# THE ANNUAL TAX EXPENDITURE REPORT

**Center for Policy Research and Planning**
**Mississippi Institutions of Higher Learning**
**3825 Ridgewood Road ● Jackson, Mississippi 39211**
**December, 2012**

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## INTRODUCTION

The Tax Expenditure Annual Report Act and the Economic Development Reorganization Act require the Center for Policy Research and Planning to prepare an annual tax expenditure report. This document is the twenty-fourth of such annual reports.

The Tax Expenditure Annual Report Act defines a tax expenditure as "any statutory provision or state agency regulation which exempts, in whole or in part, any specific class or classes of persons, income, goods, services, or property from the impact of established state taxes, including, but not limited to, those provisions known as tax deductions, tax allowances, tax exclusions, tax credits, and tax exemptions."

The purpose of preparing a tax expenditure report is to show that revenues foregone due to provisions in the tax codes have the same effect as direct budgetary expenditures. Another purpose is to provide a vehicle for annual legislative review of tax expenditures similar to the review that direct expenditures receive through the appropriation process.

For instance, it may be the intent of the governor and the legislature that the state finance a portion of the cost of energy conservation and thereby reduce energy consumption. One approach to achieving this goal would be to appropriate, through the general fund, money to supplement the purchase and installation of home insulating materials. An alternative would be to provide a tax credit, exemption, or deduction for expenditures for home insulation. Both approaches achieve the same general purpose, but there are predictable differences in the distribution of the impact among taxpayers in different income categories. Using the first approach keeps more money in the general fund and prevents tax revenues from declining, while the second approach causes the general fund budget to remain unchanged and tax revenues to decline. Because there is a clear political preference for cutting revenues over raising expenditures, the second approach is more likely to be approved although it has the same net budgetary effect as the first. Furthermore, since most tax expenditures, once enacted, become permanent provisions in the tax code, they are more likely to reoccur year after year. A general fund direct expenditure can only be made in a particular fiscal year after an appropriation of state funds is made. In almost all cases, such appropriations are approved for only one year, and the continuation of an expenditure or a similar expenditure in a subsequent year requires another appropriation.

The primary difficulty in establishing a tax expenditure report is the accurate identification of the relevant tax base that is to be used as a point of departure for tax expenditures. In some cases, the language of the law is clear, and original intent can easily be inferred from the statutes. In other cases, the original intent of the statute can only be surmised, and in these cases there will exist differences of opinions. In fact, a careful examination of the language of the statutes reveals that several tax code provisions generally perceived to be tax expenditure items do not fall within the usual definition.

In this document strict adherence to the language of the statutes is always the basis for developing tax expenditures. However, in keeping with implied legislative intent and in consideration of the intensity of debate concerning certain provisions in the tax laws, provisions in the law other than those which conform to the strictest definition of a tax expenditure have also been included. However, in each of these cases, the departure from strict interpretation is clearly noted. For instance, the sale of feed, seed, fertilizers, herbicides, and other materials used in farming is exempted in Section 27-65-103 of the Mississippi Code of 1972 (supp.) from the sales tax and as such could be considered a tax expenditure. However, Section 27-65-7 of the 1972 Code states that retail sales do not include sales made to a wholesaler, jobber, manufacturer, or custom processor for resale or for further processing. Section 27-65-7 appears to suggest that inputs into production processes are not items subject to the sales tax; it can be inferred from a practical, if not from a strictly legal, position that sales of feed, seed, fertilizers, herbicides, and other materials when sold to persons who are engaged in the business of producing agricultural products are not, indeed, part of the relevant tax base and that the exemption is not a true tax expenditure.

## Measuring Tax Expenditures

The estimates in this report are based on the following: 2010 income tax returns, statistical information obtained from sales and use tax returns filed with the Mississippi Department of Revenue, information obtained from specific taxpayers, trade organizations, etc.

In accordance with the Tax Expenditure Annual Report Act, an estimate is provided in this report for most of the tax expenditures listed. In some cases where a tax base is established and the tax expenditure involves only a differential tax rate, these estimates are considered fairly reliable.

In other cases where there is no existing statutory tax base and no tax experience to draw from, such as in an outright exemption or exclusion, the estimation procedure must be less exact and the estimates are considerably less reliable. In this report, those estimates which are clearly less reliable are enclosed in parentheses. In certain cases there exists no reliable basis for estimation and any attempt to estimate would be at best worthless and could, in fact, be misleading and therefore detrimental. These cases have been noted "Information Not Available."

Regardless of the accuracy of the estimates, it must be noted that any change in taxation normally brings a change in taxpayer behavior in order to avoid or reduce taxes. Resources and economic activity always tend to flow away from heavily taxed sectors and towards untaxed or less heavily taxed sectors. Thus, while the estimates of tax expenditures are unbiased with respect to *current* economic activity receiving preferential treatment, eliminating that preferential treatment would cause some of that activity to disappear and the tax expenditure estimate would overstate actual revenues realized.

There is also an overlap problem in tax expenditures. Some of the tax expenditures related to individual income tax overlap each other. In particular, the standard deduction overlaps part of the sum of all itemized deductions. For example, under Mississippi law, a married taxpayer filing jointly may take the standard deduction of $4,600 or the sum of all itemized deductions, presumably only if they exceed $4,600. If the mortgage interest deduction is $2,000 for a particular taxpayer whose total itemized deductions equal $4,000, the loss of the mortgage interest deduction would generate $600 rather than $2,000 in taxable income taxed at 3%, 4%, or 5% unless the standard deduction also was eliminated. In fact, the elimination of all itemized deductions would increase taxable income by only $600 in this example. Therefore, in the separate estimates for itemized deductions and the standard deduction, there is an overlap which would exist unless both standard and itemized deductions were eliminated simultaneously.

## CORPORATE INCOME TAX EXPENDITURES

In taxing the earnings of corporations, the state of Mississippi uses a definition of taxable income which corresponds closely to the federal definition of taxable income. Corporations are allowed to deduct from their gross earnings certain operating expenses and other items of expenditure. Corporations are also allowed to credit certain expenses against their state tax liability.

### Corporate Credits

Credit for Finance Company Privilege Tax Paid for Same Tax Year.-- Mississippi Code of 1972 (supp.), Sections 27-21-3 through 27-21-9.

Those corporations whose business includes lending money secured by mortgages, trust receipts, retained title, or purchase contracts including discounting on motor vehicles, furniture, etc., or any other tangible personal property are levied an annual statewide privilege tax based upon the value of securities held. Mississippi finance companies to which this privilege tax applies are allowed a tax credit on their corporate income tax equal to the amount of privilege tax paid for such calendar year based on income derived exclusively from the business which measures the annual statewide privilege tax levied. However, the credit allowed shall not exceed the amount of income tax due. The apparent purpose of this measure is to eliminate a potential source of double taxation.

Estimated FY 2013 Tax Expenditure: $1,000,000.

Jobs Tax Credit-- Mississippi Code of 1972 (supp.), Sections 57-73-21, 27-7-22.17 and 27-7-22.19.

Mississippi Code of 1972 (supp.), Section 57-73-21

(1) A credit is allowed for increasing employment levels in certain types of business. For a credit to be allowed, the business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by rule and regulation by the Mississippi Development Authority as air transportation, and maintenance facilities, final destination or resort hotels having a minimum of 150 guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology

intensive facility or enterprises. The total of the Jobs Tax Credit, the Headquarters Credit and the R&D Skills Credit, cannot exceed 50% of the total income tax due.

(2) The amount of the credit is determined by the classification of the county in which the qualified job is located. The 82 counties are divided into 3 groups or classifications.

| County Classification | Minimum Increase in No. of Jobs in a Given Year | Percentage of Payroll per Job |
|---|---|---|
| Tier Three (Less Developed) | 10 or More | 10% |
| Tier Two (Moderately Developed) | 15 or More | 5% |
| Tier One (Developed) | 20 or More | 2.5% |

Mississippi Code of 1972 (supp.), Sections 27-7-22.17 and 27-7-22.19

This job tax credit is earned by a permanent business enterprise and members of the affiliated group operating certain projects that create at least 3,000 new full-time jobs and to integrated suppliers who create at least 20 full-time jobs located on the project site. The taxpayer can select the date the credit commences, but it cannot be more than five (5) years after commercial production has begun. Permanent business enterprises and members of its affiliated group operating the project are allowed a credit equal to Five Thousand Dollars ($5,000) annually for each net new full-time employee for a period of twenty (20) years. This credit can offset one hundred percent (100%) of the income tax due from the earnings of the project. Integrated suppliers are allowed a credit equal to One Thousand Dollars ($1,000) annually for each new net full-time employee for five (5) years and cannot exceed 50% of the total income tax due. This credit is in lieu of those provided for in Section 57-73-21.

