

# Tax Incentives Available to Distribution Centers in Mississippi

In order to attract and keep industry in Mississippi, the state offers a variety of incentives. This document explains the more commonly used tax incentives that are currently available to distribution centers in the state. Other incentives may be available to businesses that meet eligibility requirements.

## 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 versus sales for the total entity.

<b>INCOME TAX INCENTIVES FOR DISTRIBUTION CENTERS</b>													
<b>Incentive</b>	<b>Description</b>												
<b>Jobs Tax Credit</b>	<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>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> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>County Classification</u></th> <th style="text-align: center;"><u>Jobs</u></th> <th style="text-align: center;"><u>Credit</u></th> </tr> </thead> <tbody> <tr> <td>Tier III</td> <td style="text-align: center;">10 or more</td> <td style="text-align: center;">10% of Payroll</td> </tr> <tr> <td>Tier II</td> <td style="text-align: center;">15 or more</td> <td style="text-align: center;">5% of Payroll</td> </tr> <tr> <td>Tier I</td> <td style="text-align: center;">20 or more</td> <td style="text-align: center;">2.5% of Payroll</td> </tr> </tbody> </table>	<u>County Classification</u>	<u>Jobs</u>	<u>Credit</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</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											
<b>Rural Economic Development (RED) Tax Credit</b>	<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 each year for the life of the bonds. Unused RED credits may be carried forward for three years.</p> <p>Minimum requirements for these credits are:</p> <ul style="list-style-type: none"> <li>• 50 new full-time jobs; or</li> <li>• \$5,000,000 capital investment and 20 new full-time jobs.</li> </ul>												
<b>Growth and Prosperity (GAP) Incentive</b>	<p>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."</p>												

*Note: Jobs 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 the two credits can total up to 100% of the Mississippi corporate income tax liability. Unused credits may be carried forward as specified by the credit.*

### **CORPORATE FRANCHISE TAX**

Most corporations 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.

<b>FRANCHISE TAX INCENTIVES FOR DISTRIBUTION CENTERS</b>	
<b>Incentive</b>	<b>Description</b>
<b>Growth and Prosperity (GAP) Incentive</b>	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."

### **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.

For commercial construction of real property, there is a 3.5% contractor's tax assessed on gross receipts of the project. There are no exemptions to this tax, but if component building materials are purchased by, billed to, and paid for directly by the eligible entity, incentives may apply to these purchases.

<b>SALES TAX INCENTIVES FOR DISTRIBUTION CENTERS</b>	
<b>Incentive</b>	<b>Description</b>
<b>Sales and Use Tax Exemption for Industrial Revenue Bonds</b>	<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>Contractor's tax – any 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. The labor portion of the contract cannot be exempted and is subject to the 3.5% contractor's tax.</p>
<b>Growth and Prosperity (GAP) Incentive</b>	A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the initial construction from sales and use taxes. See details of this incentive under "Other Incentives."

### **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.

<b>PROPERTY TAX INCENTIVES FOR DISTRIBUTION CENTERS</b>	
<b>Incentive</b>	<b>Description</b>
<b>10-year Property Tax Exemptions</b>	An exemption from property taxes on land, building, and equipment is available and is valid for up to 10 years. 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.
<b>Industrial Revenue Bond Exemptions</b>	An exemption from property taxes on land, building, and equipment 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). 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.
<b>Free Port Warehouse Exemption</b>	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.

<b>PROPERTY TAX INCENTIVES FOR DISTRIBUTION CENTERS</b>	
<b>Incentive</b>	<b>Description</b>
<b>Growth and Prosperity (GAP) Incentive</b>	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."

