

By: Representative Hines

To: Ways and Means

HOUSE BILL NO. 1704

1 AN ACT TO AMEND SECTION 27-7-9, MISSISSIPPI CODE OF 1972, TO
 2 PROVIDE THAT TO THE EXTENT THAT GAIN IS NOT RECOGNIZED OR IS
 3 DEFERRED FOR THE SALE OR EXCHANGE OF PROPERTY OR FOR INVESTMENT IN
 4 QUALIFIED OPPORTUNITY ZONE PROPERTY THROUGH A QUALIFIED
 5 OPPORTUNITY FUND UNDER FEDERAL LAW, THERE SHALL BE NO GAIN
 6 RECOGNIZED OR GAIN SHALL BE DEFERRED FOR SUCH SALE OR EXCHANGE OF
 7 PROPERTY OR INVESTMENT FOR THE PURPOSES OF THE STATE INCOME TAX
 8 LAW, PROVIDED THAT THE PROPERTY IS IN OR THE INVESTMENT IS IN
 9 QUALIFIED OPPORTUNITY ZONE PROPERTY IN A QUALIFIED OPPORTUNITY
 10 ZONE LOCATED IN THIS STATE; TO PROVIDE THAT TO THE EXTENT THAT
 11 THERE IS AN INCREASE IN BASIS FOR SUCH PROPERTY OR INVESTMENT
 12 UNDER FEDERAL LAW, THERE SHALL BE AN INCREASE IN BASIS FOR THE
 13 PROPERTY OR INVESTMENT FOR THE PURPOSES OF THE STATE INCOME TAX
 14 LAW; AND FOR RELATED PURPOSES.

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

16 **SECTION 1.** Section 27-7-9, Mississippi Code of 1972, is
 17 amended as follows:

18 27-7-9. (a) Except as provided in Sections 27-7-95 through
 19 27-7-103, determination of amount of gain or loss.

20 (1) **Computation of gain or loss.** The gain from the
 21 sale or other disposition of property shall be the excess of the
 22 amount realized therefrom over the adjusted basis provided in
 23 subsection (c) for determining gain, and the loss shall be the



24 excess of the adjusted basis provided in subsection (c) for
25 determining loss over the amount realized.

26 (2) **Amount realized.** The amount realized from the sale
27 or other disposition of property shall be the sum of any money
28 received plus the fair market value of the property (other than
29 money) received.

30 (3) **Installment sales.** Nothing in this section shall
31 be construed to prevent (in the case of property sold under
32 contract providing for payment in installments) the taxation of
33 that portion of any installment payment representing gain or
34 profit in the year in which such payment is received.

35 (b) **Recognition of gain or loss.** Except as otherwise
36 provided in this section, on the sale or exchange of property the
37 entire amount of the gain or loss, determined under subsection
38 (a), shall be recognized.

39 (c) **Adjusted basis for determining gain or loss.**

40 (1) **In general.** The adjusted basis for determining the
41 gain or loss from the sale or other disposition of property,
42 whenever acquired, shall be the basis determined under subsection
43 (d) adjusted as provided in subsection (e).

44 (2) **Bargain sale to a charitable organization.** If a
45 deduction is allowed under Section 27-7-17 (relating to charitable
46 contributions) by reason of a sale, then the adjusted basis for
47 determining the gain from such sale shall be that portion of the
48 adjusted basis which bears the same ratio to the adjusted basis as



49 the amount realized bears to the fair market value of the
50 property.

51 (d) **Basis of property.**

52 (1) **Property acquired after March 16, 1912.** The basis
53 for ascertaining the gain derived or the loss sustained from the
54 sale or other disposition of property, real, personal or mixed,
55 shall be, in the case of property acquired after March 16, 1912,
56 the cost of such property, except as otherwise provided in this
57 subsection.

58 (2) **Inventory property.** If the property should have
59 been included in the last inventory, the basis shall be the last
60 inventory value thereof.

