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2000 Corporation Income and Franchise Tax Forms

If someone else prepares your income tax return, please take this forms packet to that person so the peel-off label above and the enclosed envelope may be used for your return. There are some important things you can do to help speed processing and reduce the cost of your government:

- **Use the peel-off label.** Remove the label and place it in the name and address area of your return. If the label is NOT correct, neatly mark through incorrect information and plainly print or type correct information on the label. DO NOT USE THIS LABEL ON COMPUTER GENERATED FORMS.

- **Use the envelope enclosed in this booklet.**

- Additional schedules and attachments may be stapled to your return.

- C-Corporations and S-Corporations have separate forms booklets. If you received the wrong booklet, please call (601) 923-7815 for the correct set of forms and instructions.

- **Web site** - Please visit our web site located at www.mstc.state.ms.us to find any updates to the instructions and/or worksheets that are contained in this booklet. In the Tax Area section, click on Corporate Income and Franchise Tax, Partnerships, LLP, LLC.

- You may download forms from our web site.

**CHANGES FOR 2000:**

**NEW 2000 LEGISLATION (Effective 1-1-2000)**

Owners of Qualified Sub-S Subsidiary (QSSS) and/or Single Member LLC (SMLLC)

The corporate owner of a QSSS and/or a SMLLC that is required to file and report for Federal income tax purposes on the activity conducted in Mississippi by the QSSS and/or SMLLC:

- shall be required to file a Mississippi combination return of income and franchise tax;
- shall be considered “doing business” in Mississippi for franchise tax purposes; and
- shall, with the QSSS and/or the SMLLC, each be jointly and severally liable for franchise taxes levied together with damages and interest when such taxes are due and unpaid. (Senate Bill 3088)

Real Estate Investment Trust (REIT)

The term REIT shall have the meaning ascribed to such term in IRC section 856. REITs shall be allowed a dividend distributed deduction if such dividend distributions meet requirements of IRC section 857 or are otherwise deductible under IRC sections 858 or 860. In addition:

- dividend distributed deduction shall only be allowed for dividends paid by a publicly traded REIT;
- a qualified REIT subsidiary shall be allowed a dividend distributed deduction if its owner is a publicly traded REIT;
- restrictions are placed on deduction of certain other dividend distributions (Senate Bill 3319)

Bills may be reviewed at http://billstatus.ls.state.ms.us/default.htm.

**Forms Changes:**

**Form 83-135, Allocable and Apportionable Capital Gains and Losses Schedule**

Form 83-135 is no longer required to be filed in every instance as a replacement form for Federal Schedule D. Its use is mandated if the corporation:

- has, or generates during the current year, a capital loss carryforward for either federal or Mississippi purposes;
- is multistate and has allocable capital gain or loss; or
- has Mississippi exempt gain under Section 27-7-9(f)(10). (Senate Bill 3319)

**Form 83-140, Sales of Property for Allocable Gain or Loss**

Form 83-140 should be completed when Form 83-135 is required to be filed. Detailed instructions for use requirements are provided on page 2 of Form 83-135.

Form 83-145 has been eliminated.

Form 83-155, Corporate NOL and Capital Loss Worksheet

**GENERAL INSTRUCTIONS**

**HOW TO FILL OUT FORMS**

**Use Black Ink** when preparing these returns.

**Indicating a Loss** - To indicate a loss (negative income), shade the minus (-) box next to the dollar amount.

**WHO MUST FILE**

Every corporation, domesticated or qualified to do business in Mississippi, and every corporation engaged in business in Mississippi or having sources of income from Mississippi, must file a Mississippi combination return of corporate income and franchise tax, Form 83-105.

Every corporation domesticated or qualified to do business in Mississippi must file a return even though the corporation is inactive or not otherwise engaged in business. **SUCH A CORPORATION REMAINS SUBJECT TO THE FILING REQUIREMENTS UNTIL SUCH TIME AS THE CORPORATION IS OFFICIALLY DISSOLVED OR WITHDRAWN THROUGH THE OFFICE OF THE MISSISSIPPI SECRETARY OF STATE.**

Foreign corporations engaged in business in Mississippi or having sources of income in this state who have not qualified to transact business in this state through the offices of the Secretary of State are subject to the measure of the income and franchise tax levy. Corporations exempt from one or more of the levies covered by the combination report must indicate their authority for the exemption.
Under Section 27-7-23(c)(1) and Section 27-13-7 of the Mississippi Code of 1972, as amended, every foreign corporation (those chartered outside Mississippi) which has obtained a certificate of authority from the Secretary of State to do business in Mississippi, or which is in fact doing business, as defined in the Mississippi Code Sections above, regardless of qualifications, is subject to the income/franchise tax levy and is required to file annual income/franchise tax returns unless the corporation is specifically exempt from tax within the purview of Code Section 27-7-29 and Section 27-13-63.

Any corporation subject to the filing requirements noted in the paragraph above MUST FILE AN INCOME/FRANCHISE TAX RETURN BASED ON THE INCOME FROM ITS ACTIVITY, AND ON THE CAPITAL EMPLOYED IN THE STATE. When a corporation obtains a certificate of authority from the Secretary of State to do business in Mississippi, such organization receives the benefit and protection of the government and laws of the state.

Insurance companies must file their income tax returns on Form 85-391.

