DEPARTMENT OF
REVENUE
STATE OF MISSISSIPPI

FORM 84-100

PASS-THROUGH ENTITY INCOME AND FRANCHISE TAX INSTRUCTIONS

2016

INCOME AND FRANCHISE TAX BUREAU
PO BOX 1033
JACKSON, MISSISSIPPI 39215-1033

WWW.DOR.MS.GOV

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GENERAL INFORMATION AND INSTRUCTIONS

Important tips to help expedite processing of your return:

- ✓ Use black ink when preparing the return.
- ✓ To indicate a loss (negative income), use brackets around the dollar amount.
- ✓ Attach a copy of the federal return behind the state return
- ✓ Additional schedules and attachments should be stapled to the return.
- ✓ If you issued 100 or more K-1s, you need to file electronically.

Visit our website at www.dor.ms.gov to download forms by tax year and tax type.

WHAT'S NEW!

LEGISLATIVE CHANGES

The following is a brief description of selected legislative changes. A copy of all legislative bills is available at http://www.dor.ms.gov/taxareas/misc/NewLegislation.html.

House Bill 461:
This bill provides that the filing date for the state income tax return for corporations and partnerships is the same as filing date for the corresponding federal return.

House Bill 496:
This bill extends the repeal date to January 1, 2019 on the income tax credit for new cut and sew jobs in upholstered furniture manufacturing industry.

House Bill 1078:
This bill extends the repeal date to July 2019 for the Export Port Charges Tax Credit; extends the repeal date to July 2019 the Income tax credit for utilization of airport facilities at public airports for export or import of cargo; and extends the requirement to December 2019 that the Mississippi Development Authority annually report to the Legislature the impact of the credits for the Export Tax Credit and to July 2019 for the Airport facilities credit.

Senate Bill 2858:
This bill provides that beginning with Tax Year 2018, the 3% rate on income tax (individual and corporate) will be phased out over 5 years, and the corporate franchise tax will be phased out over 9 years ending with tax year 2027. The bill also provides a deduction for those paying the federal self- employment tax.

Senate Bill 2922:
This bill raises the amount of rehab credit (historical building renovation) from $60 million to $120 million. The amount of credit that may be paid out is limited to $12 million a year. It provides for two new tourism projects; the Grammy Museum and the MS Arts and Entertainment Center. It extends the time for new applications for the tourism rebate to July 2020; extends the payment of rebates fro non-residents salaries paid for movie projects to July 2017.

PREKINDERGARTEN CREDIT

The Prekindergarten Credit is a state income tax credit for contributions made to qualified prekindergarten programs during calendar year 2013 or any calendar year thereafter. In order to qualify for the credit, contributions shall support the local match requirement of approved providers, lead partners or collaborative as necessary and must be approved by the State Department of Education. The credit shall not exceed $1,000,000 by any individual, corporation or other entity during any calendar year. Any unused portion of the credit may be carried forward for three (3) years. The credit went into effect July 1, 2013.

UNDERESTIMATE INTEREST AND PENALTY

A corporation may annualize its income for estimated tax payments. Attach a copy of the federal Form 2220 if using the annualization method.

TAXPAYER ACCESS POINT (TAP)

Remember, TAP is …

- **Easy to use**
- **Convenient**
- **Free**

Go Paperless!
With TAP, you have the option to Go Paperless. This means that you can pay your taxes online and receive certain correspondence electronically.

TAP e-mail lets you know that you have new correspondence to view online. You then logon to TAP to read the letter or message and take appropriate action on your account. Only you or persons you authorize can see your correspondence.

When making payments or updating profile information, you should always log directly into TAP using your User ID and password. TAP does not provide links containing your transaction or personal information to any external web site.

Remember, you can pay your bill online through TAP without registering for a TAP account. For more information on TAP, view the Electronic Filing Section of this booklet.

WHO MUST FILE

S Corporation
Every S corporation, domesticated or qualified to do business in Mississippi, and every S corporation engaged in business in Mississippi or having sources of income from Mississippi must file a return even if the corporation is inactive or not otherwise engaged in business. Such corporation will remain subject to the filing requirements until the corporation is officially dissolved or withdrawn through the Office of the Mississippi Secretary of State.

Foreign S corporations engaged in business in Mississippi or having sources of income in this state although not qualified to transact business in this state through the Office of the Secretary of State are subject to the measure of the franchise tax levy.

Partnership
Every partnership, LLC, or LLP, domestic or foreign, deriving income from property owned within the State of Mississippi or business, trade, profession or occupation carried on within the state must file a return.

Exempt Organization
Every exempt corporate organization as described in Miss. Code Ann. §27-7-27 or §27-7-29 and not otherwise exempt from the income tax levy is required to make a corporate tax filing if they have Mississippi unrelated business taxable income. Refer to the “Unrelated Business Taxable Income of Exempt Organizations” section of this booklet for more information.

DEFINITIONS

S Corporation
"S corporation" means a corporation for which a valid election under section 1372(a) of the Internal Revenue Code is in effect. A corporation must file Form 84-105 if (a) it elected to be an S corporation by filing Federal Form 2553, (b) the IRS accepted the election, and (c) the election remains in effect. Do not file Form 84-105 until the corporation has been notified by the IRS that the federal election has been accepted.

An S corporation is not subject to income tax imposed by Miss. Code Ann. §27-7-5, but may be subject to withholding requirements as explained under the “Tax Payments” section of this booklet. Also, every S corporation domesticated or qualified to do business in Mississippi is subject to the measure of the franchise tax levy.

Partnership
The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization through or by means of which any business, financial operation or venture is carried on, and which is not within the meaning of a corporation, trust or estate.

A domestic or foreign limited liability company (LLC) is classified as an entity for purposes of Mississippi income tax laws in the same manner as the entity is classified for federal income tax purposes. If an LLC is treated as a partnership for federal income tax purposes, it will file as a partnership for Mississippi purposes. If an LLC is treated as a corporation for federal income tax purposes, it will file as a corporation for Mississippi income and franchise tax purposes.

In this booklet, all three entities (partnership, LLC, and LLP) may, at times, be referred to as "partnerships" and partners/members referred to as "partners".

TERMINATION OF S CORPORATION ELECTION

Once the election is made to be treated as an S corporation, it stays in effect until it is terminated. Mississippi considers the election to be terminated at such time as the election is considered terminated for federal purposes.

TIME AND PLACE FOR FILING

S Corporation
The Mississippi Pass-Through Entity Tax Return must be filed on or before the 15th day of the 3rd month following the close of the accounting year. If the due date falls on a Saturday, Sunday or legal holiday, the return is due the next business day. A business day is any day that is not a Saturday, Sunday or legal holiday.

If the S election was terminated during the tax year, the due date of Form 84-105 is on or before the 15th day of the 3rd month following the date of termination.

Partnership
Calendar year partnerships, LLCs and LLPs must file no later than March 15th annually. Fiscal year partnerships, LLCs and LLPs must file no later than the 15th day of the 3rd month following the end of the fiscal year.

Extension of Time to File Return
Taxpayers requesting an extension of time to file the return must remit the tax due with Form 83-180, on or before the due date of the 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 will apply on any underpayment of tax.

The return should be mailed to:

Department of Revenue	Street Address:
P.O. Box 23191	**500 Clinton Center Drive**
Jackson, MS 39225-3191	**Clinton, MS 39056**

ELECTRONIC FILING

Taxpayer Access Point (TAP)
TAP provides online access to your tax account information 24 hours a day, 7 days a week. TAP is free and convenient!

Users of TAP are able to:

- make electronic payments of returns and assessments;
- view previously filed returns and amended returns;
- make address changes and view tax correspondence;
- view recent account activity, and;
- register a new business or add accounts to the business;

Third Party Access for Tax Practitioners
Tax practitioners can have TAP access to account information for each of your clients - from one login. First, create your own TAP account (only one per FEIN). Once you are registered in TAP, select "Add Access to Existing Account." Your client (taxpayer) must provide you the Letter ID and Account ID in order for you to have access to their accounts. All accounts you set up for third party access are found under the "Other Taxpayers' Accounts" tab in TAP. For more information on TAP, visit our website at www.dor.ms.gov.

Users cannot file Pass-Through Entity Tax Returns in TAP. However, tax preparers have the ability to file the tax returns electronically through an authorized software provider. A copy of the complete federal return must be submitted electronically. Please visit our website at www.dor.ms.gov for additional information on how to file Mississippi returns on-line and how to access approved on-line software providers.

WHO MUST SIGN

S Corporation
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.

Partnership
The return must be signed by one general partner or limited liability company member. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that person must sign the return.

Anyone who prepares the return but does not charge the company should not complete the paid preparer section. Generally, anyone who is paid to prepare the return must legibly sign it and must also furnish the preparer tax identification number (PTIN) issued by the Internal Revenue Service (IRS).

REQUIRED FORMS AND SCHEDULES

To be a complete return, the 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, FEIN, officer information and signature and other information relating to the filing entity as requested on page 2 of Form 84-105.

Examples of the summary tax information are the front page of the return, the franchise tax schedule, the computation of net income, the computation of the apportionment factor (if applicable), the balance sheet, nonbusiness income schedule (if applicable), the direct accounting income statement (if applicable), schedules showing the computation of any tax credit taken (such as jobs credit) and the Schedule K reflecting information pertaining to shareholders' distributive shares of income and deductions.

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, details of other current assets and other assets, and details of other current liabilities and other liabilities on the balance sheet as are normally included with the federal return.

