the use of funds withdrawn from such accounts;
- (iii) Allocate funds in such accounts among joint account owners or multiple beneficiaries; or
- (iv) Report any of the information described in (i), (ii) or (iii) to the Department of Revenue or other governmental agency.

(b) In addition, financial institutions shall not be responsible for or liable for:

- (i) Determining or ensuring that an account satisfies the requirements to be a first-time home buyer savings account;
- (ii) Determining or ensuring that costs are eligible costs;
- (iii) Reporting or remitting taxes or penalties for such accounts; or
- (iv) Ensuring that an account holder meets his or her obligations under this section in any way.

(c) Financial institutions shall be held harmless by the Department of Revenue for any actions taken with respect to a



first-time home buyer savings account, and the account holder shall indemnify and hold harmless his or her financial institution and its successors and assigns from and against claims, damages, losses, penalties and expenses, including, but not limited to, reasonable attorney's fees arising out of or resulting from their first-time home buyers savings account.

(5) The Department of Revenue shall have all powers necessary to implement and administer Sections 1 and 2 of this act, and the department shall promulgate rules and regulations, in accordance with the Mississippi Administrative Procedures Law, necessary for the implementation of this section. However, such guidelines shall not apply to, or impose administrative, reporting, or other obligations or requirements on, financial institutions-related accounts for which first-time home buyer savings account status is claimed by the account holder.

(6) Any person who knowingly prepares or causes to be prepared a false claim, receipt, statement or billing to avoid or evade taxes or penalties upon the withdrawal of money or funds from an account is guilty of a misdemeanor, and upon conviction, shall be punished as provided in Section 99-19-31.

SECTION 3. Section 27-7-15, Mississippi Code of 1972, is amended as follows:

27-7-15. (1) For the purposes of this article, except as otherwise provided, the term "gross income" means and includes the income of a taxpayer derived from salaries, wages, fees or



171 compensation for service, of whatever kind and in whatever form
172 paid, including income from governmental agencies and subdivisions
173 thereof; or from professions, vocations, trades, businesses,
174 commerce or sales, or renting or dealing in property, or
175 reacquired property; also from annuities, interest, rents,
176 dividends, securities, insurance premiums, reinsurance premiums,
177 considerations for supplemental insurance contracts, or the
178 transaction of any business carried on for gain or profit, or
179 gains, or profits, and income derived from any source whatever and
180 in whatever form paid. The amount of all such items of income
181 shall be included in the gross income for the taxable year in
182 which received by the taxpayer. The amount by which an eligible
183 employee's salary is reduced pursuant to a salary reduction
184 agreement authorized under Section 25-17-5 shall be excluded from
185 the term "gross income" within the meaning of this article.

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

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

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

194 (i) Prior to January 1, 2001, federal rules,
195 regulations and revenue procedures shall be followed with respect



196 to installment sales except they shall be applied and administered
197 as if H.R. 3594, the Installment Tax Correction Act of 2000 of the
198 106th Congress, had not been enacted. This provision will
199 generally affect taxpayers, reporting on the accrual method of
200 accounting, entering into installment note agreements on or after
201 December 17, 1999. Any gain or profit resulting from the casual
202 sale of property will be recognized in the year of sale.

203 (ii) From and after January 1, 2001, federal
204 rules, regulations and revenue procedures shall be followed with
205 respect to installment sales except as provided in this
206 subparagraph (ii). Gain or profit from the casual sale of
207 property shall be recognized in the year of sale. When a taxpayer
208 recognizes gain on the casual sale of property in which the gain
209 is deferred for federal income tax purposes, a taxpayer may elect
210 to defer the payment of tax resulting from the gain as allowed and
211 to the extent provided under regulations prescribed by the
212 commissioner. If the payment of the tax is made on a deferred
213 basis, the tax shall be computed based on the applicable rate for
214 the income reported in the year the payment is made. Except as
215 otherwise provided in subparagraph (iii) of this paragraph (b),
216 deferring the payment of the tax shall not affect the liability
217 for the tax. If at any time the installment note is sold,
218 contributed, transferred or disposed of in any manner and for any
219 purpose by the original note holder, or the original note holder
220 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 the previously paid tax on the recognized gain, is payable over the period of the remaining installments. If the tax on the previously recognized gain has been paid in full to this state, the return on which the payment was made may be amended for this purpose only. The statute of limitations in Section 27-7-49 shall not bar an amended return for this purpose.

