

TAXES AND CREDITS IN MISSISSIPPI*

All businesses in Mississippi are subject to state taxes. These taxes fall into four basic tax types:

- Corporate Income Tax
- Corporate Franchise Tax
- Sales & Use Tax
- Property Tax

Actual state tax requirements vary widely depending upon corporate structure and activities, but the following information is provided as a broad guideline to identify existing tax levies along with possible incentives available to reduce tax liabilities. All tax incentives and credits are subject to approval by the Mississippi State Tax Commission.

CORPORATE INCOME TAX

In Mississippi, corporate income is subject to a state income tax. This tax is levied in §27-7-5 of the Mississippi Code. Unless a company is taxable in another state, this tax is based on the company's net taxable income.

Income tax for multi-state corporations is calculated by determining a Mississippi to total company ratio that is applied to the net business income for the corporation. For retailers, wholesalers, service providers, and many other business operations, income is apportioned based on a ratio of sales in Mississippi versus sales for the total entity.

When calculating a wholesale manufacturing operation's apportionment ratio, an average three-factor formula is used, consisting of:

1. Ratio of property (book value) in Mississippi versus total property
2. Ratio of payroll in Mississippi compared to total payroll
3. Ratio of sales attributable to Mississippi compared to total sales.

Retail manufacturing operations are subject to a weighted two-factor formula consisting of:

1. Ratio of property (book value) in Mississippi versus total property
2. Ratio of payroll in Mississippi compared to total payroll

The result is then averaged with a sales factor

1. Ratio of property and payroll in Mississippi versus total property and payroll
2. Ratio of sales in Mississippi versus total sales.

After the apportioned net taxable income is calculated, additional non-business income attributable to Mississippi is added to the calculated amount to arrive at the Mississippi net taxable income.

Mississippi Income Tax rates are:

First \$5,000 of taxable income	3%
Next \$5,000 of taxable income	4%
Remaining taxable income	5%

Other pertinent Mississippi corporate income tax facts:

- Mississippi allows a net operating loss to be carried back two years and forward for twenty years following the taxable year of such loss.
- Mississippi statutes do not allow deductions of federal income taxes.
- There are no county or municipal income tax levies in Mississippi.

Corporate Income Tax Example (Multi-State Operation)

Assume the following facts:

1. Company is a wholesale manufacturer with two plants; one in Mississippi, and one in another state.
2. The Mississippi plant accounts for 45% of the property.
3. The Mississippi plant accounts for 35% of the sales.
4. The Mississippi plant accounts for 40% of the payroll.
5. The company's net business income is \$500,000.

The corporate income subject to Mississippi tax and the amount of tax payable would be calculated as follows:

Mississippi property to Total property Ratio	.45	
Mississippi payroll to Total payroll Ratio	.40	
Mississippi sales to Total sales Ratio	<u>.35</u>	
Sum of Ratios	1.20	
Apportionment Ratio: (1.20 / 3)	.40	
Mississippi Apportioned Taxable Income ($\$500,000 \times .40$)		\$200,000
Total Mississippi Tax:		
3% of first \$5000		\$ 150
4% of next \$5000		\$ 200
5% of remainder (\$190,000)		<u>\$ 9,500</u>
Income tax payable to Mississippi		\$ 9,850

Corporate Income Tax Incentives Available

A number of corporate income tax credits are available in Mississippi. Listings of the more commonly used credits are briefly described here, but there are also some industry specific incentives that may also be applicable.

Incentive	Description												
Jobs Tax Credit (§ 57-73-21)	<p>Jobs tax credits are available to certain types of businesses that create and sustain new jobs in Mississippi. The following businesses qualify for these credits:</p> <p>Manufacturers, Wholesalers, Processors, Research and Development, Distributors, Warehouse, Air and Transportation Maintenance Facilities, Telecommunications Companies, Data and Information Processing Companies, Computer Software Development Enterprises, Recreational Facilities that impact Tourism, Resort hotels having a minimum of 150 rooms, Movie Industry, and Technology intensive facilities.</p> <p>Jobs tax credits are taken against Mississippi corporate income tax. This credit is calculated as a percentage of eligible payroll each year for five years, based on job location and salary paid. The credits are taken in years two through six after the new jobs are created.</p> <p>Counties in Mississippi are each placed into one of three Tiers based on the county's level of economic development (see rankings on the last page of this document.) Based on these tiers, the jobs credits are available as shown below:</p> <table border="1" data-bbox="483 888 1378 1020"> <thead> <tr> <th><u>County Classification</u></th> <th><u>Jobs</u></th> <th><u>Credit Amount</u></th> </tr> </thead> <tbody> <tr> <td>Tier III</td> <td>10 or more</td> <td>10% of Payroll</td> </tr> <tr> <td>Tier II</td> <td>15 or more</td> <td>5% of Payroll</td> </tr> <tr> <td>Tier I</td> <td>20 or more</td> <td>2.5% of Payroll</td> </tr> </tbody> </table> <p>To be eligible for this credit the employer must create and maintain an annual average employment of the minimum number of jobs required based on location. Unused jobs tax credits can be carried forward up to five years.</p>	<u>County Classification</u>	<u>Jobs</u>	<u>Credit Amount</u>	Tier III	10 or more	10% of Payroll	Tier II	15 or more	5% of Payroll	Tier I	20 or more	2.5% of Payroll
<u>County Classification</u>	<u>Jobs</u>	<u>Credit Amount</u>											
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Rural Economic Development (RED) Tax Credit (§ 27-7-22.3)	<p>Rural Economic Development (RED) credits are taken against Mississippi corporate income tax. RED credits are used in conjunction with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC). The credits are based on the amount of bond-related debt service and can be used to offset up to 80% of the state corporate income tax liability attributable to the project each year for the life of the bonds. Unused RED credits may be carried forward for three years.</p> <p>Businesses that qualify for bonds include:</p> <ul style="list-style-type: none"> • Manufacturers; • Telecommunications companies, Data information and processing facilities, and distribution and warehouse facilities with 50 employees, or 20 employees and a minimum capital investment of \$5,000,000; • National or Regional Headquarters with 35 jobs and a minimum capital investment of \$2,000,000; and • Research and Development or technology intensive enterprises with a minimum of 10 employees earning at least 150% of the average state wage and having a minimum capital investment of \$2,000,000. <p>In instances where a company already has a presence in Mississippi and</p>												

