

Tax Incentives Available to Data and Information Processing Centers in Mississippi

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.

Incentive	Description												
Jobs Tax Credit	<p>Jobs tax credits are taken against Mississippi corporate income tax. The credit amount is based on job location and payroll created. 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 location. Unused jobs tax credits can be carried forward up to five years.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">County Classification</th> <th style="text-align: center; border-bottom: 1px solid black;">Jobs</th> <th style="text-align: right; border-bottom: 1px solid black;">Credit</th> </tr> </thead> <tbody> <tr> <td>Tier III</td> <td style="text-align: center;">10 or more</td> <td style="text-align: right;">10% of Payroll</td> </tr> <tr> <td>Tier II</td> <td style="text-align: center;">15 or more</td> <td style="text-align: right;">5% of Payroll</td> </tr> <tr> <td>Tier I</td> <td style="text-align: center;">20 or more</td> <td style="text-align: right;">2.5% of Payroll</td> </tr> </tbody> </table>	County Classification	Jobs	Credit	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
County Classification	Jobs	Credit											
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											
Rural Economic Development (RED) Tax Credit	<p>Rural Economic Development (RED) credits are taken against Mississippi corporate income tax and can be used with the jobs tax credits. 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"> • \$2,000,000 capital investment and 50 new full-time jobs; or • \$5,000,000 capital investment and 20 new full-time jobs. 												

Note: Jobs tax credits are limited to 50% of the annual 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 annually. The sum of the two credits can reach 100% of the Mississippi corporate income tax liability for a given year. Unused credits may be carried forward as specified by the credit.

SALES & USE TAX

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

Incentive	Description								
<p>Sales and Use Tax Exemption for Construction or Expansion</p>	<p>The sales and use tax exemption for construction and expansion is allowed on eligible machinery and equipment purchases and/or leases related to a new or expanded facility. These purchases are subject to a one-half or full exemption, depending upon construction location. This exemption is available from the beginning of construction or expansion up until three months after initial start up. The exemption amount allowed is listed below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">County Classification</th> <th style="text-align: right; border-bottom: 1px solid black;">Exemption Amount</th> </tr> </thead> <tbody> <tr> <td>Tier III (less developed)</td> <td style="text-align: right;">100%</td> </tr> <tr> <td>Tier II (moderately developed)</td> <td style="text-align: right;">50%</td> </tr> <tr> <td>Tier I (more developed)</td> <td style="text-align: right;">50%</td> </tr> </tbody> </table> <p>Contractor's tax – a one-half or full exemption of sales and use tax is available on component building materials used in construction, provided that the materials are sold to, billed to, and paid for by the business entity. The labor portion of the contract cannot be exempted and is subject to the 3.5% contractor's tax.</p> <p>This exemption applies to retail rate taxes, but does not cover tagged vehicles, ongoing expenses, or supply items.</p>	County Classification	Exemption Amount	Tier III (less developed)	100%	Tier II (moderately developed)	50%	Tier I (more developed)	50%
County Classification	Exemption Amount								
Tier III (less developed)	100%								
Tier II (moderately developed)	50%								
Tier I (more developed)	50%								
<p>Sales and Use Tax Exemption for Industrial Revenue Bonds</p>	<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>								

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. The tax rate, or millage, is set by each political subdivision. Mississippi does not have a state property tax.

Incentive	Description
10-year Property Tax Exemptions	An exemption from property taxes on real and tangible personal property 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.
Industrial Revenue Bond Exemptions	An exemption from property taxes on real and tangible personal property 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.

Other Incentives

As an incentive to employers bringing new jobs into Mississippi, a withholding tax rebate program is available.

Incentive	Description
Advantage Jobs Incentive Program	<p>The Advantage Jobs Incentive Program provides for a rebate of Mississippi withholding taxes 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.</p> <p>The following businesses may qualify for this tax rebate:</p> <ul style="list-style-type: none"> • Data or information processing enterprises that provide an average annual wage of 100% of the lesser of the average annual county or state wage. In Tier I and II counties, 200 new jobs must be created, with 100 new jobs required in Tier III; or • 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 jobs must be created, with 10 new jobs required in Tier III. • All eligible enterprises must meet employment requirements within 24 months of their approval date. • All eligible enterprises must provide a basic health benefits plan. • Approval must be received from the Mississippi Development Authority prior to the creation of jobs to

Incentive	Description
	<p>be eligible for this incentive.</p> <ul style="list-style-type: none"> All eligible enterprises must execute a performance agreement with MDA specifying the manner in which the enterprise will utilize the rebate. <p>The amount available for rebate is the lesser of:</p> <ol style="list-style-type: none"> The qualified state personal income tax withheld; A cost/benefit analysis prepared by MDA; or A legal maximum of 4% of applicable wages. <p>Once the amount available is determined, it is multiplied by:</p> <ul style="list-style-type: none"> 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.
<p>Growth and Prosperity (GAP)</p>	<p>The Growth and Prosperity Program designates specific counties as GAP counties and provides incentives to companies that locate or expand in these economically challenged areas of the state. Companies that are approved for GAP will be exempt for a period of ten years or until December 31, 2015, whichever occurs first.</p> <p>Taxes that are included in this full exemption are:</p> <ul style="list-style-type: none"> Sales and use taxes on all component materials, equipment, and machinery used in the initial construction or expansion. Purchases must be sold to, billed to, and directly paid for by the business receiving the exemption. This exemption does not cover tagged vehicles, ongoing expenses, supply items, or the contractors tax. This exemption is for purchases related to the approved facility. 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 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. Ad valorem taxes levied by the county, except school taxes and that portion of the ad valorem tax utilized to pay for fire and police protection. At the discretion of the business entity and local authorities, a property tax fee in lieu may be negotiated instead of this exemption.

Incentive	Description
	<p>Contractor's tax – any component building materials purchased directly by the eligible company 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> <p>Eligible counties are:</p> <p>Tunica, Coahoma, Quitman, Tallahatchie, Bolivar, Sunflower, Leflore, Washington, Humphreys, Holmes, Sharkey, Yazoo, Claiborne, Jefferson, Wilkinson, Pike, Walthall, Jefferson Davis, Choctaw, Noxubee, Webster, and Clarke</p> <p>Counties with Eligible districts are:</p> <p>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.</p>

County Development Classification

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.

County Designation for 2005

Tier 3 Less Developed	Tier 2 Moderately Developed	Tier 1 Developed
Jefferson	Yazoo	Grenada
Holmes	Tishomingo	Alcorn
Claiborne	Tunica	Leake
Quitman	Humphreys	Newton
Issaquena	Bolivar	Union
Benton	Washington	Simpson
Wilkinson	Copiah	Tate
Panola	Jasper	Lauderdale
Noxubee	Prentiss	Lincoln
Tallahatchie	Leflore	Pontotoc
Sharkey	Montgomery	Itawamba
Choctaw	George	Lee
Sunflower	Amite	Smith
Jefferson Davis	Attala	Oktibbeha
Franklin	Coahoma	Jackson
Webster	Stone	Warren
Perry	Carroll	Neshoba
Kemper	Tippah	Hancock
Greene	Lowndes	Harrison
Chickasaw	Calhoun	Forrest
Marshall	Pike	Lafayette
Walthall	Adams	Hinds
Clarke	Lawrence	Lamar
Wayne	Covington	Jones
Monroe	Marion	Desoto
Clay	Scott	Madison
Yalobusha	Pearl River	Rankin
Winston		

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.