61 (3) **Property acquired by gift.** In the case of property
62 acquired by gift after January 1, 1936, the basis shall be the
63 same as that which it would have in the hands of the donor or the
64 last preceding owner by whom it was not acquired by gift. If the
65 facts necessary to determine such basis are unknown to the donee,
66 the commissioner shall, if possible, obtain such facts from such
67 donor, or last preceding owner, or any other person cognizant
68 thereof. If the commissioner finds it impossible to obtain such
69 facts, the commissioner shall establish a basis for the property
70 from the best information available. In the case of property
71 acquired by gift on or before January 1, 1936, the basis for
72 ascertaining gain or loss from the sale or other disposition



73 thereof shall be the fair market price or value of such property
74 at the time of acquisition.

75 (4) **Property acquired by bequests, devises and**
76 **inheritance.** If personal property was acquired by specific
77 bequest, or if real property was acquired by general or specific
78 devise or by intestacy, the basis shall be the fair market value
79 of the property at the time of the death of the decedent. If the
80 property was acquired by the decedent's estate from the decedent,
81 the basis in the hands of the estate shall be the fair market
82 value of the property at the time of the death of the decedent.
83 In all other cases, if the property was acquired either by will or
84 by intestacy, the basis shall be the fair market value of the
85 property at the time of the distribution to the taxpayer. In the
86 case of property transferred in trust to pay the income for life
87 to or upon the order or direction of the grantor, with the right
88 reserved to the grantor at all times prior to his death to revoke
89 the trust, the basis of such property in the hands of the persons
90 entitled under the terms of the trust instrument to the property
91 after the grantor's death shall, after such death, be the same as
92 if the trust instrument had been a will executed on the day of the
93 grantor's death.

94 (5) **Property acquired by a transfer in trust.** If the
95 property was acquired by a transfer in trust (other than by a
96 transfer in trust by a bequest or devise), the basis shall be the
97 same as it would be in the hands of the grantor, increased in the



98 amount of gain, or decreased in the amount of loss, recognized to
99 the grantor upon such transfer under this section.

100 (6) **Property acquired in tax-free exchanges.** If the
101 property was acquired upon an exchange described in subsection
102 (f), the basis shall be the same as in the case of the property
103 exchanged, decreased in the amount of any money received by the
104 taxpayer and increased in the amount of gain or decreased in the
105 amount of loss to the taxpayer that was recognized upon such
106 exchange by the terms of this act. If the property so acquired
107 consisted in part of the type of property permitted by subsection
108 (f) to be received without recognition of gain or loss, and in
109 part of other property, the basis provided in this subsection
110 shall be allocated between the properties (other than money)
111 received, and for the purpose of the allocation there shall be
112 assigned to such other property an amount equivalent to its fair
113 market value at the date of the exchange.

114 (7) **Property acquired in tax-free distribution.** If the
115 property consists of stock or securities distributed to a taxpayer
116 in connection with a transaction described in subsection (f), the
117 basis in the case of the stock in respect of which the
118 distribution was made shall be apportioned, under rules and
119 regulations prescribed by the commissioner, between such stock and
120 the stock or securities distributed.

121 (8) **Property acquired in involuntary conversions.** If
122 the property was acquired as the result of a compulsory or



123 involuntary conversion described in subsection (f), the basis
124 shall be the same as in the case of property so converted,
125 decreased in the amount of any money received by the taxpayer
126 which was not expended in accordance with the provisions of said
127 subsection determining the taxable status of the gain or loss upon
128 such conversion, and increased in the amount of gain or decreased
129 in the amount of loss to the taxpayer recognized upon such
130 conversion.

131 (9) **Property acquired in wash sales.** If substantially
132 identical property was acquired in place of stock or securities
133 which were sold or disposed of and in respect of which loss was
134 not allowed as a deduction under Section 27-7-17(d), the basis in
135 the case of property so acquired shall be the basis in the case of
136 the stock or securities so sold or disposed of, except that, if
137 the repurchase price was in excess of the sales price, such basis
138 shall be increased in the amount of the difference, or if the
139 repurchase price was less than the sales price, such basis shall
140 be decreased in the amount of the difference.

141 (10) **Property acquired before March 16, 1912.** The
142 basis for determining the gain or loss from the sale or other
143 disposition of property acquired before March 16, 1912, shall be:

144 (A) The cost of such property (or in the case of
145 such property as is described in subsection (d)(2) or (4) of this
146 section the basis as therein provided, or in the case of property



147 acquired by gift or transfer in trust, the fair market value of
148 such property at the time of such acquisition); or

149 (B) The fair market value of such property as of
150 March 16, 1912, whichever is greater.