TIME AND PLACE FOR FILING

The Mississippi combination return of corporate income and franchise tax must be filed with the Commissioner on or before the fifteenth day of the third month following the close of the accounting year. If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday. The return should be sent to: Office of Revenue, P. O. Box 23050, Jackson, MS 39225-3050. If filing a final return, combined return, or amended return send to: Corporate Tax Division, P.O. Box 1033, Jackson, MS 39215-1033.

PERIOD COVERED BY THE RETURN

Returns shall be filed on the basis of the 12-month accounting period established by the corporation. A corporation on a fiscal year basis must enter the beginning and ending dates of the taxable year in the appropriate spaces. No accounting period, other than calendar year, will be recognized, unless before its close it was definitely established as an accounting period by the taxpayer and the books of such taxpayer were kept in accordance therewith. No accounting period shall be changed without the approval of the Commissioner.

PAYMENT OF TAX

The total tax due on the combination return must be paid by the due date, not necessarily the due date of the tax return. For franchise tax, the due date is the due date of the return; for income tax the due date is the due date of income tax estimated payments (which must be not less than 90% of the annual income tax liability), and the balance by the due date of the tax return. Due dates are determined without extensions.

EXTENSION OF TIME TO FILE RETURN

The Commissioner may grant a reasonable extension of time beyond the statutory due date to file any income/franchise tax return. THE AUTHORIZED EXTENSION OF TIME TO FILE DOES NOT EXTEND THE TIME FOR PAYMENT OF THE INCOME OR FRANCHISE TAX DUE. INTEREST and PENALTY shall apply on any UNDERPAYMENT OF TAX. Taxpayers having a tax liability who request an extension of time must remit the tax due with their Mississippi application for extension. Corporations may submit Form 83-180 on or before the due date of their returns, including remittance for any remaining tax liability, and receive an automatic extension of time to file their tax returns.

If no tax liability exists on the due date of the return, the Commissioner may recognize an extension of time authorized and granted by the Internal Revenue Service for the filing of annual income tax returns.

INTEREST AND PENALTY PROVISIONS

Late Payment - Interest at the rate of 1% per month from the regular due date until paid, is due on the amount of unpaid tax whenever such is not paid on the regular due date, even though an extension of time to file the return has been granted or authorized. The penalty imposed for failure to pay the tax when due is 1/2% per month based on tax not paid by the due date not to exceed 25% in the aggregate.

Late or Non-Filers - Penalties are imposed for failure to file a return when due. The penalty imposed for failure to file a return is 5% per month not to exceed 25% in the aggregate. The penalty imposed for failure to file is based on the additional amount of tax due, not total tax due on the return. Such failure to file a return penalty shall not be less than $100.

Incomplete Returns - A corporation that does not file a complete return or does not file a return within the prescribed time may be subject to a penalty of $25 per required attachment or schedule up to a maximum of $500 per return.

To be a complete return, a return should contain all the requisite general information, as well as all summary tax information and the basic back up schedules.

Examples of the required general information are complete name, current address, ID number, description of product or services, officer’s signature, and other information relating to the filing entity as requested on page 2 of Form 83-105.

Examples of the summary tax information are the front page of the return, the computation of net income, the franchise tax schedules, the computation of the apportionment factor (if income is apportioned), the balance sheet, the direct accounting income statement (if applicable), reclassification of tax income with book income, schedules showing the computation of any tax credit taken (such as jobs credit) and schedules showing the computation of any major item in the return.

Examples of the basic backup schedules are details of other additions or other deductions as requested on the computation of net income schedule, details of other additions or other deductions as requested on other statements made a part of the return, and details of nonbusiness income or loss directly allocable to Mississippi and other business income or loss as requested on the computation of net income schedule, detail of other assets, other current liabilities and other liabilities in the balance sheet as are normally included with the federal return.

The purpose of this penalty provision is to ensure that sufficient information is disclosed on the return to assure the collection of the correct tax due. If a minor schedule is inadvertantly omitted one time from the tax return, the penalty will not be imposed; but if major schedules (such as the balance sheet) are omitted or incomplete, or if schedules are consistently omitted or incomplete, then the penalty will be imposed. The more severe or consistent the omission, the more likely it is that the penalty will be imposed.

RATES OF TAX

(a) Franchise tax - $2.50 per $1,000, or fractional part thereof, of capital, surplus, undivided profits and true reserves employed in Mississippi. (Minimum tax of $25)

(b) Income Tax - 3% on the first $5,000 of taxable income, 4% on the next $5,000 of taxable income, and 5% on taxable income in excess of $10,000.

WHO MUST SIGN

The return must be signed by the president, vice president or other officer of the corporation. A receiver, trustee, or assignee must sign any return which he/she is required to file on behalf of a corporation.

INSTRUCTIONS FOR DETERMINING FRANCHISE TAX

The franchise tax is measured by the value of capital used, invested or employed in the exercise of any power, privilege or right enjoyed by the corporation within Mississippi. The mode of measurement is the amount of capital of the corporation employed or so situated as to be privileged to be employed in the state. In determining the amount of capital, the net book value as regularly employed in conducting the affairs of the corporation shall be accepted as prima facie correct as to the true capital of the corporation, except where the Commissioner determines that the book value does not properly reflect capital employed in this state and in that situation the Commissioner's determination of capital shall be prima facie correct.