Estimated FY 2013 Tax Expenditure: $2,000,000.

National and Regional Headquarters Credit. -- Mississippi Code of 1972 (supp.), Section 57-73-21.

A credit of $500, $1,000, or $2,000 (dependent upon average annual wage) for each net new full-time employee is authorized for any company establishing or transferring its national or regional headquarters from within or outside the State of Mississippi and creating a minimum of 35 jobs at the headquarters. The minimum increase of 35 jobs must occur within one year.

Estimated FY 2013 Tax Expenditure: $0.

Research and Development Jobs Skills Credit. -- Mississippi Code of 1972 (supp.), Section 57-73-21.

A credit of $1,000 is authorized for each full-time employee in any new job requiring research and development skills. Specific examples of jobs requiring research and development skills are chemists and engineers. Qualification of other jobs for this credit would require as a minimum a bachelor's degree in a scientific or technical field of study from an accredited four(4)-year college or university, employment in the area of expertise and compensation at a professional level. The credit can be carried forward up to five (5) years.

Estimated FY 2013 Tax Expenditure: $1,000.

Dependent Care Credit. -- Mississippi Code of 1972 (supp.), Section 57-73-23.

An income tax credit is allowed to any employer providing dependent child care for its employees during the employees' working hours. The credit allowed is 50% of qualified expenses. This credit can offset 100% of income tax. Any excess credit will not be refunded, but can be carried forward for up to five (5) years.

Estimated FY 2013 Tax Expenditure: $0.

Job Training or Retraining Credit. -- Mississippi Code of 1972 (supp.), Section 57-73-25.

A job training credit is allowed for all employer-sponsored training programs provided through local community or junior colleges or approved by the local community or junior colleges. The maximum amount of the credit is increased to an amount not to exceed $2,500 per employee per year. If the employer provides pre-employment training, the portion of the pre-employment training that involves skills training will be eligible for the credit. The credit remains limited to 50% of the income tax liability and can be carried forward for up to five (5) years. The repeal date is July 1, 2012.

Estimated FY 2013 Tax Expenditure: $800,000.

Gambling License Fees Credit. -- Mississippi Code of 1972 (supp.), Sections 75-76-177 and 75-76-179.

Each gambling licensee is subject to a license fee based on the licensee's gross revenue. License fees paid to Mississippi on gross revenues are allowed as a credit against the licensee's Mississippi income tax liability for the same tax year.

Estimated FY 2013 Tax Expenditure: $11,000,000.

Financial Institution Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.13.

This is an income tax credit given to financial institutions where there is a merger, consolidation or purchase of all or simply some of the assets of another entity that qualifies as a financial institution under the broad definition contained in Section 27-7-24.1. The tax credit is only earned when the transactions are between in-state and out-of-state financial institutions and is based on the increase in employment level as of one year after the month of completion of the transaction as compared to the employment level in the month of the completion of the transaction. The tax credit is in the amount of $4,500 per employee and is spread out over five years with the amounts for year-one through year-five as follows: $1,500, $1,200, $900, $600, and $300. There is no requirement that the increased employment levels be maintained in order to continue receiving each years installment of the credit. Any excess credit shall not be refunded or carried forward to any other taxable year.

Estimated FY 2013 Expenditure: $0.

Mississippi Business Finance Corporation Revenue Bond Service Credit. -- (referred to as the RED Program) Mississippi Code of 1972 (Supp.), Sections 27-7-22.3 and 57-10-401 through Section 57-10-449.

Only debt service paid on revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing facilities within this state can be taken as a credit. This credit can be used against the taxes due from the income generated by or arising out of the economic development project. The law also provides for a job development assessment fee which may be levied upon those employees whose job was created due to the increased development for projects induced prior to 7-1-97. The assessment fee cannot exceed the following percentages of gross wages: (a) 2%, if the gross wages are or between $5.00 and $6.99 per hour; (b) 4%, if the gross wages are or between $7.00 and $8.99 per hour; (c) 6%, if the gross wages are $9.00 or more per hour. The employee who has paid this fee is allowed to use as a credit on his Mississippi personal income tax return, however, any excess credit shall not be refunded or carried forward to any other taxable year.

Repeal date 10/01/2015.

Estimated FY 2013 Expenditure: $11,000,000.

Manufacturing Investment Tax Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.30.

This is an income tax credit for a manufacturing enterprise that has operated in Mississippi for more than two years equal to a percentage of the enterprise's investment in buildings or equipment. The eligible investment must be at least $1,000,000. The credit is equal to five percent (5%) of the investment and may be used to offset the income tax liability of the enterprise. The credit can only offset fifty percent (50%) of the income tax liability in each year and has a carry forward of five years. The maximum credit allowable on any project is $1,000,000.

Estimated FY 2013 Expenditure: $2,700,000.

Ad Valorem Inventory Tax Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.5.

This is an income tax credit for manufacturers, distributors and wholesale or retail merchants for a certain amount of ad valorem taxes paid on commodities, goods, wares and merchandise held for resale. The credit may be claimed only in the year in which the ad valorem taxes are paid and may be claimed for each location where such commodities, products, goods, wares and merchandise are found and upon which the ad valorem taxes have been paid. For taxable year 1997 and each year thereafter, the tax credit for each location of the taxpayer cannot exceed the lesser of $5,000 or the amount of income taxes paid attributed to such location.

The act also provides that any ad valorem taxes paid by a taxpayer that is applied toward the tax credit may not be used as a deduction by the taxpayer for state income tax purposes. Also, if the taxpayer is a partnership or an S corporation, the credit may be applied only to the tax attributable to the partnership or an S corporation income.

Estimated FY 2013 Expenditure: $6,000,000.

Brownfield Sites Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.16.

This is an income tax credit to provide incentives for the cleanup and redevelopment of brownfield sites in the state. An income tax credit is allowed for any party that conducts remediation at a brownfield agreement site and incurs remediation costs for activities under Section 49-35-1 through 49-35-25. The tax credit is equal to 25% of the remediation costs at the site. The annual credit cannot exceed the lesser of $40,000 or the amount of the income tax due. Any unused credit may be carried forward to succeeding tax years with the maximum total credit of $150,000.

Estimated FY 2013 Expenditure: $0.

Export Charges Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.7.

This is an income tax credit that allows taxpayers that utilize the port facilities at state, county, and municipal ports an income tax credit equal to the total export cargo charges paid by the taxpayer for: (a) receiving in the port; (b) handling to a vessel; (c) wharfage. The credit provided shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits. Any unused portion of the credit may be carried forward for the succeeding 5 years. The maximum cumulative credit that may be claimed by a taxpayer pursuant to this act beginning January 1, 1994 and ending December 31, 2005 is limited to $1,200,000. To obtain the credit a taxpayer must provide to the Department of Revenue a statement from the governing authority of the port certifying the amount of charges paid by the taxpayer for which a credit is claimed and any other information required by the Department of Revenue.

Repeal date 7/1/16

Estimated FY 2013 Expenditure: $80,000.

Import Charges Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.23.

An income tax credit is allowed for certain taxpayers that utilize the port facilities at state, county and municipal ports equal to certain charges paid by the taxpayer on the import of cargo. In order to be eligible, a taxpayer must locate its United States headquarters in Mississippi on or after July 1, 2004, employ at least five permanent full-time employees who actually work at such headquarters and have a minimum capital investment of $2,000,000 in Mississippi. The amount of the credit allowed shall be the total of the following charges on import of cargo paid by the corporation: [however, it does not apply to the import of forest products] (1) Receiving into the port; (2) Handling from a vessel; and (3) Wharfage. The amount of the credit shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits allowable to such taxpayers, except credit for tax payments made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding five years.

