

Chapter 03 Employee Benefits

- 100 A taxpayer may exclude from gross income compensation which is received under a worker's compensation act, for personal injuries or sickness incurred in the course of employment. The exclusion also applies to compensation which is paid under a worker's compensation act to the survivor or survivors of a deceased employee. The exclusion does not apply to a retirement pension or annuity to the extent that it is determined by reference to the employee's age or length of service, or the employee's prior contributions, even though the employee's retirement occurs from an occupational injury or sickness. Amounts received as compensation for a non-occupational injury or sickness, and amounts received as compensation for an occupational injury or sickness in excess of the amount provided in the applicable worker's compensation act are also not subject to the exclusion.
- 101 A taxpayer may exclude from gross income the amount of any damages received under a suit or settlement of a claim on account of personal injuries or sickness. Damages in cases of nonphysical injury equal to the amount of medical expenses for treatment of emotional distress may be excluded from gross income.
- 102 A taxpayer may exclude from gross income the amounts received through accident or health insurance for personal injuries or sickness to the extent that such amounts are not attributable to contributions of the employer which are not includible in the gross income of the employee or are not paid by the employer. Therefore, if an employee received compensation for personal injuries or sickness from an accident or health insurance policy which the worker purchased or from a fund maintained exclusively by employee contributions, the amounts received are excluded from gross income.
- 103 Amounts received by employees under employer financed accident and health plans may be excluded from gross income if such amounts are paid to reimburse the taxpayer for expenses incurred for medical care of the taxpayer, spouse or dependents or to reimburse the employee for medical care and payments for permanent injury or loss of bodily function.
- 104 The gross income of an employee does not include contributions which his employer makes to an accident or health plan for compensation (through insurance or otherwise) to the employee for personal injuries or sickness incurred by him, his spouse or his dependents.
- 105 Nontaxable benefits under Section 125 of the Internal Revenue Code referred to as "cafeteria plans" are also excludable for Mississippi Income Tax purposes to the extent allowed by the IRC. Mississippi also recognizes Section 129 of the Internal Revenue Code pertaining to dependent care assistance programs and Section 127 of the Internal Revenue Code pertaining to employer provided educational assistance plans. The benefits mentioned above under IRC Sections 125, 127 and 129 are not subject to Mississippi withholding.
- 106 The value of any meals or lodging furnished to an employee, his spouse or any of his dependents by or on behalf of his employer for the convenience of the employer may be excluded from gross income of an employee but only if in the case of meals, the meals are furnished on the business premises of the employer, or in the case of lodging, the employee

is required to accept such lodging on the business premises of his employer as a condition of his employment.

- 107 The rental value of a dwelling furnished to a minister of the gospel is exempt from tax as is a rental allowance to the extent that the allowance is used to rent or provide a home. This includes the portion of a retired minister's pension designated as a rental allowance by the national governing body of a religious denomination having complete control over the retirement fund. The exemption also applies to the rental value of a residence furnished to a retired minister (but not the minister's spouse).
- 108 (Reserved)

35.III.3.03 revised effective January 1, 2022