151 In determining the fair market value of stock in a
152 corporation as of March 16, 1912, due regard shall be given to the
153 fair market value of the assets of the corporation as of that
154 date.

155 (e) **Adjustments to basis.**

156 (1) **In general.** In computing the amount of gain or
157 loss from the sale or other disposition of property, proper
158 adjustment shall be made for any expenditure, receipt, loss or
159 other item, properly chargeable to capital account since the basis
160 date. The cost or other basis of the property shall also be
161 diminished by the amount of the deductions for exhaustion, wear
162 and tear, obsolescence, amortization and depletion, which have
163 since the acquisition of the property been allowable in respect of
164 such property whether or not such deductions were claimed by the
165 taxpayer or formerly allowed. In the case of stock, the basis
166 shall be diminished by the amount of distributions previously made
167 in respect to such stock, to the extent provided under this
168 section.

169 (2) **Substituted basis.** Whenever it appears that the
170 basis of the property in the hands of a taxpayer is a substituted
171 basis, then the adjustments provided in subsection (e) (1) shall be



172 made after first making in respect of such substituted basis
173 proper adjustments of a similar nature in respect of the period
174 during which the property was held by the transferor, donor or
175 grantor, or during which the other property was held by the person
176 for whom the basis is to be determined. The term "substituted
177 basis" as used in this subsection means a basis determined under
178 any provision of this section or under any corresponding provision
179 of a prior Income Tax Law, providing that the basis shall be
180 determined by reference to the basis in the hands of a transferor,
181 donor or grantor, or, by reference to other property held at any
182 time by the person for whom the basis is to be determined.

183 (f) **Recognition of gain or loss -- exceptions.**

184 (1) **Exchange solely in kind.**

185 (A) **Property held for productive use or**
186 **investment.** No gain or loss shall be recognized if property held
187 for productive use in trade or business or for investment (not
188 including stock in trade or other property held primarily for
189 sale, nor stocks, bonds, notes, choses in action, certificates of
190 trust or beneficial interest, or other securities or evidence of
191 indebtedness or interest) is exchanged solely for property of a
192 like kind to be held either for productive use in trade or
193 business or for investment. In addition, no gain or loss shall be
194 recognized on any exchange of property if no gain or loss is
195 recognized with regard to such exchange under Section 1031 of the
196 Internal Revenue Code.



197 (B) **Stock for stock in same corporation.** No gain
198 or loss shall be recognized if common stock in a corporation is
199 exchanged solely for common stock in the same corporation, or if
200 preferred stock in a corporation is exchanged solely for preferred
201 stock in the same corporation.

202 (C) **Transfers to corporation controlled by**
203 **transferor.** No gain or loss shall be recognized if property is
204 transferred to a corporation by one or more persons solely in
205 exchange for stock or securities in such corporation, and if
206 immediately after the exchange such person or persons are in
207 control of the corporation; but in the case of an exchange by two
208 (2) or more persons, this subsection shall apply only if the
209 amount of the stock and securities received by each is
210 substantially in proportion to his interest in the property prior
211 to the exchange.

212 (D) **Stock for stock on reorganization.** No gain or
213 loss shall be recognized if stock or securities in a corporation,
214 a party to a reorganization, are, in pursuance of the plan of
215 reorganization, exchanged solely for stock or securities in such
216 corporation or in another corporation, a party to a
217 reorganization.

218 (2) **Gain from exchanges not solely in kind.** If an
219 exchange would be within the provisions of subsection (f) (1) of
220 this section, if it were not for the fact that the property
221 received in exchange consists not only of property permitted by



222 subsection (f) (1) to be received without the recognition of gain,
223 but also of other property or money, then the gain, if any, to the
224 recipient shall be recognized, but in an amount not in excess of
225 the sum of such money and the fair market value of such other
226 property so received.

227 (3) **Loss from exchanges not solely in kind.** If an
228 exchange would be within the provisions of subsection (f) (1) of
229 this section, if it were not for the fact that the property
230 received in exchange consists not only of property permitted by
231 subsection (f) (1) to be received without the recognition of gain
232 or loss but also of other property or money, then no loss from the
233 exchange shall be recognized.