Form 83-110, Corporate Franchise Tax Schedule, must be completed by all corporations indicating the amount of capital of the corporation. All reserves which do not represent definitely known and fixed liabilities must be considered as elements of capital of the corporation. Amounts designated for payment of dividends may not be excluded unless such amounts have been definitely and irrevocably placed to the credit of the stockholder, subject to withdrawal on demand. Sums representing debts, notes, bonds, mortgages due and payable, depreciation reserves, bad debt reserves, or reserves representing valuation accounts may be excluded (unless between affiliated companies or shareholders).

Attention: Multistate Taxpayers

Lines 10 through 13 of Form 83-110 must be completed by multistate corporations doing business both within and without Mississippi. Total capital of a multistate corporation is apportioned to Mississippi in the ratio that real and tangible personal property owned in Mississippi and gross receipts from business carried on in Mississippi bears to the total real and tangible personal property owned by the corporation and gross receipts wherever located and from wherever received. All franchise tax returns that have a year ending on or before December 31, 1996 will calculate the Mississippi receipts for franchise taxes in the same manner as in previous years. Starting for years ending on or after January 1, 1999, taxpayers that apportion their income to Mississippi using an apportionment method that includes a sales or receipts ratio will no longer use the income tax ratio to calculate the Mississippi receipts for the
The Mississippi Code that was amended is as follows:

27-13-13. (1) In the case of organizations doing business both within and without Mississippi, the value of the capital employed in this state shall be determined by first computing the ratio between (1) the real and tangible personal property owned in Mississippi and gross receipts from business carried on in Mississippi, and (2) the total real and tangible personal property owned and gross receipts wherever located and from wherever received. Said ratio then shall be applied to the total capital stock, surplus, undivided profits and true reserves and the result of that application shall be the capital employed in this state. Provided, however, that the amount of the determined capital in Mississippi shall in no case be less than the assessed value of the Mississippi property of the organization for the year preceding the year in which the return is due.

(2) (a) For the purpose of this section, for tax returns for tax years ending on or after January 1, 1999, any organization which uses a formula method of apportionment in making income tax returns to this state shall determine its gross receipts from business carried on in Mississippi by applying to total unitary receipts the ratio achieved, or which would be achieved, by such formula and adding to the result of such application any nonunitary Mississippi receipts.

(b) For the purpose of this section, for tax returns for tax years ending on or after January 1, 1999, the gross receipts of an organization that is required to use a formula method of apportionment in making income tax returns to this state shall be the same (both as to gross receipts from business carried on in Mississippi and gross receipts wherever located) as the gross receipts (or sales) used for the receipts or sales factor purposes of this section, shall also include any receipts from the taxpayer's business operations which are not apportioned but rather are directly allocated or assigned to this state. If the taxpayer is required to use a formula method of apportionment in making income tax returns which does not have a receipts or sales factor, then the receipts factor for the franchise tax formula shall be determined by regulation of the commission.

The amount of capital apportioned to Mississippi is computed on line 14, Form 83-110.

The section of Form 83-110 concerning the assessed values of all real and personal property in Mississippi must be completed by all corporations. Sections 27-13-9 and 27-13-13, Mississippi Code of 1972, provide that the amount of the determined capital in Mississippi shall in no case be less than the assessed value of the Mississippi property of the corporation for the year preceding the year in which the return is due.

Taxable capital and the net franchise tax due are calculated on lines 16 through 21 of Form 83-110. The amount of taxable capital shown on line 18 should be entered on line 1, Form 83-105. The net franchise tax due as shown on line 21 should be entered on line 2, Form 83-105.

INSTRUCTIONS FOR COMPUTING TAXABLE INCOME

Generally, all domestic and foreign corporations having income from sources within Mississippi must complete Form 83-122, Computation of Net Taxable Income Schedule, which makes adjustments for additions to and deductions from Federal ordinary income due to differences in Federal and Mississippi laws, in arriving at the net income (loss) for State purposes.

Total Assignment of Income. If the business activity in respect to any trade or business of the corporation occurs within this state, and if by reason of such business activity the corporation is not taxable in another state, the total net income (loss) of the corporation is assigned to Mississippi.
NET OPERATING LOSSES

For any taxable year ending after December 31, 1997, the period for net operating loss carrybacks and net operating loss carryovers shall be the same as those established by the Internal Revenue Code and the rules, regulations, rulings and determinations promulgated thereunder. §27-7-17(1)(i) of the Mississippi Code of 1972, as amended, was amended so that when the Internal Revenue Code loss carryback and carryforward periods change, the Mississippi carryback and carryforward will change as well.

For years ended on or before December 31, 1997 the following applies: A net operating loss for any tax year ending after December 31, 1991, could be carried back to the taxable year preceding the year of the loss. A net operating loss for any tax year ending after December 31, 1992, can be carried back to the 2 taxable years preceding the year of the loss. A net operating loss for any tax year ending after December 31, 1993, can be carried back to the 3 taxable years preceding the year of the loss. Carry the net operating loss to the earliest year first. A short taxable year counts as a taxable year. A taxpayer can elect to relinquish the entire carryback period with regard to a net operating loss from an eligible year, but once this election is made, it cannot be changed.

Prior to January 1, 1992, Mississippi allowed a 5 year NOL carryforward but no carryback. Form 83-155 or other comparable schedule must be attached, or the NOL will not be allowed.