TAX PAYMENTS

The total tax due on the return must be paid in full no later than the 15th day of the 3rd month after the end of the tax year (S Corporation and Partnership).

Payment Options:

- **Online Payments:** To pay online, go to www.dor.ms.gov, click on Taxpayer Access Point (TAP) and follow the instructions. Without a MARS account or a TAP login, users are able to make estimate payments online.
- **Check or Money Order Payments:** To pay by check or money order, complete the payment voucher (Form 84300), make the check or money order payable to the Department of Revenue and mail both to P.O. Box 23192 Jackson, MS 39225-3192.
- **Credit Card or Electronic Check Payments:**
  To pay by credit card or electronic check go to www.officialpayments.com. There is a 2 1/2% convenience fee for using the credit card service or a $3.00 transaction fee to process electronic check payments. Visa, Master Card, Discover and American Express cards are accepted. The Jurisdiction code for Mississippi is 3400.

Pass-Through Entities do not pay tax on its income but "passes through" any profits (losses) to its shareholders/partners (owners). Owners must include pass through items on their income tax returns. Individual owners are subject to tax upon their distributive share of pass-through entity net income, whether it is distributed to them or not. A non-resident individual, who is a member of a pass-through entity owning property or doing business in the State of Mississippi, is subject to tax on his share of the pass-through entity net income, whether distributed or not.

If the pass-through entity does business both within and without the state, it will be necessary to compute the income (loss) of the pass-through entity from sources within the state in order to determine the amount of income taxable to, or the amount of the loss deductible by, the non-resident owners.

The non-resident shareholder/partner is subject to tax only on such share of his income, whether or not distributed, as is assignable to Mississippi.

S Corporation

An S corporation may elect to file a composite return and make composite payments of tax on behalf of some of its non-resident shareholders. In general, any non-resident individual may elect to be included in a composite filing. For more information on filing a composite, see the Composite Filing Section of this booklet. **If a non-resident is going to file a Mississippi non-resident individual tax return he or she must not be included in a composite return, but should separately pay estimated taxes as an individual using Form 80-106.**

Non-Resident Income Tax Agreement

All non-resident shareholders of Mississippi S corporations are required to execute an agreement (a) to file a return and to make timely payment of all taxes imposed on the shareholder by the state of Mississippi with respect to the income of the S corporation, and (b) to be subject to personal jurisdiction in this state for purposes of the collection of income taxes, together with related interest and penalties, imposed on the shareholder by this state with respect to the income of the S corporation. Form 84-380 should be filed with the S corporation and maintained by the S corporation as a part of its permanent tax files. This form should not be sent with the pass-through entity return.

In the event the S corporation fails to obtain the agreement of a non-resident shareholder indicated above or in the event a non-resident shareholder fails to file a return and to make timely payments of all taxes imposed on the shareholder by this state, the S corporation shall make a payment to the state in an amount equal to the highest marginal tax rate in effect under Miss. Code Ann. §27-7-5 (5%) multiplied by the shareholder's pro rata share of the income attributable to the state reflected on the corporation's return for the taxable period.

Partnership

In the event the individual partners fail to report and pay the taxes imposed according to Miss. Code Ann. § 27-7-25, the partnership and the general partners shall be jointly and severally liable for said tax liability and shall be assessed accordingly. However, the partnership and/or general partners shall not be liable if the partnership withholds 5% of the net gain or profit of the partnership for the tax year and remits the same to the Commissioner.

In a sale of real property and associated tangible personal property which is not considered an exchange or trade of such property and which results in gross proceeds greater than $100,000.00 paid by the buyer to the seller and owned by an non-resident, the seller, rather than the buyer, shall be responsible for paying over to the Department of Revenue an amount equal to 5% of the amount realized by the seller.

Partnerships electing to report tax on partnership net income in this manner should request Form 84-387. Partners with tax remitted to the Department of Revenue through partnership withholding should claim the amount as estimated tax on his or her individual income tax return. Form 84-387 should be provided to the partner by the partnership showing the correct amount withheld.

A partnership that has income from sources within and without Mississippi should withhold from Mississippi source income only. The Commissioner may allow composite return filing by a partnership. See the “Composite Filing” section of this booklet for additional information.

ESTIMATED TAX PAYMENTS

Every taxpayer, filing a composite return, with an annual income tax liability in excess of $200 must make estimated tax payments. At least 90% of the current income tax liability of the S Corporation filing a composite return must be paid by submitting quarterly payments. The remaining of the balance is due by the due date of the return. Partnerships filing composite returns must follow the Individual tax rules on estimated tax payments. The due dates for estimated tax payments are:

- 15th day of the 4th month after year end;
- 15th day of the 6th month after year end;
- 15th day of the 9th month after year end, and;
- 15th day of the 12th month after year end.

The payment is due on the next business day if the date falls on a Saturday, Sunday or legal holiday.

Penalties may apply if the corporation does not make the required estimated tax payments by the due date. Use Form 83-305 to determine the amount of interest and penalty on underestimate. See detailed instructions for the form under the “Specific Instructions” for Form 83-305 section of this booklet.

INTEREST AND PENALTY PROVISIONS

- **Late Payment:** Interest and penalty are charged on taxes paid late even if an extension of time to file is granted. The interest is computed from the due date until paid. For taxes assessed on or after January 1, 2015, the rate of interest assessed is computed as follows:

  - 9/10 of 1% per month from 01/01/15 through 12/31/15
  - 8/10 of 1% per month from 01/01/16 through 12/31/16
  - 7/10 of 1% per month from 01/01/17 through 12/31/17
  - 6/10 of 1% per month from 01/01/16 through 12/31/16
  - 1/2 of 1% per month on or after 01/01/19

The penalty imposed for failure to pay the tax when due is 1/2% per month not to exceed 25% in the aggregate.

- **Late or Non-Filer:** Penalties are imposed for failure to file a return when due on the total amount of the tax deficiency or delinquency. The penalty is 5% per month not to exceed 25% in the aggregate. The penalty shall not be less than $100 for income tax for failure to file a return.
- **Incomplete Returns:** A company 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.

The purpose of this penalty provision is to ensure that sufficient information is disclosed on the return. 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. Refer to the "Required Forms and Schedules" section of this booklet for additional information on what constitute a omplete return.

ACCOUNTING METHODS

Direct or Separate Accounting Method: Producers of mineral or natural resource products and construction contractors are required to use direct accounting in computing their taxable income to this state. For more details, see Title 35, Part III, Subpart 08, Chapter 06 of the Miss Administrative Code. Other taxpayers may not employ a direct accounting or separate accounting method unless they have obtained written authority from the Commissioner to do so. Refer to the Producers of Mineral or Natural Resource Products Section of this booklet for additional information.

ACCOUNTING PERIODS

Returns should 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 on the return. 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.

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 $.50 and round up to the next higher dollar amounts of $.50 and over. For example: $2.15 becomes $2.00; $4.75 becomes $5.00; and $3.50 becomes $4.00.

RECORDKEEPING

Taxpayers are required to maintain an accurate and complete set of records and other information necessary for the Department to determine the correct amount of tax due. The records and other information must be available for inspection by the Department upon request at a reasonable time and location. Refusal or delay by the taxpayer to provide documentation upon the Department's request will result in an assessment being made from any information available, which shall be prima facie correct.

TAX RATES

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

Income Tax (Composite): 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.

AMENDED RETURN

File an amended return to:

- make adjustments to tax;
- claim a refund due to an adjustment to tax;
- claim a net operating loss (NOL) carryback deduction;
- report federal adjustments (1120X), and;
- report IRS audit adjustments (RAR).

When to File: A taxpayer may apply to the Department for revision of any return filed at any time within 3 years of the due date; or, if an extension was granted, 3 years from the date the return was filed. The 3 year period is not applicable to an IRS audit; however, no additional assessment or refund will be made more than 3 years after the date the IRS disposes of the tax liability in question.

Net Operating Loss (NOL): Form 84-155 must be filed with an amended return in order to claim a net operating loss deduction. Form 84-155 is used to make an irrevocable election to carryback or carryforward the current year NOL. For more information concerning net operating losses, see the "Net Operating Loss (NOL)" section of this booklet.

Internal Revenue Service Audit (RAR): To document adjustments made as a result of an IRS audit, the Revenue Agent Report should be attached to the Mississippi amended return.

Amended Federal: To document adjustments made as a result of an amended federal return, a copy of the amended federal (Form 1120X) should be attached to the amended Mississippi return.

Any other documentation supporting the adjustments made should also be included with the amended Mississippi return. Attach a copy of the original filed return. Overpayments that are not refunded will be applied to the next period for which the corporation makes a filing.

TREATMENT OF DISREGARDED ENTITIES

Treatment of A QSSS and Its Owner: A federal election to be treated as a Qualified Subchapter S Subsidiary (QSSS) is considered an election for state purposes and as such the QSSS will be treated the same for state income and franchise tax purposes. Thus the QSSS's activity is treated as a division of its parent S corporation for federal income tax purposes and will be treated in the same manner for state income and franchise tax purposes.

A parent S corporation that is required to file and report for federal income tax purposes on the activity conducted in Mississippi by its QSSS is considered doing business in Mississippi for both income and franchise tax purposes and shall include the activity of the QSSS when making income and franchise tax return filings to this state. **The QSSS will not make separate return filings. Attach a copy of the approved federal QSSS election when filing the parent S corporation return.**

S corporations that do not have a QSSS election in effect will make return filings in the same manner as any other S corporation. An S corporation is subject to the franchise tax and must compute its Mississippi income. Unless a composite return election is in effect, each shareholder will make a filing to this state reporting its Mississippi taxable income and, if a corporation, will make at least the minimum franchise tax payment.

