

Growth And Prosperity Program (GAP)

The Growth and Prosperity Program (GAP) is an incentive program designed to encourage development in economically challenged areas of the state. This program designates specific counties as GAP counties and provides income, franchise, sales, and property tax incentives to companies that locate or expand in these areas of the state.

To receive a GAP designation, the county must have an unemployment rate that is 200% of the state's annual unemployment rate, or must have 30% or more of its population below the federal poverty rate.

Program Facts

The following businesses that create 10 or more jobs are eligible to participate under the GAP Program:

- Manufacturing, processing, assembling, storing, warehousing, servicing, distributing or selling of any products or goods, including products of agriculture;
- Enterprises for research and development, including, but not limited to, scientific laboratories; or
- Other businesses or industries that will further the public purposes of the GAP Act as determined on a case-by-case basis by MDA, and that create a minimum of ten (10) jobs.

Retail or gaming businesses or electrical generation facilities are not considered eligible business enterprises

Eligible entities that locate or expand in a GAP area receive a series of tax incentives for a period of up to ten years. Taxes that are included in this full exemption are:

Sales and use taxes on all equipment and machinery purchased during the initial construction or expansion at an approved facility. This exemption is valid from the date that the project begins until three months after start-up. This exemption, or the contractors tax.

This exemption applies to the general 7% sales tax on component building materials, equipment, and other assets purchased for the project as well as the 1.5% sales tax on manufacturing machinery. The exemption is available from the beginning of the project until three months after the start-up of the new or expanded facility.

For commercial construction in Mississippi, there is a contractor's tax assessed on the construction of commercial real property that is calculated as 3.5% of the contractor's gross receipts from the construction. Contractor's tax has no exemptions, and the contractor is allowed to purchase all component building materials exempt from sales tax.

Under this exemption, component building materials can be purchased directly by the GAP business. 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 by the GAP company. 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.

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. If the company is eligible for a Free Port Warehouse exemption, it must be applied for separately.

Eligible counties are:

Tunica, Coahoma, Quitman, Bolivar, Sunflower, Leflore, Humphreys, Holmes, Sharkey, Claiborne, Jefferson, Wilkinson, and Noxubee

Counties with Eligible districts are:

Lowndes – District 4, Attala – District 4, Franklin – Districts 1 and 2, Adams – District 4, and Amite – Districts 2 and 3.

Application for this program must be made through the Mississippi Development Authority, and an agreement must be entered into by the company prior to receiving these benefits. All tax incentives are administered by the Mississippi State Tax Commission and the County Tax Assessor.

For further details, see the Mississippi Tax Incentives, Exemptions, and Credits on the State Tax Commission's website <http://www.mstc.state.ms.us/revenue/incentive/2008IncentiveBook.pdf>, or Section 57-80-1 et seq., MS Code 1972, Annotated. To request these documents or for assistance, contact the State Tax Commission at (601)923-7044 or the Financial Resources Division at financial@mississippi.org or (601)359-3552.