CAPITAL GAINS AND LOSSES

Copies of Federal Schedule D and Federal Form 4797 should always be included with the Mississippi return. In certain instances, as indicated below, a corporation may also be required to file Mississippi Forms 83-135 and 83-140.

A corporation must complete Mississippi Form 83-135 if any of the following situations are present:

1. The entity (on a separate company basis) has or would have a capital loss carryforward from prior years for federal tax purposes;
2. The entity (on a separate company basis) has or would have generated a capital loss carryforward in the current year for federal tax purposes;
3. The entity has a Mississippi capital loss carryforward;
4. The entity generated a Mississippi capital loss carryforward in the current year;
5. The entity, if multistate, has allocable capital gain or loss; or
6. The entity has Mississippi exempt gain under Section 27-7-9(1)(10).

If a corporation is required to use Form 83-135, it must include its apportionable gain as well as its allocable gain in order to correctly compute any Mississippi capital gains, capital loss carryforward, or capital loss carryback. If losses exceed gains, Mississippi allows a three (3) year carryback and a five (5) year carryforward. If a capital loss deduction arising from other than the current year is claimed, the capital loss carryforward/carryback schedule on Form 83-155 must be completed and filed along with Form 83-135. The schedule must show both the year a loss is generated and the year in which it is applied.

Form 83-140, Sales of Property for Allocable Gain or Loss, should be completed whenever Form 83-135 is required. Form 83-145, Sales of Property for Apportionable Gain or Loss, has been eliminated.

A multistate corporation must segregate gains and/or losses into business and nonbusiness income. (See Regulation 806 for state definition of business income and details). When using Form 83-135, nonbusiness income allocable to Mississippi is reported in column (g) and apportionable business income is reported in column (q). Any gains reported on Federal Form 4797 that are allocable to Mississippi are reported on Form 83-140.

Corporations which use direct/separate accounting must use Form 83-124. Any non-allocable gains/losses should be apportioned to Mississippi based on the appropriate activity ratio (see Regulation 806 for details) and reported on Form 83-124, Line 29. A supporting schedule must be attached which provides the apportionable gains/losses; Mississippi allocable gains/losses; and gains/losses to other states. The schedule should be reconcilable with Federal Form 4797 and 1120 Schedule D.

Form 83-140 is not included in this booklet, but may be obtained by calling 601-923-7815 or downloaded from our web site located at www.mstc.state.ms.us.

The 1997 Regular Session of the Mississippi Legislature amended Section 27-7-9 of the Mississippi Code of 1972 to clarify how gains that are not recognized from the sale of interests in certain Mississippi businesses are treated for income tax purposes and for related purposes. The amendment was effective March 18, 1997 and codified in Section 27-7-9(1)(10) and is generally effective for taxpayers whose tax year begins from and after that date. A copy of the amendment is reproduced on page 2 of Form 83-135, 2000 Alloable and Apportionable Capital Gains and Losses Schedule, included in this booklet.

“Domestic” means the corporation, limited partnership, or limited liability company must have been incorporated or formed in the State of Mississippi.

Capital Loss Carrybacks/Carryforwards. Effective for tax years beginning on or after January 1, 1992, the capital loss provisions were changed for Mississippi income tax purposes. Prior to the change, capital losses could be deducted against other income, but they were not allowed to be carried forward. After the law change, capital losses can only offset capital gains, but a capital loss can be carried back to the 3 taxable years preceding the loss year and be carried over to the 5 years succeeding the loss year. All provisions of the Internal Revenue Code in regard to limitations on capital losses, capital loss carrybacks and carryovers and holding periods shall be applicable. Form 83-155 or other comparable schedule must be attached showing the carryback and carryover of capital losses.

BUSINESS INCOME OF PRODUCERS OF MINERAL OR NATURAL RESOURCE PRODUCTS

Taxpayers engaged in the trade or business of producing oil, gas, other liquid hydrocarbons, sulphur, coal, sand, gravel and other mineral or natural resource products, except timber, shall determine Mississippi net business income from such activity on a direct or separate accounting basis. The Mississippi gross business income from the production of mineral or natural resources shall include:

(a) Sales of natural or mineral resources produced in Mississippi and sold in this state;
(b) the market value, at the time of transfer, of all natural or mineral resources produced in this state and transferred by a taxpayer to another state or foreign country for sale, refining, processing or manufacturing, provided that if the natural or mineral resources are sold by means of an "arms-length" transaction prior to refining, processing or manufacturing, the market value prescribed herein shall not exceed the selling price; and
c) the market value at the time of transfer, of all natural or mineral resources produced by the taxpayer in Mississippi transferred to a refinery, processing plant, or manufacturing facility of the taxpayer in Mississippi.

A natural resource product shall be deemed to be sold in Mississippi if it is located in this state at the time title thereto passes to the purchaser. In the absence of specific proof of value of natural resources at the time of transfer from the state, the value of natural resources at the time of production shall be determined in accordance with the methods prescribed for the determination of "gross income from the property" for purposes of percentage depletion for federal income tax purposes.

INCENTIVE CREDITS

Incentive credits may be used to offset all or part of the corporate income tax liability. For any of these credits to be allowed, schedules must be attached showing the computations.

Form 83-401, Income Tax Credit Summary, should be completed and attached as a part of the return.