234 (4) **Distribution of stock on reorganization.** If in
235 pursuance of a plan of reorganization, there is distributed to a
236 shareholder in a corporation, a party to the reorganization, stock
237 or securities in such corporation or in another corporation, a
238 party to the reorganization, without the surrender by such
239 shareholder of stock or securities in such corporation, no gain to
240 the distributee from the receipt of such stock or securities shall
241 be recognized.

242 (5) **Distribution with effect of taxable dividend.** If a
243 distribution made in pursuance of a plan of reorganization is
244 within the provisions of subsection (f) (4) of this section, but
245 has the effect of the distribution of a taxable dividend, then
246 there shall be taxed as a dividend to each distributee such an



247 amount of the gain recognized under subsection (f) (2) as is not in
248 excess of his ratable share of the undistributed earnings and
249 profits of the corporation. The remainder, if any, of the gain
250 recognized under subsection (f) (2) shall be taxed as a gain from
251 the exchange of property.

252 (6) **Involuntary conversions.** If property, as a result
253 of its destruction, in whole or in part, theft, seizure or
254 requisition or condemnation, or threat or imminence thereof, is
255 compulsorily or involuntarily converted:

256 (A) Into property similar or related in service or
257 use to the property so converted, no gain shall be recognized, but
258 loss shall be recognized;

259 (B) Into money, no gain shall be recognized if
260 such money is expended, within a period ending two (2) years after
261 the close of the first taxable year in which any part of the gain
262 upon the conversion is realized, in the acquisition of other
263 property similar or related in service or use to the property so
264 converted, or in the acquisition of control of a corporation
265 owning such other property, or in the establishment of a
266 replacement fund, but loss shall be recognized. Such two-year
267 period shall be extended to five (5) years with respect to
268 property in the Hurricane Katrina disaster area, as defined in the
269 Katrina Emergency Tax Relief Act of 2005, which is compulsorily or
270 involuntarily converted on or after August 29, 2005, by reason of
271 Hurricane Katrina, but only if substantially all of the use of the



272 replacement property is in such area. If any part of the money is
273 not so expended, the gain shall be recognized to the extent of the
274 money which is not so expended, regardless of whether such money
275 is received in one or more taxable years and regardless of whether
276 or not the money which is not so expended constitutes gain.
277 Provided, gain realized on property which is compulsorily or
278 involuntarily converted for public use under Title 11, Chapter 27,
279 Mississippi Code of 1972, or any federal law relating to the
280 involuntary conversion of property for public use shall not be
281 recognized. Provided further, that gain realized on property
282 which is voluntarily converted for public use shall not be
283 recognized after it becomes evident that eminent domain
284 proceedings are probable.

285 Except as otherwise provided, the provisions of this
286 subsection relating to the nonrecognition of gain, including the
287 exception provided in subparagraph (B), shall apply only to an
288 owner of the converted property who has held title to such
289 property for a period at least three (3) years prior to the date
290 of the disposition of the converted property, provided that an
291 owner who acquired such property by bequest, devise, gift or
292 inheritance shall be excluded from this limitation, if the
293 preceding owner acquired title to such property at least three (3)
294 years prior to the date of disposition. However, no gain shall be
295 recognized on property that is compulsorily or involuntarily



296 converted if no gain is recognized with regard to such property
297 under Section 1033 of the Internal Revenue Code.

298 (7) **Property exchanged treated as equivalent of cash.**

299 When property other than property specified in subsection
300 (f)(1)(A) of this section is exchanged for other property, the
301 property received in exchange shall, for the purpose of
302 determining gain or loss, be treated as the equivalent of cash to
303 the amount of its fair market value.

304 (8) **Distribution of assets of corporation.** The
305 distribution to the taxpayer of the assets of a corporation shall
306 be treated as a sale of the stock or securities of the corporation
307 owned by him, and the gain or loss shall be computed accordingly.

308 (9) **Organization of a corporation.** In the case of the
309 organization of a corporation, the stock and securities received
310 shall be considered to take the place of property transferred
311 therefor, and no gain or loss shall be deemed to arise therefrom.