Estimated FY 2013 Expenditure: $0.

Broadband Technology Credit. -- Mississippi Code of 1972 (Supp.), Section 57-87-5.

Broadband Technology Credit is a tax credit for telecommunications enterprises making investments in equipment used in the development of broadband technologies. The credit applies to both income and franchise taxes and may offset 50% of the combined liabilities. The estimated expenditure below represents only the income tax portion. The credit is a percentage of the cost of the investments incurred after June 30, 2003 and before July 1, 2020. The percentage applied is 5%, 10%, and 15% for Tier 1, Tier 2, and Tier 3 counties respectively. Enterprises qualifying for this credit are able to receive certain sales tax exemptions as well.

Estimated FY 2013 Expenditure: $11,000,000.

Reforestation Tax Credit**.** -- Mississippi Code of 1972 (Supp.), 27-7-22.15.

This credit, based on the costs incurred for certain approved reforestation practices, is an amount equal to the lessor of fifty percent (50%) of the actual cost of approved practices or fifty percent (50%) of the average cost of approved practices as established by the Mississippi Forestry Commission. In any taxable year, the Reforestation Tax Credit (RTC) shall not exceed the lessor of ten thousand ($10,000) or the amount of income tax imposed upon the eligible owner for the taxable year reduced by the sum of all other credits allowable to the eligible owner. The lifetime maximum reforestation tax credit that an eligible owner may utilize is seventy-five thousand ($75,000) in the aggregate. Any unused portion of the RTC may be carried forward to succeeding years. If a taxpayer receives state or federal cost share assistance funds to defray the cost of an approved reforestation practice, the cost of the practice on the same acre or acres of land within the same tax year is not eligible for the credit unless the taxpayer's adjusted gross income is less than the federal earned income credit level. To be eligible for the tax credit, a taxpayer must have a reforestation prescription or plan prepared by a graduate forester of a college, school, or university accredited by the Society of American Foresters or by a registered forester under the Foresters Registration Law of 1977, and the forester must verify in writing that the reforestation practices were completed and the reforestation prescription or plan was followed. The RTC is not available to private corporation which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

Estimated FY 2013 Expenditure: $1,000.

New Markets Credit. -- Mississippi Code of 1972 (Supp.), Section 57-105-1.

An income tax credit is allowed for taxpayers making investments that qualify for federal income new markets tax credit as defined in Section 45D of the Internal Revenue Service Code. The aggregate amount of credits that may be allocated to all taxpayers in any one fiscal year cannot exceed $15,000,000 and is to be allocated by the Mississippi Development Authority.

Estimated FY 2013 Expenditure: $4,000,000.

Biomass Syn-Fuel Credit.

An income investment tax credit is allowed for enterprises owning or operating certain facilities that produce electric energy through firing or co-firing biomass and through the sequential use of energy that consist of all the components necessary for the production of synfuel. The investment tax credit is equal to five percent (5%) of investments made by the enterprise in the initial establishment of an eligible facility. The commencement date shall not be more than two (2) years from the date the eligible facility becomes fully operational. The credit is limited to fifty percent (50%) of the total state income tax liability of the enterprise for that year that is generated by, or arises out of, the eligible facility. Any credit claimed but not used in any taxable year may be carried forward for five (5) consecutive years.

Estimated FY 2013 Expenditure: Information not available.

Historical Structure Rehabilitation Credit. -- Mississippi Code of 1972, Section 27-7-22.31

An income tax credit is allowed for certain costs and expenses in rehabilitating eligible property certified as historic structure or structure in a certified historic district. The income tax credit is equal to twenty-five percent (25%) of the total costs and expenses of rehabilitation incurred after January 1, 2006, which shall include, but not be limited to, qualified rehabilitation expenditures. If the amount of the tax credit exceeds the total state income tax liability for the year in which the rehabilitated property is placed in service, then amount that exceeds the total state income tax liability may be carried forward for then (10) succeeding tax years.

Estimated FY 2013 Expenditure: $10,000,000.

Insurance Guaranty Credit. --Mississippi code of 1972, Section 83-23-218

A credit is allowed for a member insurer to offset against its (premium, franchise or income) tax liability (or liabilities) to this state an assessment as described in Section 83-23-217(8) to the extent of twenty percent (20%) of the amount of such assessment, if any, for each year over the next five (5) succeeding years. However, if the offset is less than twenty percent (20%), any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used.

Estimated FY 2013 Expenditure: $0.

**Corporate Deductions**

Capital Gains Exempt. -- Mississippi Code of 1972 (Supp.), Section 27-7-9.

No gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations, or partnership interests in domestic limited partnerships and domestic limited liability companies, that have been held for more than one (1) year; however, any gain that would otherwise be excluded by this provision shall first be applied against, and reduced by, any losses determined from sales or transactions described by this provision if the losses were incurred in the year of the gain or within the two (2) years preceding or subsequent to the gain.

Estimated FY 2013 Expenditure: Information not available.

General Expenses Associated with the Cost of Doing Business. -- Mississippi Code of 1972 (supp.), Section 27-7-17.

Mississippi statutes allow for deduction from gross corporate income all reasonable expenses associated with operating a taxable business. These provisions are consistent with the concept of taxable income and are not considered to be tax expenditures. They include the following:

Miscellaneous Business Expenses

Interest Expense

Taxes

Business Losses

Depreciation

Depletion

Bad Debts

Since each of these business expenses is outside the relevant tax base, no estimated fiscal impact has been estimated for this report.

Charitable Contributions. -- Mississippi Code of 1972 (supp.), Section 27-7-17(h).

Contributions or gifts made by corporations within the taxable year are deductible when made to: corporations, organizations, associations, or institutions, including Community Chest funds, foundations, and trusts created solely and exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals. This deduction is allowed in an amount not to exceed 20% of net income.

Estimated FY 2013 Tax Expenditure: Information not available.

Reserve Funds. -- Mississippi Code of 1972 (supp.), Section 27-7-17(I).

In the case of insurance companies, the net additions required by law to be made within the taxable year to reserve funds are deductible when such reserve funds are maintained for the purposes of liquidating policies at maturity.

Estimated FY 2013 Tax Expenditure: Information not available.

Annuity Income. -- Mississippi Code of 1972 (supp.), Section 27-7-17(j).

The sums, other than dividends, paid within the taxable year on policy or annuity contracts are deductible when such income has been included in gross income. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: Information not available.

Contributions to Employee Pension Plans. -- Mississippi Code of 1972 (supp.), Section 27-7-17(k).

Contributions made by an employer to a plan or a trust forming part of a pension plan, stock bonus plan, disability or death-benefit plan, or profit-sharing plan of such employer for the exclusive benefit of some or all of his, their, or its employees, or their beneficiaries, shall be deductible from his, their, or its income only to the extent that, and for the taxable year in which, the contribution is deductible for federal income tax purposes under the Internal Revenue Code of 1986 and any other provisions of similar purport in the Internal Revenue Laws of the United

States, and the rules, regulations, rulings, and determinations promulgated thereunder, provided that:

(l) The plan or trust be irrevocable.

(2) The plan or trust constitute a part of a pension plan, stock bonus plan, disability or death-benefit plan, or profit-sharing plan for the exclusive benefit of some or all of the employer's employees and/or officers, or their beneficiaries, for the purpose of distributing the corpus and income of the plan or trust to such employees and/or officers, or their beneficiaries.

(3) No part of the corpus or income of the plan or trust can be used for purposes other than for the exclusive benefit of employees and/or officers, or their beneficiaries.

Contributions to all plans or to all trusts of real or personal property (or real and personal property combined) or to insured plans created under a retirement plan for which provision has been made under the laws of the United States of America, making such contributions deductible from income for federal income tax purposes, shall be deductible only to the same extent under the income tax laws of the state of Mississippi. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: Information not available.

Net Operating Loss Carryback and Carryover. -- Mississippi Code of 1972 (supp.), Section 27-7-17(1).

For any taxable years ending after December 31, 2001, net operating losses have a carryback of 2 periods and a carryforward of 20 periods. The term "net operating loss," for the purposes of this paragraph, shall be the excess of the deductions allowed over the gross income; provided, however, the following deductions shall not be allowed in computing same:

(l) No net operating loss deduction shall be allowed.