Incentive	Description
	plans to expand its facility, a formula is used to determine what percentage of the income can be offset from the credits generated by debt service. The percentage is calculated using a three-factor ratio, with the new-to-existing jobs percentage double weighted against the new-to-existing assets percentage.
Existing Manufacturer Tax Credit (§ 27-7-22.30)	<p>Income tax credits for existing manufacturers that have operated in Mississippi for at least two years are available if an existing manufacturer invests at least \$1,000,000 in additional buildings and/or equipment. The company is eligible for an income tax credit of 5% of the approved investment.</p> <p>This credit is allowed for the year that the investment occurs, and can be carried forward for up to five years, with the maximum tax credit allowed on any project being \$1,000,000.</p>
Growth and Prosperity Program (GAP) (§57-80-9)	A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from income tax for up to ten years. See details of this incentive under “Other Incentives.”
Research and Development Jobs Credit (§ 57-73-21)	<p>An income tax credit of \$1,000 per full-time job is available to certain types of businesses that create and sustain new jobs requiring research and development skills. The following businesses qualify for this credit:</p> <p>Manufacturers, Wholesalers, Processors, Research and Development Distributors, Warehouse, Air and Transportation Maintenance facilities, Telecommunications companies, Data and information processing companies, Computer software development enterprises, Recreational facilities that impact tourism, Resort hotels having a minimum of 150 rooms, Movie industry, and Technology intensive facilities.</p> <p>This credit can be in addition to the jobs credit, is allowed throughout the state, and is available for five years. Unused credits can be carried forward for up to five years.</p> <p>Qualified positions must require a Bachelor’s degree in a scientific or technical field and be compensated at a professional level. Examples of professions qualifying for the research and development credit are engineers and chemists. The Mississippi State Tax Commission will determine the eligibility of all positions requesting qualification.</p>
National or Regional Headquarters Jobs Credit (§ 57-73-21)	<p>Multi-state businesses that establish or transfer a national or regional headquarters in Mississippi are eligible for income tax credits for five years, provided that they create and maintain a minimum of 35 headquarters jobs, as determined by the Mississippi State Tax Commission.</p> <p>This incentive is not available for national or regional sales offices.</p> <p>The base credit is \$500 per full-time employee, but the credit amount may increase if the salary of the position exceeds annual average state wages. For each position with a salary that is 125% or more of the annual average state</p>

Incentive	Description
	<p>wage, the credit is increased to \$1,000 per employee per year. For each position with a salary that is 200% of the annual average state wage, a maximum credit of \$2,000 per employee per year is allowed.</p> <p>This credit is limited to 50% of the Mississippi income tax liability and is available for five years, provided that the number of headquarters jobs created remains at 35 or higher. The number of jobs must be created within one year. Unused credits can be carried forward for up to five years.</p>
<p>Skills Training Tax Credit (§ 57-73-25)</p>	<p>An income tax credit of 50% of the actual costs of employer-sponsored training is available to certain types of businesses that provide skills training to Mississippi employees.</p> <p>The training must be offered or approved by the community college in the district where the business is located. Qualifying businesses are:</p> <p>Manufacturers, Wholesalers, Processors, Research and Development Distributors, Warehouse, Air and Transportation Maintenance facilities, Telecommunications companies, Data and information processing companies, Computer software development enterprises, Recreational facilities that impact tourism, Resort hotels having a minimum of 150 rooms, Movie industry, and Technology intensive facilities.</p> <p>This credit is limited to 50% of the Mississippi income tax liability and can be carried forward up to five years from the year that costs were incurred.</p>
<p>Child/Dependent Care Tax Credit (§ 57-73-23)</p>	<p>An income tax credit of 50% of the actual costs of employer-sponsored dependent day care is available to all types of businesses, provided that the child or dependent care is certified by the Mississippi Department of Health. This credit is limited to 50% of the Mississippi income tax liability and unused credits can be carried forward up to five years.</p> <p>The net cost of any contract executed by the employer for a third party to provide dependent day care is a qualified expense. If the employer elects to provide dependent care directly, the qualified expenses include expenses for staff, learning and recreational materials and equipment, and costs associated with constructing and maintaining the daycare facility. These expenses are net of any reimbursement.</p> <p>To qualify, the dependent care must:</p> <ul style="list-style-type: none"> • Provide childcare for no less than six children 12 years of age or younger; • Provide child and/or elder care for 5 or fewer individuals approved by the Department of Health for participation in the US Department of Agriculture child and adult nutrition program; • Provide care to children over 12 years of age but less than 18 years of age; • Provide care to adult relatives of employees; or • Provide care to children or adult dependents with physical, emotional, or mental disabilities.

Incentive	Description
Other Income Tax Credits	Additionally, credits that are more industry specific exist, such as the Ad Valorem Tax Credit, Alternative Energy Tax Credit, Export Port Charges Tax Credit, Import Port Charges Tax Credit, Broadband Technology Tax Credit, and the Motion Picture Production Tax Incentive. Contact the Mississippi Development Authority for more information.