The following is a brief description of the major credits allowed under State statutes:

Jobs Tax Credit. A credit is allowed for increasing employment levels in certain types of business. For a credit to be allowed, the business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by rule and regulation by the Department of Economic and Community Development as air transportation and maintenance facilities, final destination or resort hotels having a minimum of 150 guest rooms, or movie industry studios, or telecommunications enterprises.

The amount of the credit is determined by the classification of the county in which the qualified job is located. The 82 counties are divided into 3 groups. These groups are less developed, moderately developed and developed.

Credit is allowed annually for each net new full time job created for 5 years beginning with years 2 through 6 after the creation of the job. Credit is not allowed for a year if the net employment increase falls below the minimum level. The dollar credit per employee and the minimum number of new jobs needed to be created, in a given year, to qualify for this credit is listed below.
The number of jobs created is calculated by taking the average level of employment for the given year (taxpayers reporting period for income tax) less the average level of employment of the prior reporting period (12 months). The Corporate Tax Section should be consulted if short periods are involved. This is the only credit that involves the use of an average increase over the prior year in its calculation.

Form 83-450, New Jobs Credit Schedule, must be completed and attached to the return.

### Research and Development Jobs Skills Credit

A $500 credit is authorized for each full-time employee in any new job requiring research and development skills. Specific examples of jobs requiring research and development skills are chemists and engineers. Qualification of other jobs for this credit would require as a minimum a bachelor’s degree in a scientific or technical field of study from an accredited four (4) year college or university, employment in the area of expertise and compensation at a professional level. The research and development job credit is available to any company regardless of the business in which it engages.

Businesses that employ a person in an approved research and development job for a credit. Any expense used in computing the allowable credit cannot be taken another one is also limited to 50% then combined they may offset 100% of the income tax due. It will be up to the taxpayer to list which credits are to be used on the return. The act is effective January 1, 1994, and shall stand repealed after December 31, 2002.

### Reforestation Tax Credit (RTC)

Beginning in 1999, this credit, based on the costs incurred for certain approved reforestation practices, is an amount equal to the lesser of fifty percent (50%) of the actual cost of approved practices or fifty percent (50%) of the average cost of approved practices as established by the Mississippi Forestry Commission. In any taxable year, the RTC shall not exceed the lesser of ($10,000) or the amount of income tax imposed upon the eligible owner for the taxable year reduced by the sum of all other credits allowable to the eligible owner. The lifetime maximum reforestation tax credit that an eligible owner may utilize is ($10,000) in the aggregate. Any unused portion of the RTC may be carried forward to succeeding years. Reforested acreage on which the eligible owner receives any state or federal cost share assistance funds to defray the cost of an approved reforestation practice is not eligible for the RTC. The RTC is not available to private corporations which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

### General Restrictions on the Incentive Credits

The only credits whose usage are dependent on another credit are the Export Port Charges Credit and the Reforestation Tax Credit. The RTC should be used last. The total of the Jobs Tax Credit, the Headquarters Credit and the R & D Skills Credit, cannot exceed 50% of the total income tax due. The other credits are not limited in such a manner and their usage will be independent of one another. When one credit is limited to 50% of the income tax due and another one is also limited to 50% then combined they may offset 100% of the income tax due. It will be up to the taxpayer to list which credits are to be used on the tax return. Please keep in mind that a number of the credits do not have carry forward provisions.

Advanced Technology, Enterprise Zone or Corporate Headquarters Facilities Credit are credits that were qualified for prior to July 1, 1989 that are still being used by a few taxpayers. They can offset 100% of the income tax due but they cannot be carried forward. When a deduction on the Mississippi tax return also gives rise to a tax credit, the amount of that credit which is being used in the current return must be added back to Mississippi income or loss after any apportionment of income. The adding back of the credit to taxable income will increase the tax liability which may increase the amount of credit which may be taken. When this is the case, continue to increase the amount of credit being used and the add back to income until there is a difference of $1,000.00 or less between the two. Therefore, the credit added back may be, at most, $1,000.00 less than the credit being used. This is a departure from prior years instructions. It has been changed due to the fact that a credit may be earned in the current year but may expire prior to being used by the taxpayer, thereby denying the taxpayer a deduction. Also, some credits are based on a

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<th>County Classification</th>
<th>Minimum No. of Jobs in a Given Year</th>
<th>Dollar Credit Per Job</th>
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<td>Less Developed</td>
<td>10 or More</td>
<td>$2,000 Annually</td>
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<tr>
<td>Developed</td>
<td>20 or More</td>
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**Ad Valorem Inventory Tax Credit.** This is an income tax credit for manufacturers, distributors and wholesale or retail merchants for a certain amount of ad valorem taxes paid on commodities, goods, wares and merchandise held for resale. The credit may be claimed only in the year in which the ad valorem taxes are paid and may be claimed for each location where such commodities, products, goods, wares and merchandise are found and upon which the ad valorem taxes have been paid. For the 1997 tax year and beyond the tax credit for each location on which ad valorem taxes have been paid, shall not exceed the lesser of $5,000 or the amount of income taxes attributable to such location.