Treatment of a SMLLC and Its Owner: A Single Member Limited Liability Company (SMLLC) that is disregarded for federal reporting purposes will, likewise, be disregarded for state reporting purposes.

The SMLLC's activity in this state will be reported by the owner of the SMLLC when making its return filings. A corporate owner of an SMLLC will make income and franchise tax return filings based on its activities and the activities of any disregarded entities. If the owner of the SMLLC is itself an SMLLC or other type of disregarded entity, then such amounts will be reported by the ultimate owners which are not disregarded entities.

FRANCHISE TAX (S CORPORATIONS)

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 this state. In determining the amount of capital, the net book value as regularly employed in conducting the affairs of the corporation should 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 should be prima facie correct.

Form 84-110 must be completed by all corporations to indicate the amount of capital of the corporation. All reserves that 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).

Holding Corporation: A holding corporation, as defined in Miss. Ann. Code § 27-13-1(i), is (1) any corporation owning at least eighty percent (80%) of the value of capital stock and at least eighty percent (80%) of the combined voting power of all classes of capital stock of another corporation and (2) deriving at least ninety-five percent (95%) of its gross receipts from dividends, interest, royalties, rents, services provided to members of an affiliated group (as defined in Section 27-7-37(2)(d)) to the extent of the cost of providing such services. Per Miss. Ann. Code §27-13-1(i), in the case of a holding corporation, the value of the capital used, invested or employed in this state shall exclude that portion of the book value of the holding corporation's investment in stock or securities of its subsidiary corporation using the ratio between (1) the holding corporation's investment in stock or securities of its subsidiary corporation and (2) the holding corporation's total assets. Such ratio shall then be applied to the total capital stock, surplus, undivided profits and true reserves of the holding corporation in order to arrive at the amount of the exclusion. The holding company exclusion is computed on line 7 of Form 84-110 and a schedule of computation must be attached to the return for the exclusion.

Multistate Taxpayers: Lines 9 through 12 of Form 84-110 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.

The amount of capital apportioned to Mississippi is computed on line 13 of Form 84-110. The section of Form 84-110 concerning the assessed values of all real and personal property in Mississippi must be completed by all corporations. Miss. Code Ann. § 27-13-9 and § 27-13-13, provide that the amount of the determined capital in Mississippi should 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 is calculated on lines 15 through 18 of Form 84-110. The amount of taxable capital shown on line 18 should be entered on line 1, Form 84-105.

For tax years ending on or after December 31, 2001, the property and receipts of flow-through entities must be included in a multistate corporate partner's computation of the apportionment ratio applied to the capital base. The assessed value of property of flow-through entities must be included in a multistate corporate partner's assessed value of property when determining the alternate capital base.

INCOME TAX

Generally, all domestic and foreign pass-through entities having income from sources within Mississippi must complete Form 84-122, which makes adjustments for additions to and deductions from federal ordinary income due to differences in federal and Mississippi laws, to arrive at net income (loss) for state purposes.

INSTALLMENT SALES

Mississippi does not follow federal rules concerning installment sales. Gains from the sale of casual property will be recognized in the year of the sale. However, the tax on the gain may be deferred. Deferred taxes are generally paid as the proceeds from the sale are received. However, the following will result in acceleration of payments:

- Transfer, disposition, sale or disposal of the note in any manner will result in deferred tax payments becoming immediately due and payable.
- Liquidation, dissolution, withdrawal from this state and certain merger transactions will result in deferred tax payments becoming immediately due and payable.
- Failure to comply with the necessary filing requirements.

Taxpayers who elect the installment method for federal income tax purposes should include as a part of their return both a Federal Form 6252 and a schedule of any differences between the federal and Mississippi amounts.

INTANGIBLE AND INTEREST EXPENSES

Taxpayers are required to add back the following to its computation of net income:

- Intangible expenses and costs and interest expenses and costs in relation to or in connection with the direct or indirect maintenance or management, ownership, sale, exchange or other disposition of intangible property.
- Royalty, patent, technical and copyright fees, licensing fees and other similar expenses.
- Expenses and costs associated directly or indirectly with factoring transactions or discounting transactions.

Intangible property includes patents, patent applications, trade names, trademarks, service marks and similar types of intangible assets.

Limitations: The adjustment will not apply to such portion of intangible expenses, interest expenses and costs which are not with a related member; or the related member is not primarily engaged in the acquisition, use, maintenance, management, ownership, sale, exchange or other disposition of intangible property; and, the transaction(s) were done for a valid business purpose.

ARMS-LENGTH TRANSACTIONS

The state definition of "arms-length" is not tied to that of the federal definition. See Miss. Code Ann. § 27-7-9(j)(6). The Commissioner can adjust a transaction when income has been shifted between related parties and/or taxes have been avoided in this state.

LONG TERM CAPITAL GAINS FROM SALES OF STOCK

Gains from the sale of certain stocks in domestic entities are not recognized as a part of income. However, the gain must be reduced by losses from the sale of certain stocks in domestic entities if the losses were incurred in the year of the gain or within the two years preceding or subsequent to the gain. See Miss. Code Ann. § 27-7-9(f)(10).

EXTRATERRITORIAL INCOME

Mississippi has not adopted federal provisions related to Extraterritorial Income Exclusion. The amount related to this exclusion of income on the federal return must be added back to the Mississippi income tax return prior to the apportionment of income. The proper placement for this Mississippi adjustment to federal income is on Form 84-122, line 9 titled "Other Additions Required by Law". A copy of Federal Form 8873 should be attached to the Mississippi return when this adjustment is being made for federal purposes.

In addition, a FSC (Foreign Sales Corporation) that is organized under the laws of a U.S. territory is treated as a domestic corporation and, thus, dividends received from it are considered apportionable business income.

APPORTIONMENT/ALLOCATION

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

Apportionment of Business Income: If the business activity in respect to any trade or business of a taxpayer occurs both within and without this state, and if by reason of such business activity the taxpayer is taxable in another state, the portion of the net income (loss) arising from such trade or business which is derived from sources within this state, should be determined by apportionment in accordance with the formulas prescribed by Title 35, Part III, Subpart 08, Chapter 06 of the Miss. Admin. Code unless prescribed otherwise. In such case, the taxpayer must complete Form 84-125. Multistate contractors use Form 84-124.

Allocation of Nonbusiness Income: Non-business income (loss) shall be allocated by multistate corporations within and without this state in accordance with the provisions of Title 35, Part III, Subpart 08, Chapter 06 of the Miss. Admin. Code. Form 84-150 should be used only if the corporation has activities in another state and has income, losses, expenses, or deductions which are to be allocated ("non-business") rather than apportioned. For a definition of what constitutes "non-business" income, losses, expenses, and deductions and rules for allocating these items, See Miss. Code Ann. §27-7-23.

NET OPERATING LOSS (NOL)

Net Operating Loss: For any taxable year ending after December 31, 2001, the period for net operating loss carrybacks and net operating loss carryovers is two periods back and twenty periods forward. This is **NOT** in accordance with federal carryback and carryover provisions that provide for a five-year carryback period.

A short taxable year counts as a taxable year. A taxpayer may elect to forgo the carryback on Form 84-155. Once this election is made, it cannot be changed.

Form 84-155 must be completed and attached or an NOL deduction will not be allowed. Taxpayers must indicate the income year the NOL was applied (Column C of Form 84-155).

PRODUCERS OF MINERAL OR NATURAL RESOURCE PRODUCTS

Taxpayers engaged in the trade or business of producing oil, gas, other liquid hydrocarbons, sulfur, coal, sand, gravel and other mineral or natural resource products, except timber, should 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 the taxpayer to another state 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 and 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 should 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.

UNRELATED BUSINESS TAXABLE INCOME – EXEMPT ORGANIZATIONS

For tax years beginning on or after January 1, 2002, every exempt organization, as described in Miss. Code Ann. § 27-7-27 or § 27-7-29 and not exempt from the income tax levy (federal & state agencies, etc.), is required to file an income tax return with this state if the organization:

1. Earns or receives unrelated business taxable income as determined under IRC Section 512 or is an ESOP with an interest in an "S" corporation, and

2. Is a resident of this state, doing business in this state, or receiving income from sources within this state.

Exempt corporate organizations file Form 84-105 and any necessary supplemental schedules. These organizations are not subject to the franchise tax levy and should leave lines 1 through 4 blank.

In computing taxable income, enter on line 1 of Form 84-122 (line 1, page 2 of Form 81-110 for trust organizations) the amount of unrelated business taxable income before any net operating loss and specific deduction as reported on Federal Form 990-T. A complete and signed copy of Federal Form 990-T must be attached to the Mississippi schedules as a part of the return. Make any necessary adjustments for income/expenses otherwise included/excluded under the income tax laws of this state such as income from sources without this state, add-back of nondeductible income taxes, etc.

Corporate organizations with unrelated business taxable income are subject to the same estimated payment requirements as other corporate taxpayers. Corporate organizations must make all required tax payments by the 15th day of the fourth month following the close of the tax year.

While the filing deadline is also the 15th day of the fourth month following the close of the tax year, an automatic six-month filing extension is granted. If a taxpayer files an extension for federal tax purposes, the Mississippi filing deadline will be extended through the date of the federal extension as well.

