

March 17, 2016 Legislative Report

We are starting the eleventh week of the 2016 Legislative Session. Last week the Senate passed a \$577 million three-part, multi-year tax cut by a vote of 39-11. [SB 2858](#) reduces revenues by \$18 million next year and would:

- Match the federal self-employment income tax deduction by phasing in a 50 percent deduction from the state income tax. It is estimated to save self-employed individuals \$10 million when complete. About 160,000 people file as self-employed.
- Repeal the franchise tax of \$2.50 per \$1,000 of the capital corporations have in the state. Manufacturers, banks, telecommunication companies and others would see \$260 million savings when the tax is completely eliminated at the end of 10 years. A study by Mississippi State University estimates this will create 3,500 jobs and increase the state's gross domestic product by \$282 million.
- Remove the 3 percent and 4 percent income tax brackets, leaving only the 5 percent bracket on taxable income over \$18,300 in the 15th year. This cut applies to both individuals and corporations. Making the income tax a flat 5 percent is estimated to save taxpayers \$300 million when fully implemented.

2016 Legislative Priorities

Background checks on Real Estate Licensees – MAR Supports legislation amending Mississippi license law to require fingerprinting and background checks on new real estate license applicants and real estate license renewals.

- [SB 2725](#) – Passed the Senate and Transmitted to the House

Tax equity for Mississippi's Self-Employed - The goal is for Tax equity for Mississippi's Self-Employed by allowing a self-employment tax deduction on the Mississippi State income tax return, similar to the current adjustment allowed on the federal return; and as similarly allowed for corporations on the Mississippi State return for the employer-paid portion of federal Medicare and FICA taxes. The state's self-employed deserve equal tax treatment with corporations in being able to deduct for state income tax purposes one-half of their self-employment tax in figuring one's adjusted gross income, being the employer-equivalent portion of one's self-employment tax, and also the same as allowed on the federal return for the employer portion of Medicare and Social Security tax payments paid by a corporation. This is a very important job-creating and tax-equity issue and deserves to be passed and these first-line entrepreneurs need to be given the same state tax rights as other businesses.

- [SB 2858](#) – Passed The Senate

Eliminating the Franchise Tax - Eliminating the Franchise Tax will make MS more attractive for businesses to relocate to MS or encourage existing businesses to expand. The franchise tax hits companies in the state for capital or property at a rate of \$2.50 per \$1,000 of capital or property, whichever is greater. The state's franchise tax rate is sixth-highest in the nation and is one of the few without limits on the maximum payment. Mississippi is one of 18 states with a franchise tax. Eliminating

the franchise tax could help Mississippi's tax climate for business. The franchise tax is paired with a corporate income tax, making it more onerous. Unlike in New York, Rhode Island and Connecticut, where a company pays only the higher charge of the two taxes, Mississippi whacks companies with both taxes every year.

- [SB 2858](#) – Passed the Senate

Trespassing Act – MAR supports legislation stating that a landowner does not owe any responsibility to a trespasser who is injured on their property. This legislation would help codify the case law concerning land possessors' duty of care regarding trespassers. Homeowners, companies, factories, and farmers may all be at risk of liability for activities inherently out of their control.

- [HB 767](#) – Passed the House of Representatives and Transmitted to Senate Judiciary A

Creating the Mississippi Main Street Investment Act – MAR supports legislation to create the Mississippi main street investment act. This act would create the Mississippi main street investment loan fund and require the Mississippi Development Authority to establish a program to make loans to municipalities to assist with maintaining and improving the viability of revitalization zones; to require a municipality desiring a loan under this act to submit an application to the Mississippi development authority; to authorize the issuance of state general obligation bonds and provide that the proceeds of such bonds shall be deposited into the Mississippi main street investment loan fund.

- [HB 1598](#) – Passed House Ways & Means Committee

First-Time Home Buyer Savings Account – MAR supports legislation establishing first-time home buyer savings accounts that can be used for saving funds for the purchase of homes by first-time home buyers. Moneys in the account are required to be used solely for the down payment and closing costs for the purchase of a home by a first-time home buyer. Being unable to come up with a hefty down payment is often a major hurdle for first-time home buyers, particularly young people who are grappling with massive student loan debt. The issue has become a critical concern for members of the real estate community, who have noticed a steady decline in the number of first-time and young home buyers in the market.

- [SB 2837](#) – Senate Finance Committee

Tax Credits for Historic Structures - MAR Supports legislation authorizing an income tax credit for costs and expenses incurred for the rehabilitation of certain historic structures.

- [SB 2065](#) – Senate Finance Committee
- [HB 192](#) – House Revenue & Expenditure General Bills

Excelerate Mississippi Road Program - The Mississippi REALTORS® recognize the need to increase funding for vital transportation infrastructure needs at the state and local level. We support reasonable and responsible funding mechanisms to support the Mississippi Economic Council's Excelerate Mississippi Program.

- **No bills to report on yet**

Charter Schools - Legislation was introduced in the Senate making several technical changes to the funding, enrollment, and operation of charter schools. This would allow for the creation of charter schools in “C” rated districts (without local school board approval), allow students to cross district lines to attend a charter school, permit employees to participate in PERS and other benefits programs, and allow for conversion charters to purchase or lease the school building from the local school district at market value. A companion Bill (HB 1044) was introduced in the House, would only allow students in “D” and “F” districts to cross district lines. *

- [SB 2161](#) – Passed the Senate and Transmitted to the House
- [HB 1044](#) – Passed the House and Transmitted to the Senate

Appointed Superintendents – Will mandate appointed school superintendents after January 1, 2019. Mississippi is one of just three remaining states that elect school superintendents. Currently, a little less than half of the state’s superintendents are elected, while the rest are appointed by the local school board- as is common through most of the country. Superintendents should not be worrying about political maneuvering or the next election, their focus should be on their school district without outside distractions. Based on the latest accountability rankings from the Mississippi Dept. of Education, 14 of the 19 A-rated school districts in the state have appointed superintendents.*

- [SB 2438](#) – Passed the Senate

Online Sales of Land for Taxes – This Legislation would allow online sales of land for taxes. The sales are currently advertised in the newspaper and the land on which taxes are past due is sold on the courthouse steps. This would give county tax collectors the option of having an online auction as long as it is advertised in the newspaper with instructions for how to bid electronically. *

- [HB 425](#) – Passed the House and Transmitted to the Senate
- [SB 2240](#) - Passed the Senate and Transmitted to the House