The act also provides that any ad valorem taxes paid by a taxpayer that is applied toward the tax credit may not be used as a deduction by the taxpayer for state income tax purposes. **A COPY OF THE TAX RECEIPT FROM THE COUNTY THAT SHOWS THE INVENTORY VALUATION AND A SCHEDULE SHOWING THE CALCULATION OF THE AD VALOREM TAX PAID BASED ON THE VALUATION MUST BE ATTACHED TO THE RETURN.**

### Export Port Charges Credit

An income tax credit is authorized for taxpayers that utilize the port facilities at state, county, and municipal ports. The income tax credit is equal to the total export cargo charges paid by the taxpayer for: (a) receiving in the port; (b) handling to a vessel; (c) wharfage. The credit provided shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits. Any unused portion of the credit may be carried forward for the succeeding 5 years. The maximum cumulative credit that may be claimed by a taxpayer pursuant to this act beginning January 1, 1994 and ending December 31, 2002 is limited to $1,200,000. The act is effective January 1, 1994, and shall stand repealed after December 31, 2002.

**Advanced Technology, Enterprise Zone or Corporate Headquarters Facilities Credit are credits that were qualified for prior to July 1, 1989 that are still being used by a few taxpayers. They can offset 100% of the income tax due but they cannot be carried forward. When a deduction on the Mississippi tax return also gives rise to a tax credit, the amount of that credit which is being used in the current return must be added back to Mississippi income or loss after any apportionment of income. The adding back of the credit to taxable income will increase the tax liability which may increase the amount of credit which may be taken. When this is the case, continue to increase the amount of credit being used and the add back to income until there is a difference of $1,000.00 or less between the two. Therefore, the credit added back may be, at most, $1,000.00 less than the credit being used. This is a departure from prior years instructions. It has been changed due to the fact that a credit may be earned in the current year but may expire prior to being used by the taxpayer, thereby denying the taxpayer a deduction. Also, some credits are based on a

Finance Corporation to finance economic development projects to induce the location of manufacturing facilities within this state can be taken as a credit. This credit can be used against the taxes due from the income generated by or arising out of the economic development project. For more information on the benefits of this program contact: Mississippi Department of Economic and Community Development, P.O. Box 849, Jackson, MS 39205-0849.

### General Restrictions on the Incentive Credits

The only credits whose usage are dependent on another credit are the Export Port Charges Credit and the Reforestation Tax Credit. The RTC should be used last. The total of the Jobs Tax Credit, the Headquarters Credit and the R & D Skills Credit, cannot exceed 50% of the total income tax due. The other credits are not limited in such a manner and their usage will be independent of one another. When one credit is limited to 50% of the income tax due and another one is also limited to 50% then combined they may offset 100% of the income tax due. It will be up to the taxpayer to list which credits are to be used on the tax return. Please keep in mind that a number of the credits do not have carry forward provisions.

Advanced Technology, Enterprise Zone or Corporate Headquarters Facilities Credit are credits that were qualified for prior to July 1, 1989 that are still being used by a few taxpayers. They can offset 100% of the income tax due but they cannot be carried forward.

When a deduction on the Mississippi tax return also gives rise to a tax credit, the amount of that credit which is being used in the current return must be added back to Mississippi income or loss after any apportionment of income. The adding back of the credit to taxable income will increase the tax liability which may increase the amount of credit which may be taken. When this is the case, continue to increase the amount of credit being used and the add back to income until there is a difference of $1,000.00 or less between the two. Therefore, the credit added back may be, at most, $1,000.00 less than the credit being used. This is a departure from prior years instructions. It has been changed due to the fact that a credit may be earned in the current year but may expire prior to being used by the taxpayer, thereby denying the taxpayer a deduction. Also, some credits are based on a...
percentage of an expense, and in this case only the credit used should be added back. Those credits which are affected are: Finance Company Privilege, Child/Dependent Care, Basic Skills Training or Retraining, Gaming, TANF (AFDC), RED and Export Port Charges Tax Credits.

The credits allowed shall not be used by any business enterprise or corporation other than the business enterprise actually qualifying for the credit.

Completing the Return

**Round to the Nearest Dollar** All dollar amounts should be rounded to the nearest whole dollar (no pennies). Round down to the next lower dollar amounts under $5.00 and round up to the next higher dollar amounts of $5.00 and over. For example: $2.15 becomes $2.00; $4.75 becomes $5.00; and $3.50 becomes $4.00.

Additional schedules or attachments may be stapled to the return. Follow the line instructions on the return. Additional specific instructions follow.

**LINE ITEM INSTRUCTIONS FOR FORM 83-105 PAGE 1**

**Taxpayer Information** Please provide all information requested. County codes are listed in the following table. Enter the code corresponding to your principal business location.

<table>
<thead>
<tr>
<th>County</th>
<th>Code</th>
<th>County</th>
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<td>Perry</td>
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</tr>
</tbody>
</table>

**Line 2.** Enter the amount of franchise tax due as computed on Form 83-110, line 18.

**Line 3.** Enter the balance of tax due. This is the amount of total tax due less previous payments (line 10 minus line 13).

**Line 4.** If a combined return is filed, enter zero, except the Reporting Corporation, which enters the combined group's Mississippi net taxable income from Form 83-310, Summary of Net Income of Corporations.

**Line 5.** Enter the amount of income tax due. The rates of tax are: 3% on the first $5,000 of taxable income; 4% on the next $5,000 of taxable income; and 5% on taxable income in excess of $10,000.

**Line 6a.** Enter the amount of Ad Valorem Inventory Tax Credit allowed as computed in Schedule A, Form 83-401, Mississippi Income Tax Credit Summary. This credit may be claimed only in the year in which the ad valorem taxes are paid and may be claimed for each location where such commodities, products, goods, wares and merchandise held for resale are found and upon which the ad valorem taxes have been paid. For the 1997 taxable year and beyond, the tax credit for each location shall not exceed the lesser of $5,000 or the amount of income taxes that are attributable to such location.