(2) No personal exemption deduction shall be allowed.

(3) Allowable deductions which are not attributable to taxpayer's trade or business shall be allowed only to the extent of the amount of gross income not derived from such trade or business.

Estimated FY 2013 Tax Expenditure: Information not available.

Dividend Distributions. -- Mississippi Code of 1972 (supp.), Section 27-7-17(n).

The term REIT has the meaning ascribed to such term in IRC Section 856. A REIT is allowed a dividend distributed deduction if such dividend distribution meets the requirements of IRC Section 857 or is otherwise deductible under IRC Sections 858 or 860. In addition:

- Dividend distributed deductions are only allowed for dividends paid by a publicly traded REIT;
- Restrictions are placed on deduction of certain other dividend distributions.

Estimated FY 2013 Tax Expenditure: Information not available.

Dividends for Holding Companies. – Mississippi Code of 1972 (supp.), Section 27-13-1.

Dividends received by a holding corporation from a subsidiary corporation are excluded from income.

Estimated FY 2013 Tax Expenditure: Information not available.

Growth and Prosperity Area Exemption. – Mississippi Code of 1972 (supp.), Sections 57-80-3 and 57-80-5.

Income generated by a new or expanded business enterprise in a "growth and prosperity area" (GAP Area) is exempt from income tax for a period of ten years.

Estimated FY 2013 Tax Expenditure: Information not available.

**Corporate Incentives**

Redevelopment Project Incentive Fund. – Mississippi Code of 1972 (supp.), Section 57-91-9

An incentive program to encourage economic development in areas where environmentally contaminated sites are located. Income and franchise taxes paid by enterprises located on approved sites shall be deposited in to the "Redevelopment Project Incentive Fund". Incentive payments from this fund shall be made by the Mississippi Development Authority to developers in connection with a redevelopment project. The Mississippi Development Authority shall make the calculations necessary to make the payments provided for in this section. Payments will be made to approved participants on a semiannual basis with payments being made in the months of January and July. These incentive payments differ from a credit because the developer receives these payments from the taxes paid by businesses locating within the approved development site.

Estimated FY 2013 Tax Expenditure: Information not available.

## CORPORATE FRANCHISE TAX EXPENDITURES

In taxing the capital of corporations, the State of Mississippi uses the basis of valuation of such capital as found in the Mississippi Code of 1972 (supp.) 27-13-9. Certain capital employed in this state is exempted from taxation. A "fee-in-lieu" agreement may be negotiated in certain instances where the taxpayer would normally be subject to franchise tax on the capital employed in Mississippi.

### Exemptions

Growth and Prosperity Area Exemption. -- Mississippi Code of 1972 (supp.), Sections 57-80-3 and 57-80-5.

The value of capital employed by a new or expanded business enterprise in a growth and prosperity area is exempt from franchise tax for a period of ten years.

Estimated FY 2013 Tax Expenditure: Information not available.

"Fee-In-Lieu". -- Mississippi Code of 1972 (supp.), Section 57-75-5.

A "fee-in-lieu" may be negotiated by the MDA in which the fee will represent the franchise tax to be paid by the entity for capital employed in this state by the project. The fee-in-lieu shall not be less than Twenty-Five Thousand Dollars ($25,000.00) annually.

Estimated FY 2013 Tax Expenditure: Information not available.

### Credits

Bank Share Tax Credit. -- Mississippi Code of 1972 (supp.), Section 27-35-35.

Any tax assessed and paid by a bank to any county, district, or municipality on the assessed value of its intangibles pursuant to Sections 27-35-35 through 27-35-39 shall be a credit against the corporation franchise tax.

Estimated FY 2013 Tax Expenditure: $200,000.

Broadband Technology Credit. -- Mississippi Code of 1972 (supp.), Section 57-87-5.

This tax credit is for telecommunications enterprises making investments in equipment used in the deployment of broadband technologies. The credit applies to both income and franchise taxes and may offset 50% of the combined liabilities. The estimated expenditure below represents only the franchise tax portion. The credit is a percentage of the cost of the investments incurred after June 30, 2003 and before July 1, 2020. The percentage applied is 5%, 10%, and 15% for Tier 1, Tier 2, and Tier 3 counties, respectively. Enterprises qualifying for this credit are able to receive certain sales tax exemptions as well.

Estimated FY 2013 Tax Expenditure: $11,000,000

Insurance Guaranty Credit.-- Mississippi Code of 1972, Section 83-23-218

A credit is allowed for a member insurer to offset against its (premium, franchise or income) tax liability (or liabilities) to this state an assessment as described in Section 83-23-217(8) to the extent of twenty percent (20%) of the amount of such assessment, if any, for each year over the next five (5) succeeding years. However, if the offset is less than twenty percent (20%), any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used.

Estimated FY 2013 Tax Expenditure: $0.

**Incentives**

Redevelopment Project Incentive Fund. – Mississippi Code of 1972 (supp.), Section 57-91-9.

An incentive program to encourage economic development in areas where environmentally contaminated sites are located. Income and franchise taxes paid by enterprises located on approved sites shall be deposited in to the "Redevelopment Project Incentive Fund". Incentive payments from this fund shall be made by the Mississippi Development Authority to developers in connection with a redevelopment project. The Mississippi Development Authority shall make the calculations necessary to make the payments provided for in this section. Payments will be made to approved participants on a semiannual basis with payments being made in the months of January and July. These incentive payments differ from a credit because the developer receives these payments from the taxes paid by businesses locating within the approved development site.

Estimated FY 2013 Tax Expenditure: Information not available.

## WITHHOLDING TAX EXPENDITURES

In Mississippi an employer must withhold income tax from wages paid to an employee. The income tax withheld is shown on an individual's W-2, which is filed with the individual's income tax return after the year-end. The individual may owe additional income taxes or may be due a refund of taxes withheld.

**Incentive Payments**

Mississippi Advantage Jobs Incentive Program. -- Mississippi Code of 1972 (supp.), Section 57-62-9.

The Mississippi Advantage Jobs Incentive Program (Advantage Jobs) will allow new qualified employers to receive incentive payments from the state in amounts not to exceed 4% of the Mississippi taxable wages of qualifying new employees. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid into the general fund. The incentive payments may be made for a period up to ten years. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns.

Estimated FY 2013 Tax Expenditure: $11,000,000.

Existing Industry Withholding Rebate Program - Mississippi Code of 1972 (Supp), Section 57-100-3.

The Existing Industry Withholding Rebate Program allows qualified existing employers to receive incentive payments from the state equal to the lesser of 3.5% of the taxable wages or the actual withholding paid of qualifying new employees. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid to the general fund. The incentive payments may be made for a period of up to 2 years. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns.

Estimated FY 2013 Tax Expenditure: $300,000.

Impact Withholding Rebate Program - Mississippi Code of 1972 (Supp), Section 57-99-23.

The Impact Withholding Rebate Program allows qualified existing employers to receive incentive payments from the state equal to the lesser of 1% of taxable wages or the actual withholding paid to qualified employees.  The incentive payments will be paid out of the employee's withholdings that are diverted into a special fund instead of being paid to the general fund.  The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns.  The incentive payments may be made for a period of up to 10 years, but cannot exceed $6,000,000 in total rebates.  An employer had to apply to MDA by July 1, 2010 to be eligible for this rebate program.

Estimated FY 2013 Tax Expenditure: $800,000.

## INDIVIDUAL INCOME TAX EXPENDITURES

The income of individuals is taxed based upon the definition of taxable income, which is gross income less certain exemptions, adjustments, and deductions. Mississippi taxpayers are also allowed certain credits against their state tax liability.

### Individual Exemptions

Personal Exemptions. -- Mississippi Code of 1972 (supp.), Section 27-7-21(a-d).

In the case of resident individuals, exemptions are listed below and are allowed as deductions in computing taxable income.

| | |
|---|---|
| $6,000 | Single Individuals |
| $12,000 | Married, Joint Return or Surviving Spouse |
| $6,000 | One-half of additional personal exemptions for Married-Separate returns. |
| $9,500 | Head of Household |

Nonresidents and part-year residents are allowed the same personal and additional exemptions as are authorized for resident individuals except exemptions are prorated as to the proportion of net income from sources which the state of Mississippi bears to total or entire net income from all sources. The purpose of this provision is to shift income tax burden away from low-income taxpayers.