Employee Stock Ownership Plans that receive Mississippi income as a shareholder in an "S" corporation must include such income as a part of Mississippi taxable income. The source of the income is determined by the "S" corporation's activities and is reported on Form 84-132 to the ESOP shareholder.

Trust organizations must make all required tax payments by the 15th day of the third month following the close of the tax year. Generally, if a filing extension is granted for federal tax purposes, it will be granted for state purposes as well. A copy of the federally approved extension must be attached with the return filing.

INCENTIVE CREDITS AND EXEMPTIONS

Incentive credits arising at the S corporation, partnership, LLC or LLP level are passed through to the shareholders, partners/interest owners based on their percentage of ownership in the entity earning the credit.

As a general rule, the credit passed through to the shareholder, partner/interest owner can be applied only to the income tax attributable to the shareholder's, partner/interest owner's income derived from the entity earning the credit.

In the case of a Mississippi resident who is a partner in a multistate S corporation or partnership, credits passed through from the S corporation or partnership may be used to offset only the amount of income tax attributable to the owner's share of pass-through entity income assigned to Mississippi. For any of these credits to be allowed, schedules must be attached showing the computations.

Form 84-401 should only be completed by members of the composite filing group. If more than three income tax credits are claimed, attach a supplemental schedule and enter the total on line 3 of Form 84-401. Non-composite members of the group should complete Form 80-401 and attach as a part of their Mississippi Individual Income Tax Return.

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

Premium Retaliatory Tax Credit (02)
An income tax credit is available to insurance companies that paid additional retaliatory premium taxes to other states. The credit can offset 100% of income tax due. No carryover is allowed for this credit.

Finance Company Privilege Credit (03)
An income tax credit is provided to finance companies that paid privilege taxes. The credit can offset 100% of income tax due. No carryover is allowed for this credit.

Jobs Tax Credit (05)
A credit is allowed for increasing employment levels in certain types of business. The business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by rule and regulation by the Mississippi Development Authority as air transportation and maintenance facilities, final destination or resort hotels having a minimum of 150 guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology intensive facility or enterprises.

The amount of the credit is based on the number of new jobs created and the county where the jobs are created. The credit is good for a period of 5 years. This credit may be used in combination with any of the other credits. However, the total of the Jobs Tax Credit is limited to 50% of the income tax liability attributable to the income derived from operations in this state for that year. Any credit claimed but not used in a taxable year may be carried forward for 5 years.

Effective January 1, 2005, the calculation of the credit was changed to a percentage of payroll for new full-time jobs:

County Ranking	Average Minimum Increase of Jobs	Percentage of Payroll
Tier One (Developed)	20 or More	2.5%
Tier Two (Moderately Developed)	15 or More	5%
Tier Three (Less Developed)	10 or More	10%

The number of jobs must be created within 1 year and is measured at the end of the fiscal year. They cannot be accumulated over several years. The credit is available for each net new full-time job created as long as the minimum number has been achieved and maintained. The credit is for full-time positions only and is based on the current year gross payroll. The credit allowed shall be adjusted in the event of payroll fluctuations during the additional five (5) years of the credit. You cannot combine part-time jobs to add up to a full-time job. The credit is based on filled positions and the employees must be employed in this state and subject to Mississippi Withholding Tax. Form 83-450 must be completed and attached to the return. Please attach to this form, a schedule listing the new full-time jobs created (titles/pins, date created and payroll amount for the year).

A job tax credit is authorized for each full-time employee employed in a new cut and sew job by enterprises that own or operate an upholstered household furniture manufacturing facility. The repeal date on this provision is extended to January 1, 2019.

National or Regional Headquarters Tax Credit (06)
An income tax credit is available for a 5 year period for each position assigned to the national or regional headquarters of a business created in or transferred to Mississippi. The credit is $500 for each new full-time employee, $1,000 for each new fulltime employee whose salary is 125% of the average annual state wage, or $2,000 for each new full-time employee whose salary is 200% of the average state wage. A minimum number of 20 new headquarters jobs must be created to receive the credit. **A taxpayer claiming a refund on this credit must file a separate return; it cannot be included in a combined return.**

Research and Development Skills Credit (07)
This credit provides an incentive to locate full-time positions requiring research and development skills in the state. These positions have to be engaged in a research and development activity. Qualification of jobs for this credit would require at a minimum, a Bachelor's degree in a scientific or technical field of study from an accredited 4 year college or university,

employment in the employee's area of expertise and compensation at a professional level with 2 years of related job experience. Examples are chemist and engineers.

A credit of $1,000 for each full-time position requiring research and/or development skills is available for a 5 year period. There is no minimum number of positions that must be created to qualify for this credit. The credit is for full-time positions only. Part-time jobs cannot be combined to add up to a full-time job. The credit is based on filled positions and the employees must be employed in this state and subject to Mississippi Withholding Tax. The credit for employees employed for less than 12 months will be allowed based on a pro-rated portion in the first and last years. The amount of the credit is pro-rated based on the number of months the employee is employed in this state divided by 12.

The total of the Research and Development Skills Credit is limited to 50% of the income tax liability attributable to the income derived from operations in this state for that year. Any excess credit amount can be carried forward for up to 5 years from the original year in which the excess credit could not be used.

Employer Child/Dependent Care Credit (08)

The Child/Dependent Care Tax Credit is an incentive to any business providing dependent day care (both children and adult) for its employees during the employee's working hours or assisting community-provided day care. The expenses must be incurred in the operation of a program certified by the Mississippi Department of Health. The net cost of any contract executed by the employer for a third party to provide dependent care is a qualified expense. If the employer elects to provide dependent care directly, then the qualified expenses are expenses for staff, learning and recreational materials and equipment, and cost associated with the construction and maintenance of a facility. Additional eligible expenses include costs assumed by the employer which increases the quality, availability and affordability of dependent care in the community used by employees during the employee's work hours. For facilities and equipment, the eligible expense is the amount of depreciation expense allowable in computing taxable income. These expenses are net of any reimbursement.

The Child/Dependent Care Tax Credit may be used in combination with any other credit. The credit is equal to 50% of the qualified day care expenses. It is not refundable. It can be used to offset 100% of the income tax liability. Any excess credit amount can be carried forward for up to 5 years from the original year in which the excess credit could not be used.

Skills Training Credit (09)

A credit is allowed for certain employer-sponsored basic skill training and retraining programs. The credit allowed is 50% of qualified expenses not to exceed 50% of the income tax liability. Any excess credit will not be refunded, but can be carried forward for up to 5 years. In addition, the credit shall not exceed $2,500 per employee per year. The job training and retraining tax credit should be in addition to all other tax credits granted by the laws of this state. The repeal date on this provision is extended to July 1, 2016.

Reforestation Tax Credit (RTC) (10)

This credit, based on the costs incurred for certain approved reforestation practices, is an amount equal to the lesser of 50% of the actual cost of approved practices or 50% of the average cost of approved practices as established by the Mississippi Forestry Commission. In any taxable year, the maximum amount of 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.

Effective January 1, 2007, the lifetime maximum RTC that an eligible owner may utilize is $75,000.00. 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.

Gambling License Fee Credit (11)

An income tax credit provided to the licensee that paid a license fee which is based on gross revenues of the licensee. The credit can offset 100% of income tax due. No carryover is allowed for this credit.

Mississippi Business Finance Corporation Revenue Bond Service Credit (13)

Only debt service paid on revenue bonds issued by the Mississippi Business 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. Effective January 1, 2014, Senate Bill 2376 amends Miss. Code Ann. §57-10-401 to revise the term "Economic Development Project" to include the economic development project of a related approved company that is merged into or consolidated with another approved company where the approved companies are engaged in a vertically integrated manufacturing or warehouse operation. The bill also amends Miss. Code Section Ann. §57-10-449, to extend the repeal date until October 1, 2017 the authority for the Mississippi Business Finance Corporation to issue bonds to finance economic development projects. For more information on the benefits of this program contact: Mississippi Development Authority, P.O. Box 849, Jackson, MS 39205-0849.

Ad Valorem Inventory Tax Credit (14)

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 ad valorem credit 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. The tax credit for each location on which ad valorem taxes have been paid should not exceed the lesser of $15,000 or the amount of income taxes attributable to such location. Previously, the credit may be claimed only in the year in which the ad valorem taxes are paid; however, Senate Bill 2934 amended Miss. Code Ann. §27-7-

22.5 increasing the income tax credit for ad valorem taxes paid on certain inventory and authorizes any unused tax credit claimed to be carried forward for five (5) consecutive years effective July 1, 2012.

Effective January 1, 2014, House Bill 787 amends Miss. Code Ann. §27-7-22.5 to provide an income tax credit for ad valorem taxes paid on rental equipment. Rental equipment is defined as any rental equipment or other rental items which are held for short-term rental to the public under rental agreements that are not subject to privilege taxes. The bill also provides for the amount of credit to increase each year until the 2016 taxable year in which the amount of the credit will be limited to the lesser of the amount of ad valorem taxes paid or the amount of income taxes due for each location. 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 (15)

An income tax credit is authorized for taxpayers that utilize the port facilities at state, county, or 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; and (c) wharfage. The credit provided should 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, 2005 is limited to $1,200,000.