**Line 6b.** Enter the total amount of other credits allowed as computed on Form 83-401, Mississippi Income Tax Credit Summary and/or Column B, Schedule 83-310, Summary of Net Income of Corporations. See instructions for individual and overall limitations on credits allowed.

**Line 7.** Enter the net income tax due (line 5 less lines 6a and 6b). If the total of lines 6a and 6b equals or exceeds the amount shown on line 5, enter a zero.

**Line 8.** Enter the total franchise and income tax due. (Add lines 2 and 7).

**Line 9.** If the current Mississippi Income Tax liability (line 7) is $200 or less, then estimated income tax payments were not required for this year. If the current year Mississippi Income Tax liability exceeded $200, Form 83-305 should be completed and attached to the return. Enter on this line the amount shown on Form 83-305, line 18.

**Line 10.** Enter the total amount due for franchise and income tax, interest and penalty on underestimated income tax payments (add lines 8 and 9).

**Line 11.** Enter the credit due for previous payment. The amount of overpayment from the prior year should be the amount shown on the previous return as an overpayment to be credited to the next year.

**Line 12.** Enter the total amount of estimated tax payments and payments with extensions. This should equal the total of quarterly estimated income tax payments and the amount of income and franchise tax paid with the request for an automatic six-month extension of time to file.

**Line 13.** Enter the total previous payments made for the tax year (add lines 11 and 12).

**Line 14.** Enter the balance of tax due. This is the amount of total tax due less previous payments (line 10 minus line 13).

An affiliated group is allowed to file a consolidated return only if all members of the affiliated group report 100% of their income to Mississippi. Separate franchise tax returns are still required. If an affiliated group files a consolidated return, in general, Federal consolidation rules should be used. If a combined return is filed, each corporation included in the combined return must file its own separate return on which it computes and remits its franchise tax, and also computes its Mississippi taxable income. The taxable income or loss computed by each corporation is then combined on the Reporting Corporation's return. The primary benefit of filing a combined return is that a Mississippi taxable loss in one corporation could offset Mississippi taxable income in another corporation thus giving the combined group the loss offset in the current period.

The tax returns of all members in a combined or consolidated group should be sent in at the same time. DO NOT STAPLE ALL OF THE RETURNS TOGETHER. EACH RETURN SHOULD BE FASTENED SEPARATELY. SEND TO: Corporate Tax Division, P. O. BOX 1033, JACKSON, MS 39215-1033.

**Line 15.** Enter the amount of interest and penalty due on late payment of the tax. An extension of time only extends the time for filing a return, not payment of the tax. If the income and franchise tax is not paid by the original due date of the return, then interest is due at the rate of 1% per month.

Failure to Pay Penalty - The penalty imposed for failure to pay the tax when due or on additional tax due is 1/2% per month, not to exceed 25% in the aggregate. The penalty is based on additional tax due. Interest and penalty for late payment is not charged on interest and penalty on underestimated income tax payments. The
correct amount to be used in computing the interest and penalty for this line (line 15) is line 8 minus line 13.

Failure to File Penalty - The penalty for failure to file a return is 5% per month not to exceed 25% in the aggregate. The penalty imposed for failure to file is based on the additional amount of tax due, not total tax due on the return. Such failure to file penalty shall not be less than $100.

Line 16. Enter the amount that is remitted with this return (line 14 plus line 15). Make check payable to: State Tax Commission for the total amount due.

Line 17. If there is an overpayment (line 13 minus line 10), enter the amount of the total overpayment on this line. On lines 18 and 19, designate the disposition of this total overpayment. The total of lines 18 and 19 should equal line 17.

Line 18. Enter the portion of line 17 that you wish refunded.

Line 19. Enter the portion of line 17 that you wish to carry forward and credit against your next year’s tax liability. This credit will be considered for estimated income tax purposes as a first quarter payment.

Instructions for Form 83-122 Computation of Net Taxable Income

Line 1. Enter the amount of taxable income or loss (before Net Operating Loss and Special Deductions) per Federal Form 1120.

State Additions to Income

Line 2. State Income Tax Adjustment Taxes based on income are not deductible. Enter the amount of state, local and foreign government income taxes claimed as a deduction on Form 1120.

Line 3. Interest Adjustment Interest on obligations of states and political subdivisions thereof outside Mississippi is taxable for Mississippi purposes. Enter the amount of interest on obligations of states and political subdivisions thereof (other than Mississippi) received by the corporation, net of expenses.

Line 4. Depletion Adjustment No deduction is allowed for depletion in excess of the cost basis of the depletable asset. Enter the amount of depletion claimed on Form 1120 in excess of the cost basis of the asset on which the depletion is claimed.

Line 5. Allocable Part of Net Loss from Federal Form 4797 If multistate, enter the portion of the net loss which is allocable that is included on Line 9, Form 1120. Any loss allocable to Mississippi should be reported on Form 83-140. See Line 21.

Line 6. Other Adjustments Add back any other item the taxability of which is treated differently for Mississippi income tax purposes than was treated for Federal income tax purposes. Itemize here. Attach a schedule if needed.

Line 7. Total Additions Add lines 2 through 6 and enter total here.