Note: The combination of Jobs Tax Credits, Research and Development Credits, Skills Training Tax Credits, and Child/Dependent Care Tax Credits, are limited to 50% of the Mississippi corporate income tax liability. This credit is in addition to the RED tax credits allowed, which are limited to 80% of corporate income tax liability. The sum of these credits can total up to 100% of the Mississippi corporate income tax liability. Unused credits may be carried forward as specified by the credit. After credit is taken for these credits, the Existing Manufacturer Tax Credit may be taken for up to 50% of the remainder of the income tax liability.

CORPORATE FRANCHISE TAX

Most corporations engaged in business in Mississippi are subject to franchise tax, as levied in §27-13-5 and §27-13-7 of the Mississippi Code. Franchise tax is a tax that is assessed on the company's capital value. The capital value for the corporation is calculated based on:

- Capital stock issued and outstanding
- Paid-in Capital, Surplus, and Retained Earnings, including deferred taxes, deferred gains, deferred income, contingent liabilities, and other true reserves.

If a corporation's assessed value of real and tangible property in Mississippi is greater than the capital value, the assessed value is used as the Mississippi capital value.

For multi-state corporations, capital is pro-rated based on the following formula:

$$\frac{\text{Book value of MS real and tangible personal property} + \text{MS Gross Receipts}}{\text{Book value of total real and tangible personal property} + \text{total Gross Receipts}}$$

This ratio is then applied to the corporation's total capital value to calculate the amount of capital to be apportioned to Mississippi. The apportioned capital is then multiplied by the franchise tax rate to determine the Mississippi franchise tax liability. This franchise tax rate is \$2.50 per \$1,000 of Mississippi capital.

Corporate Franchise Tax Example (Multi-State Operation)

Assume the following facts:

1. The company owns \$2,400,000 of real and tangible personal property (book value.)
2. \$1,080,000 real and tangible personal property is located in Mississippi.
3. Total corporate receipts are \$4,800,000.
4. Mississippi receipts are \$1,900,000.
5. The total capital stock, surplus and undivided profits, and true reserves for the corporation amount to \$2,000,000.

The capital value subject to Mississippi franchise tax and the amount of tax payable would be calculated as follows:

Book value of Mississippi property	\$1,080,000
Mississippi gross receipts	<u>1,900,000</u>
(Formula numerator)	\$2,980,000
Book value of total corporate property	\$2,400,000
Total corporate gross receipts	<u>4,800,000</u>
(Formula denominator)	\$7,200,000
Franchise tax apportionment ratio	
(2,980,000 / 7,200,000)	.414
Capital apportioned to Mississippi	
(\$2,000,000 x .414)	\$ 828,000
Mississippi Franchise Tax	<u>\$ 2,070</u>
(\$828,000 / \$1000) x \$2.50	

Corporate Franchise Tax Incentives Available

Incentive	Description
Growth and Prosperity Program (GAP) (§57-80-9)	A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from franchise tax for up to ten years. See details of this incentive under “Other Incentives.”
Other Franchise Tax Credits	Additionally, credits that are more industry specific exist, such as the In-Lieu Fee for Major Economic Projects, and the Broadband Technology Tax. Contact the Mississippi Development Authority for more information.

SALES AND USE TAX

All tangible personal property sold within the state is considered taxable unless specifically exempted or assigned a reduced rate by state law, as defined in §27-65-17 of the Mississippi Code. Similarly, companies doing business in Mississippi that bring tangible personal property into Mississippi are required to pay use tax on that property.

Some services are also subject to sales tax in Mississippi, as listed in §27-65-23 of the Mississippi Code. Examples of taxable services are:

- Software sales and service
- Repairs of tangible personal property
- Renting or leasing tangible personal property

The regular retail sales and use tax rate is 7%, but the law does allow for a reduced rate for manufacturing machinery, equipment, and industrial purposes of 1.5%. Sales tax on automobiles in Mississippi is 5%, with truck-tractors and semi-trailers taxed at 3%. Sand and Gravel is

taxable at retail, unless purchased by a wholesaler or contractor, at which time the product is taxed at 5 cents per ton.

In instances where a business may be subject to the manufacturing rate, the Mississippi State Tax Commission requires that the business apply for a direct pay permit. This permit allows the permit holder to purchase goods exempt from sales tax and pay the use tax directly to the state on the company's use tax return. This allows the company to apply the correct rate to purchases based on the usage of the product. Temporary direct pay permits are also issued to businesses that have qualified for sales and use tax incentives.

For commercial construction of real property, there is a 3.5% contractor's tax that is assessed to the contractor on the gross receipts of the project, as levied in §27-65-21 of the Mississippi Code. The contractor is allowed to purchase his component building materials exempt from sales tax, but these purchases are included in the gross receipts subject to contractor's tax. (While this will not be shown as a separate line item on contract invoices, the contractor's tax on these purchases will be built into the total contract amount.) Any items included in the contract that are subject to contractor's tax are not subject to sales or use tax.

In instances where a turnkey contract is preferred, the contractor's tax will apply to all items that become part of the real property being constructed (either 3.5% or 1.5%.) For personal property, the contractor may apply to the State Tax Commission for a job specific direct pay permit that allows the contractor to purchase freestanding tangible personal property exempt from sales tax. The contractor will then sell these items to the business entity exempt from sales tax due to the business's direct pay permit. However, the business will still owe the sales or use tax based on the equipment being purchased. This equipment will be subject to the same sales tax rate that would have applied if purchased directly (either 1.5% or 7%.)

