

## **TAX INCENTIVES AVAILABLE TO DISTRIBUTION CENTERS IN MISSISSIPPI**

With its central location and extensive interstate systems, Mississippi is a great choice for warehouse and distribution centers. This document explains the more commonly used tax incentives that are currently available to distribution centers in the state.

### **INCOME TAX**

In Mississippi, corporate income is taxed at 5%. Unless a company's income is taxable in another state, this tax is based on the company's net taxable income. For multi-state service providers, income is apportioned based on a ratio of sales in Mississippi to sales for the total entity.

### **Jobs Tax Credits**

Jobs Tax Credits are 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.

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 the **development ranking of the county.**

<b><u>County Classification</u></b>	<b><u>Jobs</u></b>	<b><u>Credit</u></b>
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

Jobs tax credits are limited to fifty percent of the income tax liability, and unused jobs tax credits can be carried forward up to five years.

### **Rural Economic Development (RED) Tax Credit**

Rural Economic Development (RED) Credits are credits that can be used to reduce Mississippi corporate income tax. These credits are created based on the amount of bond-related debt service paid on industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC). RED credits can be used to offset up to 80% of the state corporate income tax liability each year for the life of the bonds. Unused RED credits may be carried forward for three years.

Minimum requirements to earn RED credits for distribution centers are:

- 50 new full-time jobs; or
- \$5,000,000 capital investment and 20 new full-time jobs.

RED tax credits are limited to 80% of corporate income tax liability. The sum of Jobs Tax Credits and RED credits can total up to 100% of the Mississippi corporate income tax liability. Unused credits may be carried forward as specified by the credit.

### **FRANCHISE TAX**

Most corporations (excluding LLCs) engaged in business in Mississippi are subject to franchise tax. 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.

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.

### **SALES & USE TAX**

All tangible personal property sold within the state is considered taxable at 7% unless specifically exempted by state law. Similarly, companies doing business in Mississippi that bring tangible personal property into Mississippi are required to pay use tax on that property.

### **Bond Financing Exemptions**

Eligible purchases made with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC) can be exempted from sales and use tax in Mississippi.

For commercial construction in Mississippi, there is a contractor's tax assessed to contractors that is calculated as 3.5% of the contractor's gross receipts from the construction.

There are no exemptions to this tax, but component building materials can be purchased directly by the distribution facility using bond proceeds. If these materials are not part of the construction contract, they are not subject to contractor's tax, and sales tax is not due on materials purchased with bond proceeds. To qualify for the exemption, the materials must be purchased by, billed to, and paid for directly by the eligible entity. Contractor's tax will still apply to the labor portion of the construction contract.

## **PROPERTY TAX**

Counties and municipalities in Mississippi levy a property tax on real and tangible personal property. Generally, property is assessed at 15% of true value. This assessed value is then multiplied by the millage rate set by local government to determine the annual tax liability. Mississippi does not have a state property tax.

### **Property Tax Exemptions**

An exemption from property taxes on land, buildings, and equipment is available and may be allowed for up to ten years. The tax abatement can be granted on all property taxes except school taxes, and must be approved by the municipal authorities and/or the local board of supervisors.

In instances where the total private investment in a project exceeds \$100,000,000, the local governing bodies may negotiate a fee to be paid in lieu of the calculated property tax. This fee is valid for up to ten years, and cannot be negotiated below one third of the total property tax levy, including taxes assessed for school districts.

### **Inventory Tax Exemptions**

Inventory is subject to property tax in Mississippi. Local authorities may grant a free port warehouse exemption on finished goods inventory leaving the state. The exemption may be for the total millage rate assessed including school taxes and may be granted for the life of the business. Additionally, an in-state inventory exemption may be provided for ten years on the county and city portion of the total millage.

## **OTHER INCENTIVES**

### **Advantage Jobs Incentive Program**

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.

Any business that provides an average annual wage of 125% of the lesser of the average annual county or state wage qualifies for the Advantage Jobs Program, if the minimum number of jobs is created. In Tier I and II counties, 25 new full-time jobs must be created, with 10 new full-time jobs required in Tier III.

Additionally, warehouse or distribution facilities that provide an average annual wage of 110% of the lesser of the average county or state wage may qualify for this rebate. The business must also invest at least \$20,000,000 in land, building, and equipment. In Tier I and II counties, 50 new full-time jobs must be created, with 20 new full-time jobs required in Tier III.

In addition to meeting the above requirements, eligible businesses must also provide a basic health benefits plan and execute a performance agreement with MDA specifying the manner in which the enterprise will utilize the rebate.

The amount available for rebate is the lesser of:

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.

Once the amount available is determined, it is multiplied by 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.

The company will have 24 months from the date of the Certificate to meet all program requirements, including jobs and salaries.

For more information, see the [Advantage Jobs Program Guidelines](#), [Advantage Jobs Program Application](#), and Section 57-62-1 through 57-62-17, MS Code 1972, Annotated.

*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, and incentives.*