312 (10) **Sales of certain interests in financial**
313 **institutions domiciled in Mississippi, domestic corporations,**
314 **domestic limited partnerships or domestic limited liability**
315 **companies.** No gain shall be recognized from the sale of
316 authorized shares in financial institutions domiciled in
317 Mississippi and domestic corporations, or partnership interests in
318 domestic limited partnerships and domestic limited liability
319 companies, that have been held for more than one (1) year;
320 however, any gain that would otherwise be excluded by this



321 provision shall first be applied against, and reduced by, any
322 losses determined from sales or transactions described by this
323 provision if the losses were incurred in the year of the gain or
324 within the two (2) years preceding or subsequent to the gain.

325 (11) (A) (i) Through December 31, 2021, to the extent
326 that gain is not recognized or is deferred for the sale or
327 exchange of property or for investment in qualified opportunity
328 zone property through a qualified opportunity fund under 26 USCS
329 1400Z-2, there shall be no gain recognized or gain shall be
330 deferred, as the case may be, for such sale or exchange of
331 property or investment for the purposes of this section, provided
332 that the property is in or the investment is in qualified
333 opportunity zone property in a qualified opportunity zone located
334 in Adams County, Bolivar County, Carroll County, Claiborne County,
335 Coahoma County, Holmes County, Humphreys County, Issaquena County,
336 Jefferson County, Leflore County, Panola County, Quitman County,
337 Sharkey County, Sunflower County, Tallahatchie County, Tunica
338 County, Warren County, Washington County and/or Yazoo County,
339 Mississippi. In addition, to the extent that there is an increase
340 in basis for such property or investment under 26 USCS 1400Z-2,
341 there shall be an increase in basis for the property or investment
342 for the purposes of this section.

343 (ii) From and after January 1, 2022, to the
344 extent that gain is not recognized or is deferred for the sale or
345 exchange of property or for investment in qualified opportunity



346 zone property through a qualified opportunity fund under 26 USCS
347 1400Z-2, there shall be no gain recognized or gain shall be
348 deferred, as the case may be, for such sale or exchange of
349 property or investment for the purposes of this section, provided
350 that the property is in or the investment is in qualified
351 opportunity zone property in a qualified opportunity zone located
352 in this state. In addition, to the extent that there is an
353 increase in basis for such property or investment under 26 USCS
354 1400Z-2, there shall be an increase in basis for the property or
355 investment for the purposes of this section.

356 (B) For the purposes of this paragraph (11), the
357 terms "qualified opportunity fund" and "qualified opportunity zone
358 property" mean and have the same definitions as such terms have in
359 26 USCS 1400Z-2, and the term "qualified opportunity zone" means
360 and has the same definition as such term has in 26 USCS 1400Z-1.

361 (g) **Reorganization defined.** The term "reorganization"
362 means:

363 (1) A statutory merger or consolidation;

364 (2) The acquisition by one (1) corporation, in exchange
365 solely for all or a part of its voting stock (or in exchange
366 solely for all or a part of the voting stock of a corporation
367 which is in control of the acquiring corporation), of stock of
368 another corporation if, immediately after the acquisition, the
369 acquiring corporation has control of such other corporation, or of
370 substantially all the properties of another corporation;



371 (3) A transfer by a corporation of all or a part of its
372 assets to another corporation if immediately after the transfer
373 the transferor, or one or more of its shareholders (including
374 persons who were shareholders immediately before the transfer), or
375 any combination thereof, is in control of the corporation to which
376 the assets are transferred;

377 (4) A recapitalization; or

378 (5) A mere change in identity, form or place of
379 organization, however effected.

380 (h) **Party to a reorganization defined.** The term "a party to
381 a reorganization" includes a corporation resulting from a
382 reorganization and includes both corporations in the case of an
383 acquisition by one (1) corporation of at least a majority of the
384 voting stock and at least a majority of the total number of shares
385 of all other classes of stock of another corporation.

386 (i) **Control defined.** As used in this section, the term
387 "control" means the ownership of at least eighty percent (80%) of
388 the voting stock and at least eighty percent (80%) of the total
389 number of shares of all other classes of stock of the corporation.

390 (j) **Special rules.**

391 (1) **Liquidation of subsidiaries.** A transfer to a
392 parent corporation from its subsidiary of property distributed in
393 complete liquidation of the subsidiary shall result in no
394 recognized gain or loss if the basis of the property in the hands



395 of the parent corporation is the same as it was in the hands of
396 the subsidiary.

