

Sales and Use Tax Exemption for Construction or Expansion

A sales and use tax exemption is available for eligible businesses that construct a new facility or expand an existing facility in the state. Eligible businesses include:

- Manufacturers
- Custom Processors

In addition, the following businesses qualify upon receiving a designation by the Mississippi Development Authority:

- Data and Information Processing Companies
- Technology intensive facilities

Program Facts

The amount of exemption that is allowed depends on the location of the facility. For less developed counties, a full exemption from sales tax is provided, and for all other areas of the state, a one-half exemption is available. The development ranking of the county is established annually by the State Tax Commission.

County Classification	Exemption Amount
Tier III (less developed)	100% Exemption
Tier II (moderately developed)	50% Exemption
Tier I (developed)	50% Exemption

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 entities in less developed areas. 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 under this exemption. 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.

To qualify for this exemption, application must be made to the State Tax Commission prior to beginning the project.

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 Sections 27-65-101 and 57-73-21, 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.