Estimated FY 2013 Tax Expenditure: $413,101,000.

Exemptions for Dependents. -- Mississippi Code of 1972 (supp.), Section 27-7-21(e-g).

The exemption for an individual having a dependent other than husband or wife is $1,500 for each such dependent. The term "dependent" means any person or individual who qualifies as a dependent under provisions of Section 152, Internal Revenue Code of 1954, as amended.

In the case of any taxpayer or the spouse of the taxpayer who has attained the age of 65 before the close of his taxable year, an additional exemption of $1,500 is allowed.

In the case of any taxpayer or the spouse of any taxpayer who is blind at the close of the taxable year, an additional exemption of $1,500 is allowed. This measure recognizes that the ability to pay taxes declines with increases in the number of dependents.

Estimated FY 2013 Tax Expenditure: $51,885,000.

Other Exemptions. -- Mississippi Code of 1972 (supp.), Section 27-7-15(4).

1. Interest under the obligation of the United States or its possessions, or securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916, or bonds issued by the War Finance Corporation, or obligations of the state of Mississippi or political subdivisions thereof.

Estimated FY 2013 Tax Expenditure: Information not available.

2. Income received by any religious denomination or by any institution or trust for moral or mental improvements, religious, Bible, tract, charitable, benevolent, fraternal, missionary, hospital, infirmary, educational, scientific, literary, library, patriotic, historical, or cemetery purposes or for two or more of such purposes, if such income be used exclusively for carrying out one or more of such purposes.

Estimated FY 2013 Tax Expenditure: Information not available.

3. Income from dividends that has already borne a tax as dividend income under the provisions of this article, when such dividends may be specifically identified in the possession of the recipient.

Estimated FY 2013 Tax Expenditure: Information not available.

4. Amounts paid by the United States to a person as added compensation for hazardous duty as a member of the Armed Forces of the United States in a combat zone designated by Executive Order of the President of the United States.

Estimated FY 2013 Tax Expenditure: Information not available.

5. Amounts received as retirement allowances, pensions, annuities, or optional retirement allowances paid under the Federal Social Security Act, the Railroad Retirement Act, the Federal Civil Service Retirement Act, or any other retirement system of the United States government, retirement allowances paid under the Mississippi Public Employees' Retirement System, Mississippi Highway Safety Patrol Retirement System or any other retirement system of the State of Mississippi or any political subdivision thereof. The exemption shall be available to the spouse or other beneficiary at the death of the primary retiree.

Amounts received as retirement allowances, pensions, annuities, or optional retirement allowances paid by any public or governmental retirement system not designated above or any private retirement system or plan of which the recipient was a member at any time during the period of his employment. Amounts received as a distribution under a ROTH Individual Retirement Account shall be treated in the same manner as provided under the Internal Revenue Code of 1986, as amended. The exemption allowed under this paragraph shall be available to the spouse or other beneficiary at the death of the primary retiree.

Estimated FY 2013 Tax Exemption: $358,453,000.

6. Compensation not to exceed the aggregate sum of $15,000 for any taxable year received by a member of the National Guard or Reserve Forces of the United States as payment for inactive duty training, active duty training, and state active duty.

Estimated FY 2013 Tax Expenditure: Information not available.

7. Compensation received for active service as a member below the grade of commissioned officer and so much of the compensation as does not exceed the maximum enlisted amount received for active service as a commissioned officer in the Armed Forces of the United States for any month served in a combat zone or a qualified hazardous duty area as defined by federal law. Maximum enlisted amount has the same meaning as in 26 USC 112..

Estimated FY 2013 Tax Expenditure: Information not available.

8. Proceeds received from federal and state forestry incentives programs.

Estimated FY 2013 Tax Expenditure: Insignificant.

9. The amount representing the difference between the increase of gross income derived from sales for export outside the United States as compared to the preceding tax year wherein gross income from export sales was highest, and the net increase in expenses attributable to such increased exports. In the absence of direct accounting, the ratio of net profits to total sales may be applied to the increase in export sales. This shall only apply to businesses located in this state engaging in the international export of Mississippi goods and services. Such goods or services shall have at least 50% of value added at a location in Mississippi.

Estimated FY 2013 Tax Expenditure: Information not available.

10. Interest, dividends, gains or income of any kind on any account in a qualified tuition program and amounts received as distributions under a qualified tuition program, regardless of where in the United States the original Section 529 plan was established.

Estimated FY 2013 Tax Expenditure: Information not available.

11. Amounts received as "qualified disaster relief payments" are excluded from gross income. These are any amounts paid to or for the benefit of an individual to pay or reimburse reasonable and necessary personal, family, living or funeral expenses as a result of a qualified disaster, amounts for the repair or rehabilitation of a personal residence or contents due to a qualified disaster. These are limited to the amounts not covered by insurance.

Estimated FY 2013 Tax Expenditure: Information not available.

Medical Savings Accounts -- Internal Revenue Code, Section 71. Mississippi Code of 1972 (supp.), Sections 71-9-1 through 71-9-9.

The amount deposited in a medical savings account, and any interest accrued thereon, that is a part of a medical savings account program as specified in the Medical Savings Account Act under Sections 71-9-1 through 71-9-9; provided, however, that any amount withdrawn from such account for purposes other than paying eligible medical expense or to procure health coverage, shall be included in gross income.

Estimated FY 2013 Tax Expenditure: $5,000.

Health Savings Accounts -- Mississippi Code of 1972 (supp.), Sections 83-62-1 through 83-62-9.

The amount deposited in a health savings account, and any interest accrued thereon, that is a part of a health savings account program as specified in the Health Savings Account Act created in Sections 83-62-1 through 83-62-9; provided, however, that any amount withdrawn from such account for purposes other than paying eligible medical expense or to procure health coverage, shall be included in gross income.

Estimated FY 2013 Tax Expenditure: $565,000.

Prisoners of War, Missing in Action. -- Mississippi Code of 1972 (supp.), Section 27-7-15(5).

Members of the Armed Forces. Gross income does not include compensation received for active service as a member of the Armed Forces of the United States for any month during any part of which such member is in missing status during the Vietnam Conflict as a result of such conflict.

Civilian employees. Gross income does not include compensation received for active service as an employee for any month during any part of which such employee is in a missing status during the Vietnam Conflict as a result of such conflict.

Estimated FY 2013 Tax Expenditure: Insignificant.

## Individual Adjustments

Individual Retirement Accounts. -- Internal Revenue Code, Sections 219 and 408,

Mississippi Code of 1972 (supp.), Section 27-7-16.

An individual is allowed to deduct from gross income the amount paid to an individual retirement account if the individual is not covered by an employer's plan or a self-employed plan. This definition is limited to the smaller of $5,000 or 100% annual compensation or earned income. For married filers, a separate deduction, up to $5,000, is allowed for each spouse provided either spouse has sufficient annual compensation or earned income.

Deductions for IRA contributions are reduced or phased out if an individual is covered by an employer-maintained plan. The IRA deduction is reduced or eliminated when adjusted gross income exceeds certain specified amounts as follows:

(l) $56,000 for a single individual or head of household;

(2) $90,000 for a married couple filing a joint return; or

(3) Zero for a married individual filing separately.

(4) Non-active participant with active participant spouse, phase-out begins at $169,000.

If adjusted gross income exceeds one of the specified amounts, the maximum IRA deduction is phased out over the next $10,000 of adjusted income. Thus, no IRA deduction is allowed to a single person with adjusted gross income of $66,000 or more, a married couple filing a joint return with $110,000 or more, or a married individual filing separately with $10,000 or more. The reduction in the maximum IRA deduction is determined by (1) multiplying the maximum IRA deduction by the excess of adjusted gross income over the specified amount and (2) dividing the result by $10,000.

Individuals who turn age 50 before the close of the tax year may increase the maximum permitted annual contribution by $1,000.