397 (2) **Gain or loss on sales or exchanges in connection**
398 **with certain liquidations.** Corporations adopting a plan of
399 complete liquidation under the provisions of the Internal Revenue
400 Code shall recognize the gain or loss from the sale or exchange of
401 property by the corporation under said plan. The total gain or
402 loss from the liquidating distributions shall be recognized by the
403 shareholders; however, a credit for the tax paid by the
404 liquidating corporation on the gain from the sale or exchange of
405 property under the plan of liquidation will be allowed to the
406 extent of any tax liability to the shareholders. The corporation
407 shall provide to the Department of Revenue a list of all
408 shareholders with their percentage of ownership, distribution, tax
409 credit allowed and any other information requested.

410 (3) **Distribution of stock and securities of a**
411 **controlled corporation.** No gain shall be recognized on a
412 distribution to a stockholder of a corporation if such gain would
413 not be recognized to such stockholder for federal income tax
414 purposes under the provisions of Section 355 of the Internal
415 Revenue Code. With respect to the distributing corporation, no
416 gain shall be recognized from such distribution provided the
417 distribution is a part of a transaction that qualifies for
418 tax-free treatment under the provisions of Section 355 or
419 368(a)(1)(D) of the Internal Revenue Code. Additionally, with



420 respect to a distributing corporation, no gain shall be recognized
421 from such distribution provided the distribution is pursuant to an
422 overall plan to facilitate an ultimate distribution that qualifies
423 for tax-free treatment under the provisions of Section 355 or
424 368(a)(1)(D) of the Internal Revenue Code.

425 (4) Notwithstanding the other provisions of this
426 section, a corporation or other entity that is involved in
427 restructuring, reorganizing, distributing assets or profits, or
428 changing ownership that results in an adjustment to its asset
429 basis is required to report a gain in the year such transaction
430 occurs on any such transaction when the transaction involves
431 assets owned or used in this state, or otherwise represents assets
432 owned or used in this state. If a transfer of income or a change
433 in asset valuation occurs on the tax records of the taxpayer, such
434 transaction shall result in taxation to this state to the extent
435 of the transfer of income or change in asset valuation.

436 (5) If a corporation or other entity makes an Internal
437 Revenue Code Section 338 election, or other similar election under
438 which the aggregate basis in assets are increased on the tax
439 records of the taxpayer, then a similar election must also be made
440 for Mississippi purposes, but the gain must be recognized by the
441 corporation in which the increase in basis of the assets occurs.
442 The corporation or other entity is allowed to increase its basis
443 by the amount of gain recognized. An aggregate write-down of



444 assets is not allowed. The parent corporation shall recognize the
445 gain on the disposition of its stock.

446 (6) For state tax purposes, a corporation or other
447 legal entity is considered separate from its shareholders,
448 affiliated corporations or other entities. If a corporation or
449 other legal entity enters into any transaction that is for the
450 benefit of its shareholders or for the benefit of an affiliated
451 corporation without an equal mutual business benefit of the
452 corporation, then, the transaction will be adjusted or eliminated
453 to arrive at taxable income to this state. All transactions
454 entered into by a corporation must be at "arms-length." If
455 requested by the commissioner, the taxpayer must be able to
456 substantiate that the transaction occurred at "arms-length." If
457 not, the transaction may be adjusted to the satisfaction of the
458 commissioner. In determining whether the transaction occurred at
459 arms-length, the commissioner shall consider the following:

460 (A) Whether the transaction is in compliance with
461 the federal regulations promulgated under Internal Revenue Code
462 Section 482;

463 (B) Whether the transaction was done for a valid
464 business purpose;

465 (C) Whether the income being shifted by the
466 transaction is subject to a tax in another state;

467 (D) Whether the transaction is consistent with the
468 results that would have been realized if uncontrolled taxpayers



469 had engaged in the same transaction under the same circumstances;
470 and

471 (E) Other factors which support the conclusion
472 that income is being shifted to avoid the tax imposed by this
473 chapter.

474 (k) **Sale or exchange of residence.**

475 (1) **Loss on sale or exchange of residence.** Loss from
476 the sale or exchange of property used by the taxpayer as his
477 principal residence is not recognized and cannot be deducted.