House Bill 1078 extends the repeal date to July 1, 2019 for the Export Port Charges Tax Credit. It also extends the repeal date to July 1, 2019 the Income tax credit for utilization of airport facilities at public airports for export or import of cargo; and extends the requirement to December 31, 2019 that the Mississippi Development Authority annually report to the Legislature the impact of the credits for the Export Tax Credit and to July 1, 2019 for the Airport facilities credit.

Import Port Charges Credit (17)

An income tax credit is authorized for taxpayers that utilize the port facilities at state, county, or municipal ports for the import of cargo. To be eligible, a taxpayer must locate its United States headquarters in Mississippi on or after January 1, 2005, employ at least 5 permanent full-time employees who actually work at such headquarters and have a minimum capital investment of $5,000,000 in Mississippi. The income tax credit is equal to the charges paid by the taxpayer for: (a) receiving in the port; (b) handling to a vessel; and (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 ranges between $1,000,000 and $4,000,000 depending on the number of permanent full-time employees of the taxpayer.

Broadband Technology Credit (BTC) (19)

A tax credit is provided for telecommunications enterprises making investments in equipment used in the deployment of broadband technologies. The credit applies to both income and franchise taxes. The credit is a percentage of the cost of the investments incurred after June 30, 2003 and before July 1, 2013. The percentage applied is 5%, 10%, and 15% for Tier 1, Tier 2, and Tier 3 counties respectively. For more details on eligibility, computation of the credit, qualifying expenditures, limitations, carryovers, as well as any necessary forms or work sheets, please contact the Corporate Tax Division at (601) 923-7099. Enterprises qualifying for this credit are able to receive certain sales tax exemptions as well. For more information please contact the Sales Tax Bureau at (601) 923-7015.

Manufacturing Investment Tax Credit (23)

A manufacturing enterprise who falls within the definition of the term “manufacturer” in Miss. Code Ann. § 27-65-11 and has operated in the state for at least 2 years is allowed a manufacturing investment tax credit for income tax equal to 5% of the eligible investments made by the manufacturing enterprise. "Eligible investment" means an investment of at least $1,000,000.00 in buildings and/or equipment for the manufacturing enterprise.

The maximum credit that may be claimed by a taxpayer on any project shall be limited to $1,000,000. The Manufacturing Investment Tax Credit should not exceed 50% of the taxpayer's state income tax liability in any 1 tax year. Any Manufacturing Investment Tax Credit claimed but not used may be carried forward for 5 years from the close of the tax year in which the eligible investment was made. For more details on eligibility, computation of the credit, qualifying expenditures, limitations, carryovers, as well as any necessary forms or work sheets, please contact the Corporate Tax Division at (601) 923-7099.

Historic Structure Rehabilitation Credit (26)

An income tax credit is allowed for certain costs and expenses in rehabilitating eligible property certified as a historic structure or structure in a certified historic district. Effective January 1, 2011, if the amount of the credit exceeds $250,000, the taxpayer may elect to claim a refund in the amount of 75% of the excess credit in lieu of the 10 year carryforward. The refund will be paid in equal installments over a 2 year period. Not-for-profit entities are not eligible for this credit. Effective July 1, 2014, House Bill 787 amended Miss. Code Ann. §27-7-22.31 to extend the qualifying date of this credit to December 31, 2017.

Also, Senate Bill 2922 raises the amount of rehab credit (historical building renovation) from $60 million to $120 million. The amount of credit that may be paid out is limited to $12 million a year. It provides for two new tourism projects; the Grammy Museum and the MS Arts and Entertainment Center. It extends the time for new applications for the tourism rebate to July 2020; extends the payment of rebates for non-residents salaries paid for movie projects to July 2017.

New Markets Credit (28)

The New Markets Credit allows a credit for income, insurance premium, or premium retaliatory taxes to investors in eligible equity securities issued by a Qualified Community Development Entity that has entered into an allocation agreement with the Community Development Financial Institutions Fund of the U.S. Treasury Department (CDFI) with respect to federal income tax credits authorized by the Federal NMTC Law, which includes the State of Mississippi in the service area outlined in such agreement. This Qualified Community Development Entity is commonly referred to as a "CDE".

The CDE must use 85% or more of the proceeds of the issuance of the equity security to make investments that are Mississippi Qualified Low-Income Community Investments (MQLICIs), and those investments must be maintained for a minimum of 7 years. A MQLICI is an investment in Mississippi in a business that meets the requirements of a Qualified Active Low-Income Community Business (QALICB) or an investment in Mississippi approved as a Qualified Low Income Community Investment under the Federal New Markets Tax Credit law. A security meeting these requirements is commonly referred to as a "QEI". MDA will review the QEI to determine if it qualifies for the Mississippi New Markets Credit. If the QEI does qualify, MDA will issue a certification of credits allowed. The total Mississippi New Markets Credit for all Mississippi taxpayers is capped at $15,000,000 per year.

Wildlife Land Use Credit (30)

Effective January 1, 2010, a state income tax credit is allowed that provides a $5.50 per acre tax credit for certain taxpayers that allow land to be used as a natural area preserve, wildlife refuge, wildlife management area or public outdoor recreation area. Land must first be approved to be suitable for the uses listed above by the Mississippi Commission on Wildlife, Fisheries and Parks. Any unused credit amount may be carried forward for five (5) years from the close of the taxable year in which the land was approved for such a use.

Headquarters Relocation Credit (32)

Effective January 1, 2014, an income tax credit is authorized under House Bill 785 for any company that transfers or relocates its national or regional headquarters to Mississippi. The bill provides that the amount of the credit is equal to the actual relocation costs paid by the company in the taxable year. Relocation costs shall include those non-depreciable expenses that are necessary to relocate headquarters' employees to the national or regional headquarters, including, but not limited to, costs such as travel expenses for employees and members of their households to and from Mississippi in search of homes and moving expenses to relocate furnishings, household goods and personal property of the employees and members of their households. The company must create twenty (20) jobs to qualify and the credit shall be applied to the taxable year in which the relocation costs are paid. The credit is limited to a $1,000,000 cap each fiscal year. The repeal date is July 1, 2019.

Veteran Employee Credit (33)

This bill authorizes an income tax credit for taxpayers that employ persons who are honorably discharged veterans who served on active duty in the Armed Forces of the United States on or after September 11, 2001, and who have been unemployed for six consecutive months immediately prior to being employed by such taxpayers. Likewise, this bill authorizes any tax credit claimed but not used in any taxable year to be carried forward for five (5) consecutive years and the aggregate amount of tax credits that may be awarded shall not exceed $1,000,000.00. This bill is effective January 1, 2016.

Bank Share Credit (50)

The Bank Share Credit is a franchise tax credit that equals the amount of all ad valorem taxes paid by banks on personal property and on the assessed value of its intangibles to any county, district or municipality. The credit can offset 100% of franchise tax due. No carryover is allowed for this credit.

General Restrictions on Incentive Credits

The only credits whose usage is dependent on another credit are the Export Port Charges Credit, Import Port Charges Credit and the Reforestation Tax Credit (RTC). 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%, when 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 carryforward provisions. When a deduction on the Mississippi tax return also gives rise to a tax credit, the amount of that credit which is being used on the current return must be added back to Mississippi income (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 that may be taken. When this is the case, continue to increase the amount of credit being used and add back to income until there is a difference of $1,000 or less between the two. Therefore, the credit added back may be, at most, $1,000 less than the credit being used.

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, Skills Training, Gaming, Rural Economic Development (RED), Export Port Charges, Import Port Charges, Reforestation, and Ad Valorem tax credits.

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

As a general rule, all credits generated by the S corporation or partnership are passed through to the shareholders based on their respective ownership percentages.

In the event that a composite return is filed on behalf of some or all of the nonresident shareholders, or in the event that a liability for taxes arises due to the failure to secure an agreement from a resident shareholder or a nonresident shareholder fails to file a return and to make timely payment of taxes due, any credit which would otherwise be passed through to the shareholder(s) involved may be utilized against the tax liability.

Growth and Prosperity (GAP) Areas Tax Exemption

The Growth and Prosperity (GAP) Areas Tax Exemption was created to encourage businesses to locate facilities and hire individuals in areas that have a certain percentage of the population below the federal poverty level or have an unemployment rate that is 200% of the state's average unemployment rate.

The income and franchise tax exemption is available for a period of 10 years for certain businesses locating in a designated GAP area. The eligible businesses include ones that manufacture, process, assemble, store, warehouse, service, distribute, sell any products or goods including products of agriculture, research and development, and others as determined by MDA which will create at least 10 jobs.

Businesses that <u>cannot</u> claim the exemption are retail establishments, gaming businesses or casinos and electrical generation facilities. An eligible business that constructs a new facility or expands an existing facility located in one of the designated GAP areas can apply to MDA to be exempted from state and local taxes for a period of 10 years or until December 31, 2022, whichever occurs first.

A business that relocates from a county in Mississippi to a GAP area is not eligible for the exemption. When filing the state income and franchise tax return claiming the exemption, attach a schedule showing the calculation of how the exemption was calculated, a copy of the certification from the MDA and the completed application, and the Income and Franchise Tax Credit Summary (Form 84-401) showing all credits taken.

The GAP Area Exemption is authorized under Miss. Code Ann. § 27-7-21, § 27-13-5 and § 57-80-1 through § 57-80-11. For more information on the GAP Areas, please contact:

Mississippi Development Authority
Financial Resources Division – GAP Program
P.O. Box 849
Jackson, MS 39205

SPECIFIC INSTRUCTIONS

FORM 84-105

TAXPAYER INFORMATION

Please provide all information requested. Enter the county code corresponding to your principal business location (see Appendix for a list of the codes).