Except in the case of death, disability, periodic payments, medical related distributions, higher education expenses, certain first-time homebuyer expenses, post '99 IRS liens or domestic relations orders, the retirement money cannot be withdrawn without a federal penalty tax of 10% until the individual reaches the age of 59½. Amounts withdrawn from an IRA are subject to federal taxation at the time of withdrawal. In addition, taxation of interest or other income of an IRA is deferred until such income is withdrawn from the IRA. At that time, it is subject to federal taxation as ordinary income. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $2,495,000.

Keogh Plans. -- Internal Revenue Code, Sections 219, 401-405, and 408-415 Mississippi Code of 1972 (supp.), Section 27-7-16.

Self-employed individuals (sole proprietors, partners, etc.) may deduct payments to Self-Employed Retirement Plans, commonly referred to as Keogh or HR 10 Plans. The maximum contribution is the lesser of $30,000 or 20% of earned income (25% for employee). The definition of earned income includes the retirement plan deduction (i.e., earnings from self-employment must be reduced by the retirement plan contribution for purposes of determining the maximum deduction). To simplify, contribution is equal to 20% of earnings subject to $30,000 limitation. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $4,452,000.

Interest Penalty on Early Withdrawal of Savings. -- Internal Revenue Code, Section 62, (12). Mississippi Code of 1972 (supp.), Section 27-7-16.

Penalties forfeited because of premature withdrawal of funds from time savings accounts or deposits are allowed as an adjustment to gross income. An adjustment is provided for deductions allowed by IRC, Section 165 for losses incurred in any transaction entered into for profit, though not connected with a trade or business, to the extent that such losses include amounts forfeited to a bank, mutual savings bank, savings and loan association, cooperative bank, or homestead association as a penalty for premature withdrawal of funds from a time savings account, certificate of deposit, or similar class of deposit. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $87,000.

Unreimbursed Moving Expense -- Internal Revenue Code, Sections 62 and 217, Mississippi Code of 1972 (supp.), Section 27-7-18(2).

Individual taxpayers are allowed to deduct unreimbursed moving expenses paid during the tax year as an adjustment to gross income in accordance with provisions of the Internal Revenue Code, and rules, regulations and revenue procedures relating to moving expenses not in direct conflict with provisions of the Mississippi Income Tax Law.

Estimated FY 2013 Tax Expenditure: $396,000.

Contributions or Payments to a Mississippi College Savings Plan (MACS & MPACT). -- Mississippi Code of 1972 (Supp.), Sec. 27-7-18.

Contributions or payments to a Mississippi Affordable College Savings (MACS) program account are deductible from gross income. Payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition (MPACT) program are deductible as provided in Section 37-155-17.

Estimated FY 2013 Tax Expenditure: $2,293,000.

Self-Employed Medical Insurance. -- Mississippi Code of 1972 (Supp.), Section 27-7-18.

Self-employed individuals may deduct as an adjustment to gross income amounts paid during the tax year for insurance which constitute medical care for the taxpayer, his/her spouse and dependents in accordance with provisions of the Internal Revenue Code.

Estimated FY 2013 Tax Expenditure: $7,457,000.

Organ Donation Deduction. – Mississippi Code of 1972 (supp.) Section 27-7-18.

A one time deduction not to exceed Ten Thousand Dollars ($10,000) from gross income is allowed for unreimbursed travel expenses, lodging expenses and lost wages an individual incurred as a result of, and related to, the donation, while living, of one or more of his or her organs for human organ transplantation. The term “organ” means all or a part of a liver, pancreas, kidney, intestine, lung or bone marrow.

Estimated FY 2013 Tax Expenditure: Information not available.

**Individual Credits**

Credit for Income Tax Paid To Another State. -- Mississippi Code of 1972 (supp.), Section 27-7-77.

Individual resident taxpayers of Mississippi whose gross income is derived from sources both within and without the state of Mississippi are eligible for a tax credit for income tax paid to another state, territory of the United States, or the District of Columbia against the amount of tax found to be due to the state of Mississippi.

The credit is limited in amount as follows:

1) The tax credit may not exceed the amount of income tax due the state of Mississippi.
2) The tax credit may not exceed the amount of income tax actually paid to other states.
3) The tax credit may not exceed an amount computed by applying the highest Mississippi rates to the net taxable income reported to the other state.

This measure is a recognition of the principle that Mississippi tax laws extend only to the state's boundary as they apply to individuals.

Estimated FY 2013 Tax Expenditure: $583,300,000.

Long-Term Care Premiums Credit. -- Mississippi Code of 1972 (Supp.), Section 27-7-22.33.

An income tax credit is allowed for premiums paid during the taxable year for certain qualified long-term care insurance policies. This credit can not exceed $500 or the taxpayers' income tax liability, whichever is less, for each qualified long-term care insurance policy. Any unused credit can not be carried forward to apply to the succeeding tax year's liability.

Estimated FY 2013 Tax Expenditure: $1,000,000.

Other Credits - Mississippi Code of 1972 (supp.)

Certain credits are allowed on the Mississippi individual income tax return as direct credits or as pass-through credits from Partnerships, S-Corporations, and LLC's: MS Natural Heritage Program and MS Scenic Streams Stewardship Program- Section 27-7-22.21. A credit is allowed for certain costs associated with donations of land which are conservation sites under the MS Natural Heritage Program or which are along streams nominated to the MS Scenic Streams Stewardship program. Credit for Certain Qualified Adoption Expenses - Section 27-7-22.32. A credit against Mississippi income tax of the amount of the "qualified adoption expenses" paid or incurred, not to exceed Two Thousand Five Hundred Dollars ($2,500), for each dependent child legally adopted by a taxpayer during calendar year 2006 or thereafter. Historic Structure Credit - Section 27-7-22.31. A credit for costs incurred for the rehabilitation of eligible property which is a certified historic structure or a structure in a certified historic district. Job Development Assessment Fee - Section 27-7-22.3. A credit to employees whose wages have been assessed to help pay for Business Finance Corporation issued bonds which created their jobs. Business Ad Valorem Tax Credit - Section 27-7-22.5. Credit allowed to manufacturers, distributors, wholesalers or retail merchants who pay ad valorem taxes in Mississippi imposed on commodities, products, goods, wares and merchandise held for resale. Finance Company Privilege Tax - Section 27-21-9. Gaming Control Act License Fees Credit - Section 75-76-179. License fees paid under the Gaming Control Act are allowed as a credit against income tax. The credit may not exceed the amount of income tax due. Reforestation Credit - Section 27-7-22.15. A credit for eligible owners who incur costs for approved reforestation practices for eligible tree species on eligible lands, in the amount of 50% of the average cost. The lifetime maximum credit is $75,000.

Estimated FY 2013 Tax Expenditure: $14,279,000.

## Individual Deductions

Standard Deduction. -- Mississippi Code of 1972 (supp.), Section 27-7-17(2)(b).

For all Mississippi taxpayers who cannot itemize their deductions, there is a standard deduction available. The deduction is as follows:

$4,600 Married Individuals - Joint Return
$4,600 Married-Spouse died in tax year
$2,300 Married Individuals-Separate Returns
$3,400 Head of Household
$2,300 Single Individuals

Estimated FY 2013 Tax Expenditure: $115,000,000.

**Itemized Deductions**

Medical and Dental Expenses. -- Internal Revenue Code, Sections 63(f) and 213; Mississippi Code of 1972 (supp.), Section 27-7-17(2)(a).

Taxpayers are allowed a deduction for expenses incurred for medical treatment, medicines, health care, health insurance, and transportation which are essential to medical care. The deduction is equal to that portion of all qualified medical expenses exceeding 7.5% of taxpayer's federal adjusted gross income. On a joint return, the percentage limitation is based on the total adjusted gross income of both husband and wife. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Expenditure: $31,941,000.

Real Estate Taxes. -- Internal Revenue Code, Sections 63(f) and 164; Mississippi Code of 1972 (supp.), Sections 27-7-17(2)(a).

Real estate taxes paid during the taxable year may be deductible from Mississippi gross income in arriving at Mississippi taxable income. However, special assessments are not considered real estate taxes and, as such, may not be deducted. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $21,554,000.

Home Mortgage Interest. -- Internal Revenue Code, Sections 63(f) and 163; Mississippi Code of 1972 (supp.), Section 27-7-17(2)(a).