**OTHER INCENTIVES**

<b>OTHER INCENTIVES FOR DISTRIBUTION CENTERS</b>	
<b>Incentive</b>	<b>Description</b>
<b>Advantage Jobs Incentive Program</b>	<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"> <li>• Any business except retailers and gaming establishments that provides an average annual wage of 125% of the lesser of the average annual county or state wage. In Tier I and II counties, 25 new full-time jobs must be created, with 10 new full-time jobs required in Tier III.</li> <li>• 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 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.</li> </ul> <p>In addition to meeting the above requirements, eligible businesses must also:</p> <ul style="list-style-type: none"> <li>• Provide a basic health benefits plan.</li> <li>• Execute a performance agreement with MDA specifying the manner in which the enterprise will utilize the rebate.</li> </ul> <p>The amount available for rebate is the lesser of:</p> <ol style="list-style-type: none"> <li>1. The qualified Mississippi personal income tax withheld;</li> <li>2. A cost/benefit analysis prepared by MDA (the net benefit rate and the cumulative estimated net direct state benefit); or</li> <li>3. A legal maximum of 4% of applicable wages.</li> </ol> <p>Once the amount available is determined, it is multiplied by:</p> <ul style="list-style-type: none"> <li>• 90% if the annual average wage is at least 175% of the lesser of the average county or state wage;</li> <li>• 80% if the annual average wage is at least 125% but less than 175% of the lesser of the average county or state</li> </ul>

<b>OTHER INCENTIVES FOR DISTRIBUTION CENTERS</b>	
<b>Incentive</b>	<b>Description</b>
	<p>wage; or</p> <ul style="list-style-type: none"> <li>• 70% if the annual average wage is less than 125% of the lesser of the average county or state wage.</li> </ul> <p>The company will have 24 months from the date of the Certificate to meet all program requirements, including jobs and salaries.</p>
<b>Growth and Prosperity (GAP)</b>	<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.</p> <p>Taxes that are included in this full exemption are:</p> <ul style="list-style-type: none"> <li>• 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 does not cover tagged vehicles, ongoing expenses, supply items, or the contractors tax.</li> </ul> <p>Contractor's tax – any component building materials purchased directly by the eligible company and used at the approved location are not subject to the contractor's tax and can be exempted from sales/use tax. The labor portion of the contract cannot be exempted and is subject to the 3.5% contractor's tax.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <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>

**OTHER INCENTIVES FOR DISTRIBUTION CENTERS**

<b>Incentive</b>	<b>Description</b>
	Counties with Eligible districts are:  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.