Partnerships, LLCs, and LLCs filing an informational return should start on page 2, line 1.

FRANCHISE TAX (S CORPORATIONS ONLY)

Line 1: Enter the amount of taxable capital from Form 84-110, line 18.

Line 2: Enter the amount of franchise tax due. The franchise tax rate is $2.50 per $1,000 of the taxable capital **(minimum tax of $25)**.

Line 3: Enter the total amount of credit claimed from Form 84-401, line 1.

Line 4: Enter the net franchise tax due (line 2 minus line 3). If line 3 equals or exceeds the amount shown on line 2, enter a zero.

COMPOSITE INCOME TAX ONLY

Line 5: Enter zero unless the taxpayer is filing a composite return or is required to make a payment of tax because it failed to obtain an agreement from a non-resident shareholder required by subsection (3)(a) of section 10 of the Mississippi S Corporation Income Tax Act. In either of these situations, enter the total of the non-resident shareholders' distributions included in the composite return from Line 32, Form 84-122 or on which payment of tax is required by the S Corporation for failure to secure the above mentioned agreement.

Line 6: 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 7: Enter the total amount of credit claimed from Form 84-401, line 3. For limitations, see the "General Restrictions on Incentive Credits" section of this booklet.

Line 8: Enter the net income tax due (line 6 minus line 7). If line 7 equals or exceeds the amount shown on line 6, enter a zero.

PAYMENTS AND TAX DUE

Line 9: Enter the total franchise and income tax due (add line 4 plus line 8). S corporations, enter the amount on line 4; composite S corporations, enter the amounts on line 4 plus line 8; and composite partnership, enter the amount on line 8.

Line 10: Enter the amount of overpayment from the previous filed return. The 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 11: Enter the total amount of estimated tax payments and payment with extension. This amount should equal the total of quarterly estimated income tax payments and the amount paid with the request for an automatic six-month extension of time to file.

Line 12: Enter the total amount of previous payments made for the tax year (line 10 plus line 11).

Line 13: Enter the net total franchise and income tax due. This is the amount of total tax due less previous payments (line 9 minus line 12).

Line 14: If the current Mississippi income tax liability (line 8) is $200 or less, then estimated income tax payments were not required for this year. If the current year Mississippi income tax liability exceeds $200, Form 83-305 (S corporations) and Form 80-320 (partnerships) should be completed and attached to the return **if filing a composite return**. S corporations enter the amount from Form 83-305, line 19. Partnerships enter the amount from Form 80-320, line 11.

Line 15: Enter the amount of interest due on late payment of 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 7/10 of 1% per month.

Line 16: Enter the amount of penalty due on late payment of tax. An extension of time only extends the time for filing a return, not the payment of tax. The penalty imposed for failure to pay the tax when due is 1/2% per month, not to exceed 25% in the aggregate.

Line 17: Enter the amount of penalty due for failure to file a return by the due date of the return. 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. Such failure to file penalty shall not be less than $100 for income tax.

Line 18: Enter the balance of tax due (if line 9 is larger than line 12). This is the amount of total tax due less previous payments plus interest and penalties (add line 13 through line 17).

Line 19: Enter the amount of overpayment, if any (line 12 minus line 9).

Line 20: Enter the portion of line 19 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.

Line 21: Enter the portion of line 19 that you wish to be refunded. The total of line 20 and line 21 should equal line 19.

FORM 84-122

Generally, all domestic and foreign pass-through entities having income from sources within Mississippi must complete Form 84-122 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. This schedule highlights some of the differences but is not an all-inclusive list. The Mississippi Administrative Code and Regulations are available on our website at www.dor.ms.gov.

Multistate construction contractors and producers of mineral or natural resource products are required to use direct accounting and file Form 84-124. In this situation, lines 1 through 24 of this form are not completed unless the taxpayer also has income apportionable to this state from another line of business.

Lines 19, 20, 21 of this form do not apply to taxpayers doing business only in Mississippi.

Line 1: Enter the amount of taxable income (loss) (before net operating loss and special deductions) per federal Form 1120S (S corporations) and federal Form 1065 (partnerships).

Line 2: Enter the combined amount of the pass-through income items shown on federal Form 1120S/1065 Schedule K. Long term and short term capital losses are included only to the extent of current year capital gains.

Line 3: Enter the combined amount of pass-through deductions shown on federal Form 1120S/1065, Schedule K.

Line 4: Enter the total of lines 1 plus 2 less line 3. This amount represents federal net income.

Line 5: Enter the amount of state, local and foreign government income taxes claimed as a deduction on Form 1120S/1065.

Line 6: Enter the amount of interest on obligations of states and political subdivisions thereof (other than Mississippi) received by the corporation, net of expenses.

Line 7: Enter the amount of depletion claimed on Form 1120S/1065 in excess of the cost basis of the asset on which the depletion is claimed.

Line 8: Enter the amount of special depreciation allowance claimed for federal tax purposes. Federal Form 4562 must be completed twice and attached immediately after Form 84-122.

The first submission reflects the deductions taken for federal income tax purposes. The second submission should be labeled "Mississippi" at the top of the form and will compute the apportionable and/or allocable depreciation deduction without taking into account any special depreciation allowance (generally line 14 of federal Form 4562).

Any difference between the two submissions resulting from the special depreciation allowance is reported as an increase on this line. Any additional depreciation expense, for purposes of this state, due to the basis adjustment not being made is reported on line 15 of this form.

Line 9: Enter any other additions required by law. Other additions include, but are not limited to 1) charitable contribution carryovers, 2) unrecognized installment sale gains, and 3) add back of intangible expenses and costs and interest expenses and costs incurred with certain related members. Mississippi allows a 20% deduction for charitable contributions (as compared to 10% for federal), but does not allow a carryover of any unused contributions deduction.

For more information on treatment of installment sales, as well as the years effected, see Miss. Code Ann. § 27-7-9. Intangible expenses and costs and interest expenses and costs incurred with certain related members must be added back to income. For additional details, see Miss. Code Ann. § 27-7-17(2).

Line 11: Exempt interest received on direct U.S. Government obligations (see Title 35, Part III, Subpart 02, Chapter 04 of the Miss Admin Code on what constitutes a direct obligation) is not taxable to Mississippi. Enter the amount of such interest reported as income on Form 1120S/1065, net of expenses.

Line 12: Enter the amount of wage expense that was not deducted on Form 1120S/1065 because a federal tax credit was taken in lieu of an expense.

Line 13: Enter the income/loss from a partnership or other flow-through entity. Flow-through entity income is allocated based on the source as determined in the hands of the flow-through entity rather than the owner.

Line 14: Multistate construction contractors and producers of mineral or natural resource products must use direct accounting (Form 84-124) to report the income from these lines of business. Enter the income (net of expenses) from these lines of business as reported on federal Form 1120S/1065.

For further information concerning accounting methods for contractors and mineral producers see Title 35, Part III, Subpart 08, Chapter 06 of the Miss. Admin. Code for details. If this is your only line of business in Mississippi, skip lines 1 through 24 and start with line 25.

Line 15: When a special depreciation allowance is taken for federal tax purposes, the depreciable base must be reduced by the amount of the allowance. Enter the additional depreciation expense for purposes of this state due to the basis adjustment not being made for state purposes. Attach supporting computations for any amounts claimed.

Line 16: Enter any other deductions authorized by law. For each adjustment, provide an explanation of the basis for exclusion and a schedule showing how the amount is computed. In particular, gain from the sale of an interest in certain types of domestic entities may not be recognized for state purposes. If this is applicable, provide a schedule showing the computation of the non-recognized gain. For more details on what qualifies for this exclusion, see Miss. Code Ann. § 27-7-9(f)(10).

Line 18: Adjusted federal Form 1120S/1065 income (loss) subject to apportionment (line 4 plus line 10 minus line 17). If this corporation is not doing business in other states (as opposed to multiple states) skip lines 19 through 21 and enter the amount of this line on line 22.

Line 19: Enter the amount of non-business income (loss) shown on the Non-business Income Worksheet, Form 84-150, column E, line 2.

Line 23: Enter the amount of nonbusiness income (loss) allocated to this state shown on the Nonbusiness Income Worksheet, Form 84-150, column F, line 2.

Line 24: Enter the amount of Mississippi sourced income (loss) received from flow-through entities (attach Mississippi K-1's).

Line 25: Enter the amount reported on Form 84-124, page 2, line 31 and/or page 3, line 46.

Line 26: Enter other adjustments required by law. Attach a schedule of computations.

Line 27: Enter the amount of income exemption. When filing the state tax return claiming an exemption, attach a schedule showing the calculation of how the exemption was calculated, a copy of the certification from the Mississippi Development Authority (MDA) and the completed application.

Line 28: Income apportioned and directly allocated to Mississippi (sum lines 22 through 27). Unless you are filing a composite return on behalf of some or all of the nonresident shareholders, stop here and enter zero on Form 84-105, line 5.

Line 30: Enter the amount of composite filing adjustment. For details of how to compute the adjustment, view the "Composite Filing" section of this booklet.

Line 31: Deduct any available separate company composite Mississippi net operating loss carryover or carryback to the extent of composite income. Attach a completed Form 84-155. Mississippi does not conform to federal net operating loss rules.