Mississippi sales tax must be charged and collected as follows:

- | | |
|---|------|
| 1. Sales of tangible personal property to the final consumer | 7% |
| 2. Sales to a manufacturer that has a direct pay permit | 0% |
| 3. Sales to a wholesaler, out-of-state party, or a retailer with a resale permit for items purchased for resale | 0% |
| 4. Sales to exempt customers with an Exemption Letter | 0% |
| 5. Commercial Construction | 3.5% |

Manufacturer's tax liability is slightly more complex. The manufacturer is liable for tax on purchases at the following rates:

- | | |
|---|------|
| 1. Raw materials | 0% |
| 2. Catalysts, chemicals, and gases used directly in the process | 0% |
| 3. Packaging, containers, and pallets that are sold with the finished goods. | 0% |
| 4. Pollution control equipment, if qualified | 0% |
| 5. Machinery and parts used in the manufacturing process | 1.5% |
| 6. Industrial electricity, gas, and fuels | 1.5% |
| 7. Fuel used in the production of electric power for sale | 0% |
| 8. Industrial water | 7% |
| 9. Telephone services | 7% |
| 10. Equipment, furniture, supplies, rentals, and machinery not used directly in the manufacturing process | 7% |

Sales and Use Tax Incentives Available

Incentive	Description								
<p>Sales and Use Tax Exemption for Construction or Expansion (§27-65-101 and §57-73-21)</p>	<p>A partial or full exemption of sales/use taxes is available to businesses that wish to construct or expand certain types of businesses in Mississippi. Businesses that qualify include manufacturing facilities, processing facilities, technology intensive enterprises, and data or information processing enterprises.</p> <p>The sales and use tax exemption for construction and expansion is allowed on eligible machinery and equipment purchases related to a new or expanded facility. These purchases are subject to a one-half or full exemption, depending upon construction location. This exemption is available from the beginning of construction or expansion up until three months after initial start-up. This exemption applies to manufacturing and retail rate taxes, but does not cover tagged vehicles, ongoing expenses, or supply items.</p> <p>Counties in Mississippi are each placed into one of three Tiers based on their level of economic development (see rankings on the last page of this document.) Based on these tiers, the exemption amount allowed is listed below:</p> <table border="1" data-bbox="440 863 1292 995"> <thead> <tr> <th>County Classification</th> <th>Exemption Amount</th> </tr> </thead> <tbody> <tr> <td>Tier III (less developed)</td> <td>100%</td> </tr> <tr> <td>Tier II (moderately developed)</td> <td>50%</td> </tr> <tr> <td>Tier I (more developed)</td> <td>50%</td> </tr> </tbody> </table> <p>Component building materials purchased directly by the eligible company are not subject to the contractor's tax and can be exempted from sales/use tax in Tier III counties. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor's tax. For Tier I and II counties, there is no tax incentive available related to component building materials.</p> <p>Additionally, a reduced retail rate of 1.5% on the sales of machinery and parts to be used exclusively and directly for industrial purposes is available to businesses that provide technology intensive jobs within Mississippi. To receive this special rate, companies must employ at least 10 new full-time scientists, engineers, and/or computer specialists that have an average wage equaling at least 150% of the state average. Industries eligible for the industrial rate are: Manufacturers of plastics, chemicals, automobiles, aircraft, computers, or electronics, Research and development facilities, Computer design or related facilities, Software publishing facilities, and other technology intensive enterprises as determined by the Mississippi Development Authority.</p>	County Classification	Exemption Amount	Tier III (less developed)	100%	Tier II (moderately developed)	50%	Tier I (more developed)	50%
County Classification	Exemption Amount								
Tier III (less developed)	100%								
Tier II (moderately developed)	50%								
Tier I (more developed)	50%								
<p>Sales and Use Exemption for Bond Financing (§27-65-111 and</p>	<p>Any eligible purchases made with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC) can be exempted from the sales/use tax in Mississippi.</p> <p>Bond proceeds may be used to purchase machinery, equipment, and component building materials exempt from sales and use tax. This exemption applies to</p>								

Incentive	Description
§57-61-14)	<p>retail rate taxes, but does not cover tagged vehicles, ongoing expenses, or supply items.</p> <p>Component building materials purchased directly by the eligible company using industrial revenue bonds issued by MBFC are not subject to the contractor’s tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor’s tax.</p>
Growth and Prosperity Program (GAP) (§57-80-9)	<p>A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from sales and use taxes until production begins. See details of this incentive under “Other Incentives.”</p>
National or Regional Headquarters Incentive (§27-65-101)	<p>Out-of-state businesses that establish or transfer a national or regional headquarters to Mississippi are eligible for sales and use tax credits, provided that a minimum of 35 headquarters jobs are created and maintained for five years. The Mississippi State Tax Commission makes all determinations of whether jobs qualify as headquarters positions.</p> <p>This incentive is not available for national or regional sales offices.</p> <p>A full exemption of sales and use tax is available on machinery and equipment purchases. The exemption is valid from the beginning date that purchases are made through three months after initial start up.</p> <p>Component building materials purchased directly by the eligible company are not subject to the contractor’s tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor’s tax.</p> <p>This exemption does not cover tagged vehicles, ongoing expenses, or supply items.</p>
Other Sales and Use Tax Incentives	<p>Incentives that are more industry specific exist, such as the Broadband Technology Exemption, and the Motion Picture Production Exemption. Contact the Mississippi Development Authority for more information on these industry specific incentives.</p>

PROPERTY TAX

Counties and municipalities levy a property tax on real and tangible personal property in Mississippi. Generally, property is assessed at 15% of true value. This assessed value is then multiplied by the millage rate to determine the annual tax liability. Each city and/or county sets its tax rate, or millage. Mississippi does not have a state property tax.

