



This Week in State Tax (TWIST)

February 27, 2023



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Mississippi: Pending Bills Address TCJA Changes to Section 174; Would Allow 100 Percent Bonus

Mississippi House Bill 1733 and Senate Bill 3101 have passed their houses of origination and are now being considered by the opposite chambers. Although not identical, these bills would essentially accomplish the same result if enacted. Under both bills, for purposes of computing income tax for tax years beginning after December 31, 2022, a taxpayer would be allowed to treat research or experimental expenditures paid or incurred by the taxpayer during the tax year in connection with the taxpayer's trade or business as expenses that are not chargeable to the capital account. Expenditures so treated would be allowed as an immediate deduction. A taxpayer might alternatively treat the depreciation of such research or experimental expenditures in accordance with the schedule provided in IRC section 174. The method elected by the taxpayer, whether to take a full and immediate deduction for the expenditures or to depreciate the expenditures in accordance with IRC section 174, would be irrevocable unless the Commissioner of Revenue specifically allowed a change in the method.

In addition to essentially decoupling from the TCJA changes to IRC section 174, the bills would allow 100 percent bonus depreciation for qualified property or qualified improvement property placed in service during the tax year, notwithstanding any changes to federal law related to cost recovery beginning on January 1, 2023 or some other date. Alternatively, a taxpayer could elect to treat the depreciation of such assets as in accordance with IRC section 168. The method so elected by the taxpayer would again be irrevocable unless the Commissioner specifically allowed a change in the method. "Qualified property," "qualified improvement property," and "specified research or experimental expenditures" would be defined as defined under the Internal Revenue Code as it existed on January 1, 2021. In addition to the changes discussed above, Senate Bill 3101 would also conform Mississippi to the full expensing provisions of IRC section 179. Please stay tuned to TWIST for updates on these bills.



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