**Mississippi Average Annual Salaries for Calendar Year 2005**

<b>County</b>	<b>Average Annual Salary</b>	<b>110% of Average Annual Salary</b>	<b>125% of Average Annual Salary</b>	<b>150% of Average Annual Salary</b>	<b>175% of Average Annual Salary</b>
<b>State Average</b>	<b>\$29,190.00</b>	<b>\$32,109.00</b>	<b>\$36,487.50</b>	<b>\$43,785.00</b>	<b>\$51,082.50</b>
<b>Adams</b>	\$26,037.00	\$28,640.70	\$32,546.25	\$39,055.50	\$45,564.75
<b>Alcorn</b>	\$27,334.00	\$30,067.40	\$34,167.50	\$41,001.00	\$47,834.50
<b>Amite</b>	\$24,058.00	\$26,463.80	\$30,072.50	\$36,087.00	\$42,101.50
<b>Attala</b>	\$23,025.00	\$25,327.50	\$28,781.25	\$34,537.50	\$40,293.75
<b>Benton</b>	\$26,273.00	\$28,900.30	\$32,841.25	\$39,409.50	\$45,977.75
<b>Bolivar</b>	\$25,841.00	\$28,425.10	\$32,301.25	\$38,761.50	\$45,221.75
<b>Calhoun</b>	\$23,036.00	\$25,339.60	\$28,795.00	\$34,554.00	\$40,313.00
<b>Carroll</b>	\$22,233.00	\$24,456.30	\$27,791.25	\$33,349.50	\$38,907.75
<b>Chickasaw</b>	\$25,112.00	\$27,623.20	\$31,390.00	\$37,668.00	\$43,946.00
<b>Choctaw</b>	\$29,458.00	\$32,403.80	\$36,822.50	\$44,187.00	\$51,551.50
<b>Claiborne</b>	\$44,168.00	\$48,584.80	\$55,210.00	\$66,252.00	\$77,294.00
<b>Clarke</b>	\$23,230.00	\$25,553.00	\$29,037.50	\$34,845.00	\$40,652.50
<b>Clay</b>	\$27,475.00	\$30,222.50	\$34,343.75	\$41,212.50	\$48,081.25
<b>Coahoma</b>	\$27,588.00	\$30,346.80	\$34,485.00	\$41,382.00	\$48,279.00
<b>Copiah</b>	\$24,638.00	\$27,101.80	\$30,797.50	\$36,957.00	\$43,116.50
<b>Covington</b>	\$23,537.00	\$25,890.70	\$29,421.25	\$35,305.50	\$41,189.75
<b>Desoto</b>	\$28,339.00	\$31,172.90	\$35,423.75	\$42,508.50	\$49,593.25
<b>Forrest</b>	\$29,687.00	\$32,655.70	\$37,108.75	\$44,530.50	\$51,952.25
<b>Franklin</b>	\$26,337.00	\$28,970.70	\$32,921.25	\$39,505.50	\$46,089.75
<b>George</b>	\$25,402.00	\$27,942.20	\$31,752.50	\$38,103.00	\$44,453.50
<b>Greene</b>	\$23,309.00	\$25,639.90	\$29,136.25	\$34,963.50	\$40,790.75
<b>Grenada</b>	\$26,869.00	\$29,555.90	\$33,586.25	\$40,303.50	\$47,020.75
<b>Hancock</b>	\$33,362.00	\$36,698.20	\$41,702.50	\$50,043.00	\$58,383.50
<b>Harrison</b>	\$29,244.00	\$32,168.40	\$36,555.00	\$43,866.00	\$51,177.00
<b>Hinds</b>	\$34,639.00	\$38,102.90	\$43,298.75	\$51,958.50	\$60,618.25
<b>Holmes</b>	\$24,739.00	\$27,212.90	\$30,923.75	\$37,108.50	\$43,293.25
<b>Humphreys</b>	\$20,281.00	\$22,309.10	\$25,351.25	\$30,421.50	\$35,491.75
<b>Issaquena</b>	\$20,958.00	\$23,053.80	\$26,197.50	\$31,437.00	\$36,676.50
<b>Ittawamba</b>	\$26,428.00	\$29,070.80	\$33,035.00	\$39,642.00	\$46,249.00
<b>Jackson</b>	\$35,225.00	\$38,747.50	\$44,031.25	\$52,837.50	\$61,643.75
<b>Jasper</b>	\$26,851.00	\$29,536.10	\$33,563.75	\$40,276.50	\$46,989.25
<b>Jefferson</b>	\$22,850.00	\$25,135.00	\$28,562.50	\$34,275.00	\$39,987.50
<b>Jefferson Davis</b>	\$23,211.00	\$25,532.10	\$29,013.75	\$34,816.50	\$40,619.25
<b>Jones</b>	\$28,844.00	\$31,728.40	\$36,055.00	\$43,266.00	\$50,477.00
<b>Kemper</b>	\$22,031.00	\$24,234.10	\$27,538.75	\$33,046.50	\$38,554.25
<b>Lafayette</b>	\$29,418.00	\$32,359.80	\$36,772.50	\$44,127.00	\$51,481.50
<b>Lamar</b>	\$24,132.00	\$26,545.20	\$30,165.00	\$36,198.00	\$42,231.00
<b>Lauderdale</b>	\$28,130.00	\$30,943.00	\$35,162.50	\$42,195.00	\$49,227.50
<b>Lawrence</b>	\$38,602.00	\$42,462.20	\$48,252.50	\$57,903.00	\$67,553.50