Property Tax Example

Assume the following facts:

1. A manufacturing plant is located with a municipality where the total of all taxes is 78.5 mills.
2. The true value of the taxable property is
 - Land \$ 10,000
 - Buildings \$1,500,000
 - Machinery and Equipment \$ 700,000
 - Raw Materials \$ 200,000
 - Finished Goods \$ 500,000
 - **Total** **\$2,910,000**

The assessed value is calculated by multiplying the total by 15%
 (15% x \$2,910,000) = \$436,500

The tax liability, before any exemptions, is calculated by multiplying the assessed value by the millage.
 (\$436,500 x .0785) = \$34,265

Property Tax Incentives Available

Incentive	Description
10-Year Property Tax Exemptions (§27-31-101 through §27-31-115)	<p>An exemption from property taxes on land, building, equipment, and certain inventory is available and is valid for up to 10 years. Manufacturers, Wholesalers, processors, research and development, distributor and warehouse facilities, air and transportation maintenance facilities, telecommunications companies, data and information processing companies, computer software development enterprises, recreational facilities that impact tourism, movie industry, and technology intensive facilities qualify for this credit.</p> <p>The related municipal authorities and/or the local board of supervisors must approve this incentive. The exemption may be granted on all property taxes except school taxes, finished goods, and rolling stock.</p>
Property Tax Fee-in-Lieu (§ 27-31-104)	<p>In instances where an addition or expansion has a true value that exceeds \$100,000,000, the local governing bodies may negotiate a fee to be paid in lieu of the calculated property tax. This negotiated fee is valid for 10 years. The fee must be at least 1/3 of the property tax levy, including the property taxes assessed for school districts.</p> <p>The related municipal authorities and/or the local board of supervisors must approve this incentive. All negotiated fees must be given final approval from MDA.</p>

Incentive	Description
Industrial Revenue Bond Exemptions	<p>An exemption from property taxes on land, building, equipment, and certain inventory is available and is valid for up to 10 years on property purchased with industrial revenue bond proceeds from bonds issued by the Mississippi Business Finance Corporation (MBFC).</p> <p>The related municipal authorities and/or the local board of supervisors must approve this incentive. The exemption may be granted on all property taxes except school taxes, finished goods, and rolling stock.</p>
Free Port Warehouse Exemption (§27-31-51 through §27-31-61)	<p>Local authorities may grant a freeport warehouse exemption on finished goods inventory leaving the state of Mississippi. The exemption may be for all property taxes and may be perpetual.</p> <p>To be eligible for this exemption, an application to operate as a free port warehouse must first be made to the local governing authorities. The related municipal authorities and/or the local board of supervisors must approve this incentive.</p> <p>To claim this exemption, an inventory of all personal property located in the warehouse as of January 1 must be provided to the local county tax assessor. At year-end, a percentage of all personal property that was shipped to a destination outside the state must be calculated and applied to the property value as of January 1. The result is the maximum exemption that can be taken for the year.</p>
In-State Inventory Exemption	<p>Local authorities may grant a finished goods inventory exemption on inventory that will remain in Mississippi. The exemption may be granted on all property taxes except school taxes, finished goods, and rolling stock, and may be granted for up to ten years.</p> <p>The related municipal authorities and/or the local board of supervisors must approve this incentive.</p>
Growth and Prosperity Program (GAP) (§57-80-9)	<p>A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from certain property taxes for up to ten years. See details of this incentive under “Other Incentives.”</p>
Broadband Technology Ad Valorem Exemption (§57-87-7)	<p>The Broadband Technology Tax Credit allows approved businesses to exempt equipment that was purchased for use in the deployment of broadband technology. Equipment eligible for the property exemption is any equipment used to transmit information at a high speed. The value of this equipment is not included in the assessed value calculation.</p> <p>The exemption is available through June 30, 2013, and must be agreed to by the local taxing authorities. The exemption applies to all property taxes except the portions assessed for school districts and fire and police protection.</p>

OTHER INCENTIVES

Incentive	Description
<p>Advantage Jobs Incentive Program (§57-62-1 et seq)</p>	<p>The Advantage Jobs Incentive Program provides for a rebate of a percentage of Mississippi payroll to qualified employers for a period of up to 10 years. This incentive is available to businesses that promise significant economic development of the economy through the creation of jobs. The average of all jobs included in the program must meet the minimum average wage requirements.</p> <p>The following businesses may qualify for this tax rebate:</p> <ul style="list-style-type: none"> • Data or information processing enterprises that provide an average annual wage of 100% of the lesser of the average county or state wage. In Tier I and II counties, 200 new jobs must be created, with 100 new jobs required in Tier III. • Manufacturers or distributors that provide an average annual wage of 110% of the lesser of the average county or state wage. Additionally, the business must invest at least \$20,000,000 in property, plant, and equipment. In Tier I and II counties, 50 new jobs must be created, with 20 new jobs required in Tier III. • Any business except retailers and gaming establishments that provides an average annual wage of 125% of the lesser of the average county or state wage. In Tier I and II counties, 25 new jobs must be created, with 10 new jobs required in Tier III. • Research and development enterprises that provide an average annual wage of 150% of the lesser of the average county or state wage. 10 new jobs must be created. • Technology intensive enterprises that provide an average annual wage of 150% of the state wage. 10 new jobs must be created. <p>In addition to meeting the above requirements, eligible businesses must also:</p> <ul style="list-style-type: none"> • Provide a basic health benefits plan. • Execute a performance agreement with MDA specifying the manner in which the enterprise will utilize the rebate. <p>The amount available for rebate is the lesser of:</p> <ol style="list-style-type: none"> 1. The qualified Mississippi personal income tax withheld; 2. A cost/benefit analysis prepared by MDA (the net benefit rate and the cumulative estimated net direct state benefit); or 3. A legal maximum of 4% of applicable wages <p>Once the amount available is determined, it is multiplied by:</p> <ul style="list-style-type: none"> • 90% if the annual average wage is at least 175% of the lesser of the average county or state wage; • 80% if the annual average wage is at least 125% but less than 175% of the lesser of the average county or state wage; or • 70% if the annual average wage is less than 125% of the lesser of the average county or state wage. <p>The company will have 24 months from the date of the Certificate to meet all program requirements, including jobs and salaries.</p>