Line 32: Mississippi composite income subject to tax (lines 29 less line 30 and line 31). If positive, report this amount on Form 84-105, line 5. **Only income of qualified non-resident partners electing to be in a composite filing is included on this line.** All other partners' income is reported on their respective Mississippi K-1's and as a part of their respective Mississippi individual income tax filings.

FORM 84-131

Schedule K is a summary schedule of all shareholders' shares of the corporation's income (loss), credits, etc. All corporations must complete this form.

Column A: Enter the name, FEIN or SSN of each owner(s) or partner(s) of the entity.

Column B: Enter the owner(s) or partner(s) ownership percentage and state of residence. Enter the percentage in decimal form. For example, 25% should be entered as 25.0000. Check the box if filing composite. See the "Composite Filing" section of this booklet for additional information on composite filers.

Column C: Enter each owner or partner share of Mississippi income (loss) on line a. Enter the credit code and the amount of the credit on line b and line c respectively.

Column D: Enter the amount of non-Mississippi taxable income (loss) for each owner or partner.

Line 2: Enter the totals from Column B through Column D.

Line 3: If applicable, enter the totals from page 2 of this form, Column B through Column D.

Line 4: Enter the sum of line 2 and line 3 from Column B (must total 100%). Enter the totals from line 2a and line 3a from Column C here; composite filers enter total composite income from Column C, line 4a on Form 84-122, page 2, line 29 and line 4c on Form 84-401, line 3. Enter the sum of line 2 and line 3 from Column D on line 4, Column D.

Line 5: Enter the amount from line 4a, Column C plus line 4, Column D.

FORM 84-132

The amounts to be shown on the Mississippi Schedule K-1 should represent Mississippi income and/or deductions. Due to the differences in treatment of various elements of income, expenses and/or credits for federal and state purposes, the amounts shown on the Mississippi K-1 will not necessarily be the same amounts as shown on the Federal K-1. Determination of the amounts to be reported on the Mississippi K-1 should be made using the owner's share of income and deductions including Mississippi apportionment.

For informational items that cannot be reported as a single dollar amount, enter "STMT" in the dollar amount entry space to indicate the information is provided on an attached statement.

Box 1: Enter the amount of ordinary business income (loss) per federal Form 1120S, page 1, line 21 (S corporations) and federal Form 1065, page 1, line 22 (partnerships).

Box 2: Enter the owner's share of rental real estate income (loss), net of expenses.

Box 3: Enter the owner's share of Mississippi other rental income (loss), net of expenses.

Box 4: Guaranteed payments represent a division of the partner's profit. Therefore, enter the amount of payments made by the partnership to the partner for services rendered and/or for interest on capital contributions. **Applicable to partnerships only.**

Box 5: Enter the total owner's share of Mississippi interest income received by or credited to the entity. As a general rule, interest income constitutes gross income and is fully taxable, unless specifically exempt or excluded by statute.

Box 6a: Enter the owner's share of Mississippi ordinary dividends income.

Box 6b: Enter the owner's share of Mississippi qualified dividends income.

Box 7: Enter the owner's share of Mississippi royalties.

Box 8: Enter the owner's share of Mississippi net short-term capital gain (loss) from federal Schedule D, Form 1120S (S corporations) and federal Schedule D, Form 1065 (partnerships).

Box 9a: Enter the owner's share of Mississippi net long-term capital gain (loss) from federal Schedule D, Form 1120S (S corporations) and federal Schedule D, Form 1065 (partnerships).

Box 9b: A collectible gain (loss) is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital loss. Mississippi Law does not conform to federal with respect to the tax treatment of capital gains; therefore, the gain is taxed as ordinary income.

Box 9c: Enter the owner's share of Mississippi Section 1250 gain.

Box 10: Enter the owner's share of Mississippi Section 1231 gain (loss). Attach a copy of the federal Form 4797.

Box 11: Enter the owner's share of Mississippi income, gain, or loss not included in boxes 1 through 9. Provide a description and the amount for each item.

Box 12: Enter the owner's share of Mississippi charitable contributions made by the entity (limited to 20% of the entity's current year taxable income). Mississippi does not allow a carryover of any unused contributions deduction.

Box 13: Enter the owner's share of Mississippi Section 179 deduction. Attach a copy of the federal Form 4562.

Box 14: Enter the owner's share of Mississippi other deductions authorized by law. For each adjustment, provide an explanation of the basis for exclusion and a schedule showing how the amount is computed.

Box 15: This box is not applicable to the state; therefore, it will be reported on this form as an item of information. **Applicable to partnerships only.**

Box 16: This box is used to report federal tax credits which are not applicable to the state; therefore, it will be reported as an item of information. Any state tax credits claimed by the corporation should be reported in Part IV of this form.

Box 17: This box is not applicable to the state; therefore, it will be reported on this form as an item of information.

Box 18: This box is not applicable to the state; therefore, it will be reported on this form as an item of information.

Box 19: This box is not applicable to the state; therefore, it will be reported on this form as an item of information. **Applicable to S-corporations only.**

Box 20: This box is not applicable to the state; therefore, it will be reported on this form as an item of information. **Applicable to partnerships only.**

Box 21: This box is not applicable to the state; therefore, it will be reported on this form as an item of information. **Applicable to partnerships only.**

Box 22: Report any other information as required by Federal (see federal Schedule K-1 for details).

FORM 84-150

This schedule is to be completed only if the corporation has activities in another state and has income, losses, expenses, or deductions which are to be allocated ("non-business") rather than apportioned.

On lines 1a through 1i, enter any non-business income or losses, including gains (losses) from the disposition of non-business assets. Enter any expenses associated with such income (loss) including indirect expenses (such as interest expense pro-rated to "non-business" assets).

Enter in Column A each item of non-business income or loss allocated to any state, including Mississippi, and the related expenses in Column C.

Enter in Column B items allocated to Mississippi and the related expenses in Column D.

Enter the net of Columns A and C in Column E, and the net of Columns B and D in Column F.

FORM 84-155

PART I: NET OPERATING LOSS

Generally, when a corporation's Mississippi sourced items of deduction exceed its Mississippi gross income, a NOL is generated. A NOL is to be carried by the corporation to each of the two (2) taxable years preceding the year of the NOL, starting with the earliest, and then to each of the twenty (20) tax years following the year of the NOL, until the NOL is exhausted or the carryforward period expires. An exception is when, on the original return filing, the corporation elects to forgo the carryback. In this case the NOL generated is carried forward for twenty (20) years.

Column A: Enter the year end the net operating loss was generated.

Column B: Enter the amount of the net operating loss (this amount should be entered as a positive number).

Column C: Enter the year end in which the net operating loss deduction is taken. A net operating loss deduction can be carried back 2 years or carried forward 20 years.

Column D: Enter the amount of net operating loss deduction actually used to offset income.

Column E: Enter the remaining of unused net operating loss, if any (column B minus column D and enter the result as a positive number).

Line 1: Enter the total amount from column E.

Line 2: Enter the amount of net operating loss deduction currently used. Enter this amount on Form 84-122, line 31 also.

Line 3: Subtract line 2 from line 1 to compute the net operating loss available for carryforward.

FORM 83-305

Every taxpayer, filing a composite return, with an annual income tax liability in excess of two hundred dollars ($200) must make estimated tax payments. These estimated tax payments must not be less than ninety percent (90%) of the annual income tax liability of S Corporation filing a composite return and must be paid by submitting quarterly payments. The remaining of the balance is due by the due date of the return. The S Corporation that fails to file an estimated tax return and pay the tax within the time prescribed or underestimates the required amount shall be liable for penalty of ten percent (10%) plus interest of 7/10 of 1% per month on the underpayment of tax from the date the payment is due until paid or the next payment due date, whichever is earlier. Partnerships filing a composite return must follow the Individual Income Tax rules on estimated tax payments.

Line 1: Enter the amount of current year income tax due from Form 84-105, line 8 (composite S Corporation).

Line 2: Multiply line 1 by 90% for S Corporation **(not applicable if using the prior year income tax liability)**. Composite Partnerships must follow the Individual Income Tax rules.

Line 3: Enter the amount of prior year income tax due.

Line 4: Enter the lesser of of line 2 or line 3 (except large corporations).

Line 5: Enter the amount of required estimated payment per quarter by dividing line 4 by four.

Line 6: Enter the appropriate months of the S Corporation's tax year in column (a) through column (d).

Line 7: Enter the amount from Part 1, line 5 in each column. The cumulative total should not be less than 90% of the income tax due for the year (S Corporation).

Line 8: Enter the actual amount of estimated tax paid each quarter.

Line 9: Enter in column (a) any overpayment from the previous year. Enter any excess from the previous quarter(s), line 9, in column (b) through column (d).

Line 10: Subtract line 7 from line 8 and line 9 and enter the amount in column (a). If the result is negative (overpayment), enter zero and carry the overpayment amount (positive) in the next quarter(s), line 9, column (b) through column (d).

Line 11: Multiply line 10 by 10%. If negative, enter zero.

Line 12: Enter the cumulative amount from line 7.

Line 13: Enter the cumulative amount of estimated taxes paid plus any overpayment from the prior year (line 8 plus line 9).

Line 14: Subtract line 12 from line 13. If the result is negative, enter zero).

Line 15: Enter the interest rate in column (a) through column (d). Compute interest at the rate of 7/10 of 1% per month from the payment due date until paid or until the next payment due date, whichever is earlier.

Line 16: Multiply line 14 by line 15.

Line 17: Enter the amount of penalty from line 11, column (a) through column (d).