<b>County</b>	<b>Average Annual Salary</b>	<b>110% of Average Annual Salary</b>	<b>125% of Average Annual Salary</b>	<b>150% of Average Annual Salary</b>	<b>175% of Average Annual Salary</b>
Leake	\$22,332.00	\$24,565.20	\$27,915.00	\$33,498.00	\$39,081.00
Lee	\$31,476.00	\$34,623.60	\$39,345.00	\$47,214.00	\$55,083.00
Leflore	\$26,370.00	\$29,007.00	\$32,962.50	\$39,555.00	\$46,147.50
Lincoln	\$27,293.00	\$30,022.30	\$34,116.25	\$40,939.50	\$47,762.75
Lowndes	\$28,812.00	\$31,693.20	\$36,015.00	\$43,218.00	\$50,421.00
Madison	\$31,778.00	\$34,955.80	\$39,722.50	\$47,667.00	\$55,611.50
Marion	\$24,593.00	\$27,052.30	\$30,741.25	\$36,889.50	\$43,037.75
Marshall	\$25,223.00	\$27,745.30	\$31,528.75	\$37,834.50	\$44,140.25
Monroe	\$28,851.00	\$31,736.10	\$36,063.75	\$43,276.50	\$50,489.25
Montgomery	\$20,578.00	\$22,635.80	\$25,722.50	\$30,867.00	\$36,011.50
Neshoba	\$26,568.00	\$29,224.80	\$33,210.00	\$39,852.00	\$46,494.00
Newton	\$24,674.00	\$27,141.40	\$30,842.50	\$37,011.00	\$43,179.50
Noxubee	\$23,735.00	\$26,108.50	\$29,668.75	\$35,602.50	\$41,536.25
Oktibbeha	\$27,373.00	\$30,110.30	\$34,216.25	\$41,059.50	\$47,902.75
Panola	\$25,676.00	\$28,243.60	\$32,095.00	\$38,514.00	\$44,933.00
Pearl River	\$24,751.00	\$27,226.10	\$30,938.75	\$37,126.50	\$43,314.25
Perry	\$32,493.00	\$35,742.30	\$40,616.25	\$48,739.50	\$56,862.75
Pike	\$24,322.00	\$26,754.20	\$30,402.50	\$36,483.00	\$42,563.50
Pontotoc	\$26,639.00	\$29,302.90	\$33,298.75	\$39,958.50	\$46,618.25
Prentiss	\$25,486.00	\$28,034.60	\$31,857.50	\$38,229.00	\$44,600.50
Quitman	\$22,690.00	\$24,959.00	\$28,362.50	\$34,035.00	\$39,707.50
Rankin	\$30,860.00	\$33,946.00	\$38,575.00	\$46,290.00	\$54,005.00
Scott	\$23,575.00	\$25,932.50	\$29,468.75	\$35,362.50	\$41,256.25
Sharkey	\$21,298.00	\$23,427.80	\$26,622.50	\$31,947.00	\$37,271.50
Simpson	\$21,026.00	\$23,128.60	\$26,282.50	\$31,539.00	\$36,795.50
Smith	\$28,528.00	\$31,380.80	\$35,660.00	\$42,792.00	\$49,924.00
Stone	\$25,588.00	\$28,146.80	\$31,985.00	\$38,382.00	\$44,779.00
Sunflower	\$22,570.00	\$24,827.00	\$28,212.50	\$33,855.00	\$39,497.50
Tallahatchie	\$21,963.00	\$24,159.30	\$27,453.75	\$32,944.50	\$38,435.25
Tate	\$25,396.00	\$27,935.60	\$31,745.00	\$38,094.00	\$44,443.00
Tippah	\$26,467.00	\$29,113.70	\$33,083.75	\$39,700.50	\$46,317.25
Tishomingo	\$24,869.00	\$27,355.90	\$31,086.25	\$37,303.50	\$43,520.75
Tunica	\$26,463.00	\$29,109.30	\$33,078.75	\$39,694.50	\$46,310.25
Union	\$25,596.00	\$28,155.60	\$31,995.00	\$38,394.00	\$44,793.00
Walthall	\$22,544.00	\$24,798.40	\$28,180.00	\$33,816.00	\$39,452.00
Warren	\$28,917.00	\$31,808.70	\$36,146.25	\$43,375.50	\$50,604.75
Washington	\$26,240.00	\$28,864.00	\$32,800.00	\$39,360.00	\$45,920.00
Wayne	\$25,829.00	\$28,411.90	\$32,286.25	\$38,743.50	\$45,200.75
Webster	\$23,524.00	\$25,876.40	\$29,405.00	\$35,286.00	\$41,167.00
Wilkinson	\$24,288.00	\$26,716.80	\$30,360.00	\$36,432.00	\$42,504.00
Winston	\$29,347.00	\$32,281.70	\$36,683.75	\$44,020.50	\$51,357.25
Yalobusha	\$29,034.00	\$31,937.40	\$36,292.50	\$43,551.00	\$50,809.50
Yazoo	\$27,068.00	\$29,774.80	\$33,835.00	\$40,602.00	\$47,369.00

**County Development Designation for 2007**

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.

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

**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.