

# Taxes and Credits in Mississippi

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

- [Corporate Income Tax](#)
- [Corporate Franchise Tax](#)
- [Sales & Use Tax](#)
- [Local 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.

## Corporate Income Tax

In Mississippi, corporate income is subject to a state income tax. This tax is levied in Section 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. For manufacturers, income tax is apportioned using a three factored approach that consists of property, payroll, and sales in Mississippi related to everywhere.

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%

## Credits to Mississippi Income Tax

- Jobs Tax Credit
- National or Regional Headquarters Tax Credit
- Research and Development Skills Tax Credit

- Skills Training Tax Credit
- Rural Economic Development Tax Credits on Industrial Revenue Bonds
- Income Tax Exemption for Businesses in Growth and Prosperity Areas
- Existing Manufacturer's Investment Tax Credit
- Equity Investment Tax Credits (Mississippi New Markets Tax Credits)
- Broadband Technology Tax Credits

### **Corporate Franchise Tax**

Most corporations engaged in business in Mississippi are subject to franchise tax, as levied in Sections 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; and
- 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 and 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.

The franchise tax rate is \$2.50 per \$1,000 of Mississippi capital.

### **Credits to Mississippi Franchise Tax**

- Franchise Tax Exemption for Businesses in Growth and Prosperity Areas
- Broadband Technology Tax Credits

### **Sales & 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 Section 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, as levied in Section 27-67-5 of the Mississippi Code.

Some services are also subject to sales tax in Mississippi, as listed in Section 27-65-23 of the Mississippi Code. Examples of taxable services include software sales and service, repairs of tangible personal property, and renting or leasing tangible personal property

The regular retail sales and use tax rate on goods and services 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%.

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. The contractor's tax has no exemptions, and the contractor is allowed to purchase all component building materials exempt from sales tax.

### **Exemptions from Mississippi Sales and Use Tax**

- Sales and Use Tax Exemption for Construction and Expansion
- Sales and Use Tax Exemption for National or Regional Headquarters
- Sales and Use Tax Exemption for Industrial Revenue Bond Financing
- Sales and Use Tax Exemption for Businesses in Growth and Prosperity Areas
- Sales and Use Tax Exemption for Broadband Technology
- Sales and Use Tax Exemption for Motion Picture Production

### **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.

### **Exemptions from Mississippi Property Tax**

- Industrial Property Tax Exemptions
- Property Tax Exemption for Industrial Revenue Bond Financing
- Free Port Warehouse Exemption
- Property Tax Exemption for In-State Inventory
- Property Tax Exemption for Businesses in Growth and Prosperity Areas
- Property Tax Fee-In-Lieu

### **Other Taxes and Programs**

#### **Withholding of Personal Income Tax**

Mississippi levies a tax on individual income in the state, as required in Section 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 Section 71-5-1 of the Mississippi Code. 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.

### **Rebate Programs**

In addition to the tax credits and exemptions listed above, there are also additional programs that provide cash rebates back to eligible companies.

- Advantage Jobs Incentive Program
- Tourism Rebate Program
- Motion Picture Rebate

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 contact the State Tax Commission at (601)923-7044 or the Financial Resources Division at [financial@mississippi.org](mailto:financial@mississippi.org) or (601)359-3552.