Line 18: Enter the amount of interest from line 16, column (a) through column (d).

Line 19: Enter the total amount of underestimate interest and penalty due (line 17 plus line 18) on this line and on Form 83-105, page 1, line 14 (C Corporations) or on Form 84-105, page 1, line 14 (S Corporations).

COMPOSITE FILING

Nonresident individuals/partners without any activity in Mississippi other than that from the pass-through entity may elect to be included in a composite filing. Once an individual elects to be included in a composite filing, they must continue to file in this manner. Underestimate, late payment, and any other interest and penalties will be determined on the composite income.

The net income for each electing member included in a composite filing will generally be computed in the same manner as in a separate individual filing except that a deduction of $5,000.00 or 10% of the composite net income, whichever is less, is authorized in lieu of any individual exemption and deduction. Likewise, the tax liability is computed on the combined income of all electing members, that is, on the composite taxable income.

Composite members are allowed tax credits, as well as net operating loss and capital loss deductions, provided they are computed and tracked on an individual basis.

Example 1:
White Acre, Inc. is a multistate foreign S corporation doing business in Mississippi. B, C, D, E and F are shareholders of the corporation each with a 20% ownership/profits interest. B, C, D, and E are residents of Texas, while F is a resident of this state. B, C, and D elect to be included in a combined return.

White Acre, Inc. has the following income tax computations:

Ordinary income per federal return	150,000
Net income from rental real estate activities	20,000
Interest income	48,000
Net 1231 Gain	11,500
Section 179 expense	(17,500)
Total federal income	**$212,000**
Add: Intangible expense with Related Member	140,000
Less: Interest on Obligations of the U.S.	(40,000)
Total net income for state purposes	**$312,000**
Less: Non-business Income	(20,000)
Net income subject to apportionment	**$292,000**
Apportionment Factor	40.00%
Mississippi Net Business Income	116,800
Non-business income allocable to MS	2,000
Mississippi net income (This amount corresponds to Line 28, Form 84-122)	**$118,800**
Ownership Interest of B, C, and D	60.00%
Composite filing MS net income	71,280
Composite filing exemption deduction	(5,000)
Composite filing net operating loss carryover	(20,000)
Composite filing MS net taxable income (This amount corresponds to Line 32, Form 84-122)	**$46,280**
Composite filing tax liability	**$2,164**

***The difference between line 28 and line 32 is $72,520 which is entered on line 30, Form 84-122.**

Schedule K Income:

Shareholder B Mississippi income	17,093
Shareholder C Mississippi income	17,093
Shareholder D Mississippi income	17,093
Shareholder E Mississippi income	23,760
Shareholder F resident income	62,400

Schedule K income for each of the shareholders B, C, and D is determined by multiplying the Composite Filing MS Net Taxable Income and the ratio of the respective shareholders ownership percentage to the total ownership percentage of composite filers ($51,280.00 * 20% / 60%). Income attributable to composite filers is reported on form 84-131 schedule K, but will not be reported on a K-1 since the income is part of the composite filing.

Shareholder E Schedule K-1:
Schedule K income for shareholder E, a nonresident noncomposite filer, is determined by multiplying Mississippi Net Income and the shareholder's ownership or profits percentage. Any net operating loss carryover would be applied at the shareholder level in a nonresident return filing:

Ordinary Income (includes adjustment for add back of intangible exp.)	23,200
Net Income from rental real estate activities	400
Interest Income (Includes adjustments of exempt income from treasury sec.)	640
Net 1231 gain	920
Section 179 expense	(1,400)

The rental real estate income is classified as non-business in nature. The Mississippi allocable portion is $2,000.00 of which shareholder E received 20% or $400.00.

Shareholder F Schedule K-1:
Schedule K income for shareholder F, a resident of this state, is determined by multiplying Total Net Income for state purposes and the shareholder's ownership or profit percentage.

Ordinary Income (includes adjustment for add back of intangible exp.)	58,000
Net Income from rental real estate activities	4,000
Interest Income (Includes adjustments of exempt income from treasury sec.)	1,600
Net 1231 gain	2,300
Section 179 expense	(3,500)

The rental real estate income is classified as non-business in nature. The Mississippi allocable portion is $2,000.00 of which shareholder E received 20% or $400.00.

Schedule K income for shareholder F, a resident of this state, is determined by multiplying Total Net Income for state purposes and the shareholder's ownership or profit percentage.

Example 2:

Green Acre, Inc. is a multistate foreign S corporation doing business in Mississippi. A, B, and C are nonresident shareholders of the corporation with a 20%, 30%, and 50% ownership/profits interest respectively (no special allocations exist).

For tax year 2008 A, B, and C were included in a composite return filing in which the composite Mississippi net taxable income (after the 10% exemption deduction) is $30,000.00 with a corresponding tax liability of $1,350.00.

On June 30 of 2009, A sold ½ of his interest to D a nonresident shareholder and ¼ of his interest to shareholder B. For the tax year ended 2009, D elected to be included in the composite return filing. A, B, and C were already bound by a prior year election to be included in the composite. For tax year 2009, the composite Mississippi taxable income/loss was ($40,000.00).

The amount attributable to each shareholder was determined as follows:

Shareholder	Ownership %	Holding Period (No. of days/365 days)	Annualized Ownership %	Composite Loss	Attributed Loss
A	20.0000%	181/365	9.9178%	($40,000.00)	($3,967.12)
A	5.0000%	184/365	2.5205%	($40,000.00)	($1,008.21)
B	30.0000%	365/365	30.0000%	($40,000.00)	($12,000.00)
B	5.0000%	184/365	2.5205%	($40,000.00)	($1,008.21)
C	50.0000%	365/365	50.0000%	($40,000.00)	($20,000.00)
D	10.0000%	184/365	5.0411%	($40,000.00)	($2,016.46)
Composite Group			**100%**		**($40,000)**

Shareholder	Prior Yr. Inc.	Current Year Loss (2009)	Offset Against 2008 Income	Loss Carryforward
A	$6,000.00	($4,975.33)	($4,975.33)	$0.00
B	$9,000.00	($13,008.21)	($9,000.00)	($4,008.21)
C	$15,000.00	($20,000.00)	($15,000.00)	($5,000.00)
D	$0.00	($2,016.46)	$0.00	($2,016.46)
Composite Group	**$30,000.00**	**($40,000.00)**	**($28,975.33)**	**($11,024.67)**

DISTRICT OFFICES

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Ph: (601) 833-4761 Fax: (601) 833-3096

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17 JM Tatum Industrial Dr, Ste. 2
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900 Hwy. 19 South Meridian, MS 39301
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2778 Hwy 51 South
Ph: (662) 562-4489 Fax: (662) 562-7392

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2610 Traceland Dr. Tupelo, MS 38801
Ph: (662) 842-4316 Fax: (662) 842-5041

APPENDIX

COUNTY CODES

COUNTY	CODE	COUNTY	CODE	COUNTY	CODE
Adams	01	Itawamba	29	Pike	57
Alcorn	02	Jackson	30	Pontotoc	58
Amite	03	Jasper	31	Prentiss	59
Attala	04	Jefferson	32	Quitman	60
Benton	05	Jefferson-Davis	33	Rankin	61
Bolivar	06	Jones	34	Scott	62
Calhoun	07	Kemper	35	Sharkey	63
Carroll	08	Lafayette	36	Simpson	64
Chickasaw	09	Lamar	37	Smith	65
Choctaw	10	Lauderdale	38	Stone	66
Claiborne	11	Lawrence	39	Sunflower	67
Clarke	12	Leake	40	Tallahatchie	68
Clay	13	Lee	41	Tate	69
Coahoma	14	Leflore	42	Tippah	70
Copiah	15	Lincoln	43	Tishomingo	71
Covington	16	Lowndes	44	Tunica	72
Desoto	17	Madison	45	Union	73
Forrest	18	Marion	46	Walthall	74
Franklin	19	Marshall	47	Warren	75
George	20	Monroe	48	Washington	76
Greene	21	Montgomery	49	Wayne	77
Grenada	22	Neshoba	50	Webster	78
Hancock	23	Newton	51	Wilkinson	79
Harrison	24	Noxubee	52	Winston	80
Hinds	25	Oktibbeha	53	Yalobusha	81
Holmes	26	Panola	54	Yazoo	82
Humphreys	27	Pearl River	55	**Out-of-State**	83
Issaquena	28	Perry	56		

TAX CREDIT CODES

CODE	CREDIT	CODE	CREDIT
02*	Premium Retaliatory	18	Land Donation
03*	Finance Company Privilege	19	Broadband Technology
04*	Advanced Technology / Enterprise Zone	21	Brownfield Credit
05	Jobs Tax	22	Airport Cargo Charges
06	National or Regional Headquarters	23	Manufacturer's Investment Tax Credit
07	Research and Development Skills	24	Alternative Energy Jobs
08	Employer Child / Dependent Care	25	Child Adoption
09	Basic Skills Training	27*	Long Term Care
10	Reforestation	28	New Markets
11*	Gambling License Fee	29	Biomass Energy Investment
12*	Financial Institution Jobs	30	Wildlife Land Use
13	Mississippi Revenue Bond Service	31	Prekindergarten Credit
14	Ad Valorem Inventory	32	Headquarters Relocation Credit
15	Export Port Charges	33	Veteran Employee Credit
16	Insurance Guaranty	50*	Bank Share
17	Import Credit		
*** Carryover not available**			