State Deductions from Income

Line 8. Exempt Interest Interest received on U. S. Government obligations is not taxable to Mississippi. Enter the amount of such interest reported as income on Form 1120, net of expenses.

Line 9. Wages Adjustment - Federal income tax laws allow certain employment tax credits based on wages paid to employees, and a portion of the wages on which the credit was based is not allowed as a deduction. Mississippi does not allow these credits. Enter the amount by which wages were reduced on the Form 1120 by employment tax credits (such as the Targeted Jobs Credit).

Line 10. Capital Gains This adjustment is applicable only if Form 83-135 must be used to report certain capital transactions for Mississippi purposes. See instructions on Form 83-135, page 2. If applicable, enter the amount of capital gain reported on Federal Form 1120, Line 8, from Federal Schedule D.

Line 11. Allocable Part of Net Gain from Federal Form 4797 If multistate, enter the portion of the net gain which is allocable that is included on Line 9, Form 1120. Any gain allocable to Mississippi should be reported on Form 83-140. See Line 21.

Line 12. Other Deductions Deduct any other item which is treated differently for Mississippi income tax purposes than was treated for Federal income tax purposes. Itemize here. Attach schedule if needed.

Line 13. Total Deductions Add lines 8 through 12 and enter total here.


NOTE: If you are a 100% Mississippi taxpayer (as opposed to multistate), skip Lines 15 through 17 and enter the amount shown on Line 14 on Line 18.

Multistate taxpayers must complete Lines 15 through 17 for apportionment purposes.

Line 15. Nonbusiness Income (Loss) Directly Allocable Enter the total amount of nonbusiness net income or loss directly allocable to the various states, including Mississippi. Attach a schedule detailing income and expenses relating to the nonbusiness or allocable activities. This relates to items such as nonbusiness interest and foreign dividends, etc.

Line 16. Net Business Income Subtract Line 15 from Line 14. This is the amount of business income that is subject to apportionment with corporations with multistate operations.

Line 17. Apportionment Ratio Enter the apportionment ratio determined from Form 83-125, Part II.

Line 18. Mississippi Net Business Income Multistate corporations - multiply the amount shown on Line 16 by the Apportionment Ratio shown on Line 17 and enter the results on this line. 100% Mississippi - enter the amount from Line 14 above.

Line 19. Adjustment Related to Mississippi Tax Credits Claimed Enter the amount of any credit which is used to offset all or a portion of the income tax liability when the credit is based on a deduction claimed elsewhere on the return. This add back to Mississippi income or loss should be made after any apportionment of income since the credit is against 100% of Mississippi tax. See page 5 of the instructions for additional information relating to the computation of the amount to be added back.

Line 20. Mississippi Capital Gain Net Income An entry is required only if Form 83-135 must be used to report certain capital transactions for Mississippi purposes. See instructions on Form 83-135, page 2. If applicable, enter the amount from Form 83-135, Line 18. This amount corresponds with the amount of capital gain reported on Federal Form 1120, Line 8, from Federal Schedule D.

Line 21. Mississippi Allocable Net Gain or Loss An entry is required if multistate and has gain or loss allocable to Mississippi. Enter the amount from Form 83-140, Line 10. This amount corresponds to the amount of gain or loss reported on Federal Form 1120, Line 9, from Federal Form 4797.

Line 22. Direct Accounting Income Enter the amount from Form 83-124, Page 1, Line 31 or Page 2, Line 15. If the multistate entity filing direct accounting has no other Mississippi sourced income, this will be the first entry on Form 83-122.

Line 23. Nonbusiness Income or Loss Directly Allocable to Mississippi. Note: An entry is required on this line only if you are a multistate entity and an entry was made on Line 15. Attach a schedule detailing income and expenses relating to the Mississippi nonbusiness or allocable activities.

Line 24. Other Business Income or Loss Enter here the net income or loss realized from any other business venture, including gain or loss from a flow-through entity, not reported elsewhere in this return. Attach a schedule detailing income and expenses, or Mississippi Schedule K-1, relating to the activities reported on this line.

Line 25. Mississippi Taxable Income or Loss Combine Lines 18 through 24 and enter the result here.

Line 26. Mississippi Net Operating Loss Deduction Enter the total amount of Net Operating Loss Deduction available as a deduction for the taxable year 2000. Attach Form 83-155, Corporate NOL Worksheet, or a similar schedule which identifies the source and computation of Net Operating Losses available as a deduction.

Line 27. Net Taxable Income or Loss for Mississippi Subtract Line 26 from Line 25. Enter the result here and on Form 83-105, Page 1, Line 4 or Form 83-310 if filed on a Combined Return basis.

District Offices of the State Tax Commission

Brookhaven 1385 Johnny Johnson ........................ 601-833-4761
Columbus 4072 Highway 45 North ........................ 662-328-3271
Greenwood 1179 Grand Blvd. ............................ 662-453-1742
Gulf Coast 1141 Bayview Ave. (Biloxi) ............... 228-436-0554
Hattiesburg 17 JM Tatum Industrial Dr., Ste 2 .... 601-545-1261
Jackson 1577 Springridge Rd. (Raymond) ............ 601-923-7300
Meridian
2600 Old North Hills Street ........................... 601-483-2273

Senatobia
115 South Ward Street .............................. 662-562-4489

Tupelo
4008 West Main Street .............................. 662-842-4316