Incentive	Description
<p>Growth and Prosperity (GAP) (§57-80-1 et seq)</p>	<p>The Growth and Prosperity Program designates specific counties as GAP counties and provides incentives to companies that locate or expand in these areas of the state. Companies that are approved for GAP will be exempt for a period of ten years or until December 31, 2015, whichever occurs first.</p> <p>Taxes that are included in this full exemption are:</p> <ul style="list-style-type: none"> • Sales and use taxes on all equipment and machinery purchased during the initial construction of an approved facility is exempted. This exemption is valid from the date that the project begins until three months after start-up of the manufacturing process. This exemption does not cover tagged vehicles, ongoing expenses, supply items, or the contractor's tax. <p>Component building materials purchased directly by the eligible company are not subject to the contractor's tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor's tax.</p> <ul style="list-style-type: none"> • All state income and franchise taxes related to the new location or expansion. In instances where an expansion is approved for companies already subject to Mississippi income and franchise tax, an apportionment formula will be used to determine the percentage of Mississippi income and/or capital that is exempt through GAP. This formula utilizes a property factor and a double weighted payroll factor based on GAP property and payroll divided by the total company property and payroll. Specific calculation guidelines can be obtained from the Mississippi State Tax Commission. • Property taxes levied on land, building, equipment and certain inventory at an approved facility in an approved GAP designated area. This exemption does not include school taxes and that portion of the property tax utilized to pay for fire and police protection. <p>Eligible counties are:</p> <p>Tunica, Coahoma, Quitman, Tallahatchie, Bolivar, Sunflower, Leflore, Washington, Humphreys, Holmes, Sharkey, Yazoo, Claiborne, Jefferson, Wilkinson, Walthall, Jefferson Davis, Choctaw, Noxubee, Webster, and Clarke</p> <p>Counties with Eligible districts are:</p> <p>Yalobusha – District 4, Lowndes – District 4, Attala – District 4, Franklin – Districts 1 and 2, Adams – District 4, Amite – Districts 2 and 3, and Winston – District 4.</p>

OTHER TAXES

Withholding of Personal Income Tax

Mississippi levies a tax on individual income in the state, as required in §27-7-5 of the Mississippi Code. Income tax is assessed at the same rate for individuals as it is for business entities. Employers are statutorily required to withhold Mississippi personal income tax from its employees and remit these withholdings directly to the Mississippi State Tax Commission. This tax is a deduction from the employee's wages, and does not require a contribution from the employer. Specific registration, withholding, and filing requirements can be obtained from the Mississippi State Tax Commission.

State Unemployment Compensation Tax

Mississippi levies an unemployment compensation tax on the first \$7,000 of an employee's annual wages, as provided for in Mississippi Code §71-5-1 et seq. The maximum contribution rate for employers is 5.4%, with the minimum rate equaling 0.9%. Both the state minimum rate and the business's rate vary from year to year. New employers in the state are assigned an initial rate of 2.7% of wages until the Mississippi Department of Employment Security can compute an actual experience rate for the employer. Rates are recalculated each October and apply to the following year's wages. Rates are adjusted after two to three years of Mississippi filings, depending upon what time of year the employer begins reporting.

Worker's Compensation

Mississippi employers with five or more employees are required to purchase worker's compensation coverage through an insurance carrier, or they must qualify with the Mississippi Worker's Compensation Commission as a self-insurer.

The compensation is about two-thirds of the claimant's average weekly wages for up to 450 weeks, not including medical payments. These amounts are indexed on an annual basis.

Additional Information

For additional information on these incentives, along with specific requirements related to applying for the incentives, visit the Mississippi State Tax Commission's website at www.mstc.state.ms.us, and select *Tax Incentives* from the *Reference* column.

**The company must meet minimum criteria set forth by state statute and the rules and regulations of the Mississippi Development Authority, Mississippi Business Finance Corporation, Mississippi State Tax Commission, and local governing authorities to receive these credits/exemptions/incentives.*