478 (2) **Nonrecognition of gain.** Gain shall be computed in
479 accordance with the provisions of the Internal Revenue Code,
480 rules, regulations and revenue procedures relating to the sale or
481 exchange of a personal residence not in direct conflict with the
482 provisions of the Mississippi Income Tax Law.

483 (3) **Gain on the sale or exchange of residence.** A
484 recognizable gain on the sale or exchange of a personal residence
485 shall be included in gross income and treated as ordinary income.

486 (l) **Distributions by corporations.**

487 (1) Distributions of the property of a corporation,
488 including partial and complete liquidations, shall be recognized
489 by the distributing corporation and the gain or loss shall be
490 computed on the difference of the fair market value of the assets
491 distributed and their basis. The total gain or loss from the
492 distributions to the shareholders shall be recognized by the
493 shareholders subject to subsections (f) (8) and (j) (1); however, a



494 credit for the tax paid by the distributing corporation on the
495 gain from the sale or exchange of property under the plan of
496 distribution will be allowed to the extent of any liability to the
497 shareholders. The corporation shall provide to the Department of
498 Revenue a list of all shareholders with their percentage of
499 ownership, distribution, tax credit allowed and any other
500 information requested.

501 (2) **Source of distributions.** For the purposes of this
502 act, every distribution is made out of earnings or profits to the
503 extent thereof, and from the most recently accumulated earnings
504 and profits. Any earnings or profit accumulated, or increase in
505 value of property acquired, before March 16, 1912, may be
506 distributed exempt from tax (after the earnings and profits
507 accumulated after March 16, 1912, have been distributed), but any
508 such tax-free distribution shall be applied against and reduce the
509 basis of the stock provided in subsection (d).

510 (3) **Distributions in liquidation.** Amounts distributed
511 in complete liquidation of a corporation shall be treated as in
512 full payment in exchange for the stock, and amounts distributed in
513 partial liquidation of a corporation shall be treated as in part
514 or full payment in exchange for the stock. The gain or loss to
515 the distributee resulting from such exchange shall be determined
516 under subsection (a), but shall be recognized only to the extent
517 provided in subsection (f). In the case of amounts distributed in
518 partial liquidation, the part of such distribution which is



519 property chargeable to capital account shall not be considered a
520 distribution of earnings or profits within the meaning of
521 paragraph (2) of this subsection for the purpose of determining
522 the taxability of subsequent distributions by the corporations.

523 (4) **Other distributions.** If any distribution (not in
524 partial or complete liquidation) made by a corporation to its
525 shareholders, is not out of increase in value of property accrued
526 before March 16, 1912, and is not out of earnings or profits, then
527 the amount of such distribution shall be applied against and
528 reduce the basis of the stock provided in subsection (d), and if
529 in excess of such basis, such excess shall be taxable in the same
530 manner as a gain from the sale or exchange of property.

531 (5) **Stock dividends.** A stock dividend shall not be
532 subject to tax.

533 (6) **Cancellation or redemption of stock.** If a
534 corporation cancels or redeems its stock (whether or not such
535 stock was issued as a stock dividend) at such time and in such
536 manner as to make the distribution and cancellation or redemption,
537 in whole or in part, essentially equivalent to the distribution of
538 a taxable dividend, the amount so distributed in redemption or
539 cancellation of the stock, to the extent that it represents a
540 distribution of earnings or profits accumulated after March 16,
541 1912, shall be treated as a taxable dividend.

542 (7) **"Amounts distributed in partial liquidation"**
543 **defined.** As used in this subsection, the term "amounts



544 distributed in partial liquidation" means distribution by a
545 corporation in complete cancellation or redemption of a part of
546 its stock, or one of a series of distributions in complete
547 cancellation or redemption of all or a portion of its stock.

548 (8) **Distributions of stock pursuant to order enforcing**
549 **the Antitrust Laws.** Any distribution of stock which is made
550 pursuant to the order of any court enforcing the Antitrust Laws of
551 the United States, or of any state, shall be a distribution which
552 is not out of earnings and profits of the distributing
553 corporation, but the value of the stock so distributed shall be
554 applied against and reduce the basis of the stock of the
555 distributing corporation provided in subsection (d), and if in
556 excess of such basis, such excess shall be taxable in the same
557 manner as a gain from the sale or exchange of property.

558 **SECTION 2.** This act shall take effect and be in force from
559 and after January 1, 2019.