When computing Mississippi taxable income, a taxpayer may deduct the full amount of all mortgage interest paid on his owner-occupied home but only to the extent that the interest is attributable to loans that do not exceed $1,000,000 ($500,000 if married filing separately). Home equity debt may be deducted on mortgages totaling $100,000 ($50,000 if married filing separately). Grandfathered debt taken out prior to October 13, 1987 is subject to exceptions. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $84,306,000.

Investment Interest. -- Internal Revenue Code, Sections 63(f) and 163; Mississippi Code of 1972 (supp.), Section 27-7-17(2)(a) and (1)©.

Investment interest is interest on a debt incurred in the purchase of certain life insurance policies; interest on a debt incurred in the earning of a tax-exempt income, such as loans taken to buy government bonds; and interest on debt for which the taxpayer is not legally liable. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $2,664,000.

Charitable Contributions. -- Internal Revenue Code, Sections 63(f) and 170(c); Mississippi Code of 1972 (supp.), Section 27-7-27(2)(a).

Contributions to recognized charities may be deducted from Mississippi adjusted gross income. A recognized charity is any government body or any public or private corporation, trust, or foundation organized and operated principally for charitable, religious, scientific, literary or educational purposes. Contribution deductions are generally limited to 50% of adjusted gross income; however, there is a 20% adjusted gross-income limit that applies to gifts of long-term capital gain appreciated property to private foundations and to charities to which the 30% adjusted gross income limit applies to contributions of other than capital gain property. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $70,118,000.

Casualty and Theft Losses. -- Internal Revenue Code, Section 165(c)(3); Mississippi Code of 1972 (supp.), Section 27-7-17(2)(a).

A casualty loss includes losses due to fire, storm, shipwreck, theft, or any sudden, unexpected, or unusual event. Casualty losses are deductible, provided that the loss is more than 10% of adjusted gross income decreased by $100 per incident. The amount of loss is the lesser of:

a) The decrease in fair market value of the property as a result of the casualty or theft, or value before minus value after.

b) Taxpayer's adjusted basis in the property before the casualty loss or theft.

Losses must be reduced by any insurance reimbursement. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2013 Tax Expenditure: $1,301,000.

Employee Expenses & Miscellaneous Deductions Subject to 2% Limitation. -- Internal Revenue Code, Sections 162 & 212; Mississippi Code of 1972 (supp.), Section 27-7-17(2)(a).

Certain expenses may be claimed as miscellaneous itemized deductions. The deduction allowed is the total amount of these expenses that exceeds 2% of federal adjusted gross income.

A. Unreimbursed Employee Expenses - IRC 162
   1. Expenses for carrying on trade or business of being an employee
   2. Ordinary and necessary business expenses

B. Miscellaneous Deductions - IRC 212

Expenses incurred to:
   1. Produce or collect income that must be included in gross income
   2. Manage, conserve, or maintain property held for producing income
   3. Determine, contest, pay or claim a refund of any tax

Estimated FY 2013 Tax Expenditure: $61,629,000.

Deductions Not Subject to the 2% Limitation. – Internal Revenue Code, Sections 72; 162: 165; 691(c); 1341; & 212; Mississippi Code of 1972 (supp.) Section 27-7-17(2)(a).

Certain other expenses may be claimed as miscellaneous itemized deductions not subject to the 2% federal adjusted gross income limitation.

A. Casualty and theft losses from income-producing property - IRC 165

B. Federal estate tax on income in respect of a decedent - IRC 691(c)

C. Repayments of more than $3,000 under a claim of right - IRC 1341

D. Impairment-related work expenses of persons with disabilities - IRC 162

E. Unrecovered investment in a pension - IRC 72

Estimated FY 2013 Tax Expenditure: $12,075,000.

## SALES AND USE TAX EXPENDITURES

Section 27-65-17 Mississippi Code of 1972 (supp.) established a 7% sales tax on gross proceeds of retail sales except as provided elsewhere in the statutes. Likewise, Section 27-67-5 of the Code establishes a use tax which corresponds very closely to the sales tax and which is applied to goods purchased out of state and brought into Mississippi. In general, a retail sale is considered a sale of a final good to the final consumer of that good. Gross proceeds from the sale of specifically named services are also subject to the general sales tax. Retail sales typically do not include sales of raw materials or capital equipment to manufacturers, producers, or refiners of goods although they may be the final consumers of these goods in their recognizable form. Goods which lose their identity, including machinery used in production, are normally not considered to be retail goods.

Mississippi statutes blur the distinction between wholesale and retail goods. Section 27-65-17 lists several goods which are taxed at rates below the general sales tax rate of 7%, but most of these exceptions refer to sales which should not be considered as retail sales in the strictest sense. These are included in this report for completeness, but the reader is cautioned that although these items are tax expenditures in the letter of the law, they are not considered to be expenditures in the spirit of the law. In each of the items listed below, the estimated fiscal impact is based upon the difference between actual revenues and estimated revenues if a 7% sales or use tax were imposed.

### Exceptions

Exceptions to the General Sales Tax Rate. -- Mississippi Code of 1972, (supp.), Section 27-65-17.

The following items are explicit exceptions to the 7% tax on gross proceeds from retail sales. Each of these, with the partial exception of aircraft, autos, trucks, semi-trailers and mobile homes, is a wholesale transaction and as such is not a true tax expenditure. However, according to the letter of the law, each qualifies as a tax expenditure and is included for that reason.

| Exceptions (Continued) | Estimated FY 2013 Tax Expenditure |
|---|---|
| Retail Sales of Farm Tractors, Farm Implements & Logging Equipment Taxed at 1.5% | $ 16,479,000 |
| Aircraft, Trucks, Semi-Trailers and Mobile Homes Taxed at 3% | 17,442,862 |
| Autos, Light Trucks: (10,000 lbs. or less) Effective 1/1/95 at 5% | 81,260,542 |
| Manufacturing Machinery and Certain Port Facility Equipment Taxed at 1½% | 70,104,341 |
| Materials Used in Railroad Tracks Taxed at 3% | 1,334,000 |
| Sales to Electric Power Associations Taxed at 1% | 4,562,983 |

Discount for Timely Filing. -- Mississippi Code of 1972 (supp.), Section 27-65-33.

Taxpayers are allowed to discount their tax liability by 2% in return for meeting their legal filing deadline.

Estimated FY 2013 Tax Expenditure: $12,000,000.

## Exemptions

Sale of Utilities. -- Mississippi Code of 1972 (supp.), Section 27-65-19.

The sale of utilities and water to residential consumers is exempt from the sales tax. The reason for this exemption is to eliminate the burden of taxation from low-income taxpayers and from those goods which are considered to be necessities. There is no evidence that this exemption accomplishes this purpose better than the exemption of the sales tax on food which is not exempt. However, it should be noted that sales of food purchased with food stamps or instruments provided by the Women, Infants and Children's (WIC) Program are exempt from sales tax.

Estimated FY 2013 Tax Expenditure: $123,995,000.

The sale of utilities to manufacturers is taxed at 1½%. This constitutes a wholesale transaction and should not be considered a true tax expenditure.

Estimated FY 2013 Tax Expenditure: $24,523,861.

The sale of utilities to farmers is also a wholesale transaction which is taxed at 1½% and should not be considered a tax expenditure.

Estimated FY 2013 Tax Expenditure: $758,470.

<u>Sales of Home Medical Equipment and Supplies</u>. -- Mississippi Code of 1972 (supp.), Section 27-65-105(g).

An exemption is allowed for sales of home medical equipment and home medical supplies listed as eligible for payment under Title XVIII of the Social Security Act or under the state plan for medical assistance under Title XIX of the Social Security Act, prosthetics, orthotics, hearing aids, hearing devices, prescription eyeglasses, oxygen and oxygen equipment, when ordered or prescribed by a licensed physician for medical purposes for a patient, and when payment for such equipment or supplies, or both, is made under the provisions of the Medicare and Medicaid program. The exemption only applies to the portion of the sales price of such equipment or supplies, or both, paid for under the provisions of the Medicare and Medicaid program.

Estimated FY 2013 Tax Expenditure: $7,053,000.

Industrial Exemptions. -- Mississippi Code of 1972 (supp.), Section 27-65-101.