Mississippi Average Annual Salaries for Calendar Year 2004

County	Average Annual Salary	110% of Average Annual Salary	125% of Average Annual Salary	150% of Average Annual Salary	175% of Average Annual Salary	200% of Average Annual Salary
State Average	\$28,004.00	\$30,804.40	\$35,005.00	\$42,006.00	\$49,007.00	\$61,608.80
Adams	\$24,569.00	\$27,025.90	\$30,711.25	\$36,853.50	\$42,995.75	\$54,051.80
Alcorn	\$27,011.00	\$29,712.10	\$33,763.75	\$40,516.50	\$47,269.25	\$59,424.20
Amite	\$23,063.00	\$25,369.30	\$28,828.75	\$34,594.50	\$40,360.25	\$50,738.60
Attala	\$22,339.00	\$24,572.90	\$27,923.75	\$33,508.50	\$39,093.25	\$49,145.80
Benton	\$25,147.00	\$27,661.70	\$31,433.75	\$37,720.50	\$44,007.25	\$55,323.40
Bolivar	\$25,183.00	\$27,701.30	\$31,478.75	\$37,774.50	\$44,070.25	\$55,402.60
Calhoun	\$22,242.00	\$24,466.20	\$27,802.50	\$33,363.00	\$38,923.50	\$48,932.40
Carroll	\$21,162.00	\$23,278.20	\$26,452.50	\$31,743.00	\$37,033.50	\$46,556.40
Chickasaw	\$24,730.00	\$27,203.00	\$30,912.50	\$37,095.00	\$43,277.50	\$54,406.00
Choctaw	\$28,240.00	\$31,064.00	\$35,300.00	\$42,360.00	\$49,420.00	\$62,128.00
Claiborne	\$42,474.00	\$46,721.40	\$53,092.50	\$63,711.00	\$74,329.50	\$93,442.80
Clarke	\$22,490.00	\$24,739.00	\$28,112.50	\$33,735.00	\$39,357.50	\$49,478.00
Clay	\$27,274.00	\$30,001.40	\$34,092.50	\$40,911.00	\$47,729.50	\$60,002.80
Coahoma	\$25,984.00	\$28,582.40	\$32,480.00	\$38,976.00	\$45,472.00	\$57,164.80
Copiah	\$23,954.00	\$26,349.40	\$29,942.50	\$35,931.00	\$41,919.50	\$52,698.80
Covington	\$21,944.00	\$24,138.40	\$27,430.00	\$32,916.00	\$38,402.00	\$48,276.80
Desoto	\$27,347.00	\$30,081.70	\$34,183.75	\$41,020.50	\$47,857.25	\$60,163.40
Forrest	\$28,906.00	\$31,796.60	\$36,132.50	\$43,359.00	\$50,585.50	\$63,593.20
Franklin	\$25,285.00	\$27,813.50	\$31,606.25	\$37,927.50	\$44,248.75	\$55,627.00
George	\$23,287.00	\$25,615.70	\$29,108.75	\$34,930.50	\$40,752.25	\$51,231.40
Greene	\$22,947.00	\$25,241.70	\$28,683.75	\$34,420.50	\$40,157.25	\$50,483.40
Grenada	\$26,723.00	\$29,395.30	\$33,403.75	\$40,084.50	\$46,765.25	\$58,790.60
Hancock	\$31,405.00	\$34,545.50	\$39,256.25	\$47,107.50	\$54,958.75	\$69,091.00
Harrison	\$26,506.00	\$29,156.60	\$33,132.50	\$39,759.00	\$46,385.50	\$58,313.20
Hinds	\$33,579.00	\$36,936.90	\$41,973.75	\$50,368.50	\$58,763.25	\$73,873.80
Holmes	\$23,504.00	\$25,854.40	\$29,380.00	\$35,256.00	\$41,132.00	\$51,708.80
Humphries	\$19,345.00	\$21,279.50	\$24,181.25	\$29,017.50	\$33,853.75	\$42,559.00
Issaquena	\$20,480.00	\$22,528.00	\$25,600.00	\$30,720.00	\$35,840.00	\$45,056.00
Ittawamba	\$24,860.00	\$27,346.00	\$31,075.00	\$37,290.00	\$43,505.00	\$54,692.00
Jackson	\$32,750.00	\$36,025.00	\$40,937.50	\$49,125.00	\$57,312.50	\$72,050.00
Jasper	\$25,241.00	\$27,765.10	\$31,551.25	\$37,861.50	\$44,171.75	\$55,530.20
Jefferson	\$22,124.00	\$24,336.40	\$27,655.00	\$33,186.00	\$38,717.00	\$48,672.80
Jefferson Davis	\$22,035.00	\$24,238.50	\$27,543.75	\$33,052.50	\$38,561.25	\$48,477.00
Jones	\$27,454.00	\$30,199.40	\$34,317.50	\$41,181.00	\$48,044.50	\$60,398.80
Kemper	\$21,055.00	\$23,160.50	\$26,318.75	\$31,582.50	\$36,846.25	\$46,321.00
Lafayette	\$28,083.00	\$30,891.30	\$35,103.75	\$42,124.50	\$49,145.25	\$61,782.60
Lamar	\$23,752.00	\$26,127.20	\$29,690.00	\$35,628.00	\$41,566.00	\$52,254.40