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

(d) **Affiliated companies or persons.** As regards sales, exchanges or payments for services from one to another of affiliated companies or persons or under other circumstances where the relation between the buyer and seller is such that gross proceeds from the sale or the value of the exchange or the payment for services are not indicative of the true value of the subject matter of the sale, exchange or payment for services, the commissioner shall prescribe uniform and equitable rules for determining the true value of the gross income, gross sales,



exchanges or payment for services, or require consolidated returns of affiliates.

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

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

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

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

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

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



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

274 (d) Interest upon the obligations of the United States
275 or its possessions, or securities issued under the provisions of
276 the Federal Farm Loan Act of 1916, or bonds issued by the War
277 Finance Corporation, or obligations of the State of Mississippi or
278 political subdivisions thereof.

279 (e) The amounts received through accident or health
280 insurance as compensation for personal injuries or sickness, plus
281 the amount of any damages received for such injuries or such
282 sickness or injuries, or through the War Risk Insurance Act, or
283 any law for the benefit or relief of injured or disabled members
284 of the military or naval forces of the United States.

285 (f) Income received by any religious denomination or by
286 any institution or trust for moral or mental improvements,
287 religious, Bible, tract, charitable, benevolent, fraternal,
288 missionary, hospital, infirmary, educational, scientific,
289 literary, library, patriotic, historical or cemetery purposes or
290 for two (2) or more of such purposes, if such income be used
291 exclusively for carrying out one or more of such purposes.

292 (g) Income received by a domestic corporation which is
293 "taxable in another state" as this term is defined in this
294 article, derived from business activity conducted outside this
295 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.



420 (bb) Amounts received as qualified disaster relief
421 payments shall be treated in the same manner as provided under the
422 United States Internal Revenue Code, as amended.

423 (cc) Amounts received as a "qualified Hurricane Katrina
424 distribution" as defined in the United States Internal Revenue
425 Code, as amended.

426 (dd) Amounts received by an individual which may be
427 excluded from income as foreign earned income for federal income
428 tax purposes.

429 (ee) Amounts received by a qualified individual,
430 directly or indirectly, from an employer or nonprofit housing
431 organization that are qualified housing expenses associated with
432 an employer-assisted housing program. For purposes of this
433 paragraph (ee):

434 (i) "Qualified individual" means any individual
435 whose household income does not exceed one hundred twenty percent
436 (120%) of the area median gross income (as defined by the United
437 States Department of Housing and Urban Development), adjusted for
438 household size, for the area in which the housing is located.

439 (ii) "Nonprofit housing organization" means an
440 organization that is organized as a not-for-profit organization
441 under the laws of this state or another state and has as one of
442 its purposes:

- 443 1. Homeownership education or counseling;
444 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 home buyer 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.

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

(ii) Subject to the limitations provided under Section 2 of this act, amounts deposited into a first-time home buyer savings account and any interest or other income earned attributable to an account and monies or funds withdrawn or distributed from an account for the payment of eligible costs by or on behalf of a qualified beneficiary; however, any monies or funds withdrawn or distributed from a first-time home buyer savings account for any purpose other than the payment of eligible costs by or on behalf of a qualified beneficiary shall be included in gross income. For the purpose of this paragraph (ii), the terms "first-time home buyer savings account," "eligible costs"



and "qualified beneficiary" mean and have the same definitions as such terms have in Section 1 of this act.

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

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

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

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

(h) If refund or credit of any overpayment of tax for any taxable year resulting from the application of this subsection (5) is prevented by the operation of any law or rule of law, such refund or credit of such overpayment of tax may, nevertheless, be



544 made or allowed if claim therefor is filed with the Department of
545 Revenue within three (3) years after the date of the enactment of
546 this subsection.

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

549 (6) A shareholder of an S corporation, as defined in Section
550 27-8-3(1)(g), shall take into account the income, loss, deduction
551 or credit of the S corporation only to the extent provided in
552 Section 27-8-7(2).

553 **SECTION 4.** Sections 1 and 2 of this act shall be codified as
554 new sections in Chapter 7, Title 27, Mississippi Code of 1972.

555 **SECTION 5.** Nothing in this act shall affect or defeat any
556 claim, assessment, appeal, suit, right or cause of action for
557 taxes due or accrued under the income tax laws before the date on
558 which this act becomes effective, whether such claims,
559 assessments, appeals, suits or actions have been begun before the
560 date on which this act becomes effective or are begun thereafter;
561 and the provisions of the income tax laws are expressly continued
562 in full force, effect and operation for the purpose of the
563 assessment, collection and enrollment of liens for any taxes due
564 or accrued and the execution of any warrant under such laws before
565 the date on which this act becomes effective, and for the
566 imposition of any penalties, forfeitures or claims for failure to
567 comply with such laws.



568 **SECTION 6.** This act shall take effect and be in force from
569 and after January 1, 2017.

