



# MISSISSIPPI DEPARTMENT OF REVENUE

Income Tax

Notice 80-23-003

October 20, 2023

## Depreciation

House Bill 1733 of the 2023 Legislative Session was signed into law on March 27, 2023. This bill amended Miss. Code Ann. Section 27-7-17 to revise the methods of depreciation that may be used for certain expenditures and property for state income tax purposes. This bill is effective from and after January 1, 2023.

For tax years beginning after December 31, 2022, a taxpayer may treat specified research or experimental expenditures that were paid or incurred by the taxpayer during the tax year in connection with the taxpayer's trade or business as expenses that are not chargeable to the capital account, and may elect to take a full and immediate deduction for such expenditures and/or to depreciate the expenditures in accordance with 26 USCS Section 174 as it existed on January 1, 2021. Such election is made by checking the "R&D Expense Election" check box on the Mississippi Net Taxable Income Schedule Form 83-122 (corporations) or Form 84-122 (pass-through entities). The election must be made by the due date or extended due date of the return and is irrevocable unless a change in method is allowed by the Commissioner.

For tax years beginning after December 31, 2022, expenditures for business assets that are qualified property or qualified improvement property shall be eligible for one hundred percent (100%) bonus depreciation and may be deducted as an expense incurred by the taxpayer during the tax year in which the property was placed in service. "Qualified property" has the same meaning as defined in 26 USCS Section 168 (k) as it existed on January 1, 2021, and "Qualified improvement property" has the same meaning as defined in 26 USCS Section 168 (e)(6) as it existed on January 1, 2021. A taxpayer may elect to take a bonus depreciation deduction for such expenditures and/or to depreciate the expenditures in accordance with 26 USCS Section 168. Such election is made by checking the "Bonus Depreciation Election" check box on the Mississippi Net Taxable Income Schedule Form 83-122 (corporations) or Form 84-122 (pass-through entities). The election must be made by the due date or extended due date of the return and is irrevocable unless a change in method is allowed by the Commissioner.

A taxpayer may also elect to treat the cost of any Section 179 property that was placed in service during the taxable year as an expense which is not chargeable to a capital account, and any cost so treated shall be allowed as a deduction for that year. Mississippi's treatment of the deduction shall conform to the provisions of 26 USCS Section 179 in effect for that year.

None of the provisions mentioned above shall nullify or otherwise alter the treatment of depreciation expenses for any tax year prior to 2023. The total of any depreciation method or combination of methods used cannot exceed one hundred percent (100%) of the cost of the subject property. These provisions shall remain in effect unless there are any changes to the federal Internal Revenue Code sections mentioned above.