



THE CLAY FIRM

NEWSLETTER

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CAPITOL REPORT

As the Legislative Session is winding down, legislators have come to an agreement on the biggest debate of the session – tax reform. The House concurred on [HB 1](#) yesterday, with all of the amendments made to the bill from the Senate. The amended proposal cuts the personal income down from 4% to 3% by 0.25% each year until 2030. There may be further reductions on the personal income tax if certain fiscal safeguards are met. Beginning in 2031, if revenue collections exceed spending by at least 0.85% of the cost of a 1% tax cut, the tax will be reduced by 0.2%. If the excess is at least 1% of the cost of a 1% tax cut, the tax will be reduced by 0.25%. If the excess is at or above 1.15% of the cost of a 1% tax cut, the tax will be reduced by 0.3%. This process will be in force until the personal income tax is fully eliminated.



The bill also proposes an immediate reduction in the tax on groceries from 7% to 5%, beginning July 1, 2025. To ensure cities still receive an adequate amount of funding, 18.5% of the general sales tax and 25.9% of the grocery sales tax will go to cities. General sales tax will remain at 7%, a factor different from the original bill.

The excise tax on gasoline, which is currently set at 18 cents per gallon, will see an increase through this bill. The tax will increase by 3 cents for the next

3 years, totaling a 27 cents per gallon fuel excise tax by 2027. Following this, the tax rate will be indexed for further increases every other year.

HB 1 also establishes a new Tier 5 for state employees hired after March 1, 2026, where 4% of their retirement savings would be placed in a defined benefit plan and 5% would go to a defined contribution plan.

The bill now heads to Governor Tate Reeves' desk for final approval.

The next week will determine the fate of the remaining bills still left in the legislative process. Legislators have until Thursday, March 27, to concur or invite conference on general bills and constitutional amendments, while conference reports of appropriation and revenue bills must be filed by Saturday, March 29.

MEDICAID UPDATE

With only two weeks remaining of the session, Medicaid Expansion seems to be off the table. After Medicaid Expansion nearly passed the Mississippi Legislature during the 2024 Legislative Session, many believed the measure would be heavily discussed and debated again. Leaders in both the House and Senate have pointed to federal uncertainty surrounding the national Medicaid program

as a reason for not taking up expansion this session.

[SB 2867](#), typically dubbed the "Medicaid Tech Bill," passed the Legislature this week and awaits Gov. Reeves' approval. A few of the changes made to the Medicaid code in this bill include allowing children in foster care to receive Medicaid benefits until they are 26 years old, increased avail-

-ability of eyeglasses and certain medications, easier access to some medical treatments without needing special federal approvals, and several administrative updates and financial adjustments.

[HB 662](#), also sits on Gov. Reeves' desk. This bill revises the criteria for presumptive Medicaid eligibility for pregnant women, aligning it with federal laws and regulations.



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QUICK HITTERS

1) Elections for two new state representatives will take place on Tuesday. Five candidates have qualified to fill the open seat for District 23, and three have qualified to fill the open seat for District 28. A general runoff, if necessary, is set for April 22.

Saturday in-person voting begins tomorrow for the state's upcoming April 1 municipal elections. Those unable to vote on election day or during the weekdays can cast their ballot at their local municipal clerk's office from 8 a.m. to noon on March 22 and March 29.

2) A bill banning public panhandling is headed to Governor Tate Reeves' desk. [HB 1197](#), "the Safe Solicitation Act," outlines that those who wish to solicit in public spaces must obtain a solicitation permit from their local municipality. Municipalities or county governments can charge up to \$25 as a permit fee, though it can also be offered for free.

Proponents of the bill say the measure would enhance public safety and give law enforcement recourse when solicitation disturbs the peace.

3) The State Board of Education unanimously supported a proposal yesterday that would move the Mississippi School for Math and Science, a residential high school for gifted juniors and seniors, from its location on the campus of the Mississippi University for Women in Columbus to Mississippi State University in Starkville. In December, the board launched a subcommittee to explore ways to strengthen MSMS's operations and ensure the continued growth of the academic institution. MSU and MUW were later asked to submit proposals that would increase enrollment and educational opportunities for MSMS students. After reviewing both proposals, the board voted to promote MSU being the future host site of MSMS, a move that must take legislative approval to carry out.

4) Legislation to create an Artificial Intelligence Regulation Task Force to examine ethical standards, privacy issues, and possible use of AI within state government has been signed by Governor Reeves. [SB 2426](#) creates a seven-member task force to focus on how AI can improve several areas in the state, including workforce development, elementary and secondary education, health care, private businesses, data processing, and private and public colleges and universities in Mississippi. The bill went into effect upon passage, meaning the task force could be selected and begin work soon.