County	Average Annual Salary	110% of Average Annual Salary	125% of Average Annual Salary	150% of Average Annual Salary	175% of Average Annual Salary	200% of Average Annual Salary
Lauderdale	\$27,571.00	\$30,328.10	\$34,463.75	\$41,356.50	\$48,249.25	\$60,656.20
Lawrence	\$33,749.00	\$37,123.90	\$42,186.25	\$50,623.50	\$59,060.75	\$74,247.80
Leake	\$20,596.00	\$22,655.60	\$25,745.00	\$30,894.00	\$36,043.00	\$45,311.20
Lee	\$31,456.00	\$34,601.60	\$39,320.00	\$47,184.00	\$55,048.00	\$69,203.20
Leflore	\$25,428.00	\$27,970.80	\$31,785.00	\$38,142.00	\$44,499.00	\$55,941.60
Lincoln	\$26,480.00	\$29,128.00	\$33,100.00	\$39,720.00	\$46,340.00	\$58,256.00
Lowndes	\$27,811.00	\$30,592.10	\$34,763.75	\$41,716.50	\$48,669.25	\$61,184.20
Madison	\$30,728.00	\$33,800.80	\$38,410.00	\$46,092.00	\$53,774.00	\$67,601.60
Marion	\$23,037.00	\$25,340.70	\$28,796.25	\$34,555.50	\$40,314.75	\$50,681.40
Marshall	\$24,807.00	\$27,287.70	\$31,008.75	\$37,210.50	\$43,412.25	\$54,575.40
Monroe	\$28,209.00	\$31,029.90	\$35,261.25	\$42,313.50	\$49,365.75	\$62,059.80
Montgomery	\$20,066.00	\$22,072.60	\$25,082.50	\$30,099.00	\$35,115.50	\$44,145.20
Neshoba	\$25,579.00	\$28,136.90	\$31,973.75	\$38,368.50	\$44,763.25	\$56,273.80
Newton	\$24,558.00	\$27,013.80	\$30,697.50	\$36,837.00	\$42,976.50	\$54,027.60
Noxubee	\$22,680.00	\$24,948.00	\$28,350.00	\$34,020.00	\$39,690.00	\$49,896.00
Oktibbeha	\$26,651.00	\$29,316.10	\$33,313.75	\$39,976.50	\$46,639.25	\$58,632.20
Panola	\$24,959.00	\$27,454.90	\$31,198.75	\$37,438.50	\$43,678.25	\$54,909.80
Pearl River	\$23,092.00	\$25,401.20	\$28,865.00	\$34,638.00	\$40,411.00	\$50,802.40
Perry	\$32,883.00	\$36,171.30	\$41,103.75	\$49,324.50	\$57,545.25	\$72,342.60
Pike	\$23,276.00	\$25,603.60	\$29,095.00	\$34,914.00	\$40,733.00	\$51,207.20
Pontotoc	\$26,774.00	\$29,451.40	\$33,467.50	\$40,161.00	\$46,854.50	\$58,902.80
Prentiss	\$24,529.00	\$26,981.90	\$30,661.25	\$36,793.50	\$42,925.75	\$53,963.80
Quitman	\$21,937.00	\$24,130.70	\$27,421.25	\$32,905.50	\$38,389.75	\$48,261.40
Rankin	\$30,065.00	\$33,071.50	\$37,581.25	\$45,097.50	\$52,613.75	\$66,143.00
Scott	\$23,268.00	\$25,594.80	\$29,085.00	\$34,902.00	\$40,719.00	\$51,189.60
Sharkey	\$20,327.00	\$22,359.70	\$25,408.75	\$30,490.50	\$35,572.25	\$44,719.40
Simpson	\$20,872.00	\$22,959.20	\$26,090.00	\$31,308.00	\$36,526.00	\$45,918.40
Smith	\$27,516.00	\$30,267.60	\$34,395.00	\$41,274.00	\$48,153.00	\$60,535.20
Stone	\$24,954.00	\$27,449.40	\$31,192.50	\$37,431.00	\$43,669.50	\$54,898.80
Sunflower	\$22,316.00	\$24,547.60	\$27,895.00	\$33,474.00	\$39,053.00	\$49,095.20
Tallahatchie	\$21,179.00	\$23,296.90	\$26,473.75	\$31,768.50	\$37,063.25	\$46,593.80
Tate	\$24,263.00	\$26,689.30	\$30,328.75	\$36,394.50	\$42,460.25	\$53,378.60
Tippah	\$25,678.00	\$28,245.80	\$32,097.50	\$38,517.00	\$44,936.50	\$56,491.60
Tishomingo	\$24,386.00	\$26,824.60	\$30,482.50	\$36,579.00	\$42,675.50	\$53,649.20
Tunica	\$26,030.00	\$28,633.00	\$32,537.50	\$39,045.00	\$45,552.50	\$57,266.00
Union	\$25,388.00	\$27,926.80	\$31,735.00	\$38,082.00	\$44,429.00	\$55,853.60
Walthall	\$21,123.00	\$23,235.30	\$26,403.75	\$31,684.50	\$36,965.25	\$46,470.60
Warren	\$27,809.00	\$30,589.90	\$34,761.25	\$41,713.50	\$48,665.75	\$61,179.80
Washington	\$25,172.00	\$27,689.20	\$31,465.00	\$37,758.00	\$44,051.00	\$55,378.40
Wayne	\$24,221.00	\$26,643.10	\$30,276.25	\$36,331.50	\$42,386.75	\$53,286.20
Webster	\$21,973.00	\$24,170.30	\$27,466.25	\$32,959.50	\$38,452.75	\$48,340.60
Wilkinson	\$23,891.00	\$26,280.10	\$29,863.75	\$35,836.50	\$41,809.25	\$52,560.20
Winston	\$28,536.00	\$31,389.60	\$35,670.00	\$42,804.00	\$49,938.00	\$62,779.20

County	Average Annual Salary	110% of Average Annual Salary	125% of Average Annual Salary	150% of Average Annual Salary	175% of Average Annual Salary	200% of Average Annual Salary
Yalobusha	\$27,707.00	\$30,477.70	\$34,633.75	\$41,560.50	\$48,487.25	\$60,955.40
Yazoo	\$26,415.00	\$29,056.50	\$33,018.75	\$39,622.50	\$46,226.25	\$58,113.00

County Development Designation for 2006

The state's 82 counties have been divided into three groups; Tier 1, which is comprised of the state's most developed areas, Tier 2, which contains moderately developed counties, and Tier 3, which are the state's least developed areas.

Tier Three Less Developed	Tier Two Moderately Developed	Tier One More Developed
Jefferson	Monroe	Lowndes
Wilkinson	Copiah	Scott
Holmes	Pearl River	Alcorn
Claiborne	Amite	Calhoun
Noxubee	Bolivar	Grenada
Jefferson Davis	George	Leake
Benton	Humphreys	Tate
Quitman	Leflore	Union
Issaquena	Tishomingo	Simpson
Panola	Prentiss	Pontotoc
Sharkey	Wayne	Newton
Franklin	Adams	Lincoln
Tallahatchie	Stone	Itawamba
Choctaw	Clarke	Lauderdale
Sunflower	Hancock	Oktibbeha
Walthall	Jasper	Smith
Tunica	Pike	Hinds
Kemper	Harrison	Forrest
Webster	Montgomery	Lee
Greene	Coahoma	Warren
Chickasaw	Marion	Lamar
Perry	Covington	Neshoba
Marshall	Attala	Jones
Yazoo	Lawrence	Lafayette
Washington	Tippah	Rankin
Clay	Jackson	Madison
Winston	Carroll	Desoto
Yalobusha		

Notes:

* County rankings and areas receiving a GAP designation may change.

**A business entity locating in a county that has received a GAP designation and also is a Tier 3 county may choose whether to use Tier 3 or GAP incentives.

***The company must meet minimum criteria set forth by state statute and the rules and regulations of the Mississippi Development Authority, Mississippi Business Finance Corporation, Mississippi State Tax Commission, and local governing authorities to receive these credits/exemptions/incentives.