Several different categories of sales to manufacturers, refiners, producers, and transporters are exempt from the general sales tax. These are wholesale transactions and should not be considered as true tax expenditures but are included in this report for information purposes only. They are as follows:

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| Boxes, Crates, and Cartons | $ (2,216,000) |
| Raw Materials Used in Manufacturing | (122,689,000) |
| Offshore Drilling Equipment Large Vessels | (2,216,000) |
| Commercial Fishing Boats | (2,077,000) |
| Repairs to Vessels | (5,775,000) |
| Rolling Stock Used in Interstate Commerce | (3,325,000) |
| Raw Materials Used in Manufacturing Rolling Stock | Insignificant |
| Machinery or Parts Used in Repairing Large Ships | (739,000) |
| Tangible Personal Property Consumed on Ships in International Commerce | (60,000) |
| Storage of Perishable Goods | Insignificant |
| Sales of Machinery or Equipment to Nonprofit Organizations Created by the Oil Pollution Control Act of 1990 | Not Available |
| Pollution Control Equipment | Not Available |
| Natural Gas Used in Oil Production | (2,771,000) |
| Broadband Technology Equipment | Not Available |
| Sales of Parts Used in the Repair of Aircraft | Not Available |

NOTE: Numbers in parentheses should be considered very inexact estimates.

No established data base exists for determining these values.

Industrial Exemptions (Continued)

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| Income from Self-Service Commercial Laundry | $ (1,559,000) |
| Economic Development Reform Act Incentives | (6,269,000) |
| Growth and Prosperity Act Incentives | Not Available |
| Sales of Component Materials and Equipment Used to Repair Buildings and Equipment Damaged or Destroyed as a Result of a Natural Disaster | Not Available |

Agricultural Exemptions. -- Mississippi Code of 1972 (supp.), Section 27-65-103.

Several different categories of sales to farmers are exempt from the general sales tax. These are wholesale transactions and should not be considered as true tax expenditures. They are included in this report for information purposes only. They are as follows:

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| Sales of Lint, Seed Cotton, Baled Cotton, Feed, Seed, Fertilizers, Baling Wire, Packaging Materials, etc. | $ (59,970,000) |
| Sales of Agricultural Produce to Be Further Processed | (91,755,000) |
| Retail Sales of Mules, Horses, and Other Livestock | Insignificant |
| Sales of Antibiotics, Hormones, Drugs, Medicines, etc. | (1,398,000) |

Governmental Exemptions -- Mississippi Code of 1972 (supp.), Section 27-65-105. Sales of normally taxable goods are exempt from sales tax when sales are made to the U.S. government, to the state of Mississippi, to public schools, to the Mississippi Band of Choctaw Indians, or to governmental or volunteer fire departments.

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| Sales to U.S. Government or State of Mississippi | $ (183,509,000) |
| Sales to Public Schools | (27,709,000) |

NOTE: Numbers in parentheses should be considered very inexact estimates.

No established data base exists for determining these values.

| Governmental Exemptions (Continued) | Estimated FY 2013 Tax Expenditure |
|---|---|
| Sales of School Textbooks | $ (3,325,000) |
| Sales to the Mississippi Band of Choctaw Indians | (1,000,000) |
| Sales of Firefighting Equipment to Governmental or Volunteer Fire Departments | (156,000) |

Utility Exemptions -- Mississippi Code of 1972 (supp.), Section 27-65-107. In addition to those exempted under Section 27-65-19, certain utility sales are exempt. This includes sales to nonprofit water associations.
Estimated FY 2013 Tax Expenditure: $1,302,000.

Miscellaneous Exemptions -- Mississippi Code of 1972 (supp.), Section 27-65-111. Specific exemptions which benefit nonprofit organizations or the sale of particular items such as drugs and medicine or alcohol-blended fuels are provided for under this section. The purpose of each of these exemptions is inherent in the particular object of the exemption. They are as follows:

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| Sales to Nonprofit Hospitals and Infirmaries | $ (87,334,000) |
| Newspapers and Periodicals | (5,776,000) |
| Coffins and Caskets | (2,216,000) |
| Sales of Goods for Immediate Export | Insignificant |
| Sales to Nonprofit Orphanages, Old Men's or Ladies' Homes | (277,000) |
| Sales to YMCA, YWCA, or Boys or Girls Clubs | (1,450,000 ) |

NOTE: Numbers in parentheses should be considered very inexact estimates.
No established data base exists for determining these values.

| Miscellaneous Exemptions (Continued) | Estimated FY 2013 Tax Expenditure |
|---|---|
| Sales to Nonprofit Private Schools | $ (1,109,000) |
| Drugs and Medicines | (28,836,000) |
| Sales to Salvation Army or Muscular Dystrophy Association, Inc. | (206,000) |
| Sales of Alcohol-Blended Fuel Using Mississippi Distilled Alcohol | Insignificant |
| Sales to the Institute for Technology Development | (584,000) |
| Retail Sales of Motor Vehicles and Semi-Trailers Exported Within 48 Hours | (2,162,000) |
| Sales of Food and Drink Through Full-Service Vending | Insignificant |
| Sales of Motor Fuel | (208,239,000) |
| Sales of Food Purchased with Food Stamps or Instruments Provided by the Women, Infants and Children's (WIC) Program | (24,643,000) |
| Sales of Cookies by the Girl Scouts of America | (265,000) |
| Sales to Public or Nonprofit Museums of Art | Insignificant |
| Sales to Alumni Associations of State-Supported Colleges or Universities | Insignificant |
| Sales to National Association of Junior Auxiliaries, Inc. | Insignificant |
| Sales to Domestic Violence Shelters | Insignificant |
| Sales to the Mississippi Chapter of the National Multiple Sclerosis Society | Insignificant |
| Sales to Nonprofit Organizations Providing Foster Care, Temporary Housing, Adoption Services and Residential Rehabilitation Services | Not Available |

NOTE: Numbers in parentheses should be considered very inexact estimates.

No established data base exists for determining these values.

## SEVERANCE TAX EXPENDITURES

An annual privilege tax is assessed against oil and gas severed from the ground at the rate of 6% of the value of the oil or gas at the point of production. The only exception is for Enhanced Oil Recovery oil wells which are taxed at 3%.

### Exemptions

Enhanced Recovery. -- Mississippi Code of 1972 (supp.), Section 27-25-503.

Oil produced by an enhanced recovery is taxed at 3% rather than 6%. The purpose of this tax exemption is to encourage continued production in fields which otherwise might become uneconomical.

Estimated FY 2013 Tax Expenditure: $49,000,000.

## INSURANCE PREMIUM TAX EXPENDITURES

A premium tax is levied and imposed upon each domestic or foreign insurance company doing business in this state at the rate of 3% of the gross amount of premium receipts collected by such companies on insurance policies and contracts written in, or covering risks located in this state. From July 1, 1994 to June 30, 1995, the tax on annuities shall be 1% on premiums received and from and after July 1, 1995, annuities shall be exempt from insurance premium tax. There is an additional levy of 1% on fire insurance covering risks located in this state and an additional 0.5% on fire insurance covering risks located in the city of Jackson. A retaliatory tax is imposed on foreign companies whose state of domicile imposes a greater tax than Mississippi.

**Exemptions**. -- Mississippi Code of 1972 (supp.), Section 27-15-119.

Policies and contracts issued to fund a retirement, thrift, or deferred compensation plan qualified under Section 401 or Section 403 or an individual retirement annuity qualified under Section 408 or Section 457 of the Federal Tax Code for federal tax exemption, unless the foreign company's principal place of business is in a state which taxes policies issued by companies having their principal place of business in Mississippi; then, they are taxed as a retaliatory tax at the same rate. The insurance carriers selected to furnish service to the state of Mississippi under the State Employees' Life and Health Insurance Plan shall not be required to pay the premium tax on premiums collected for coverage under the plan. From and after July 1, 1995, annuity premiums are exempt from insurance premium tax.

Estimated FY 2013 Tax Expenditure: Information not available.

**Credits**

Income Taxes Paid. -- Mississippi Code of 1972 (supp.), Section 27-15-103.

Premium taxes shall be reduced by the net amount of income tax paid to this state for the preceding calendar year, provided the credit is to be taken only once. The purpose is to insure that the greater of either the annual insurance premium tax or the income tax shall be paid.

Estimated FY 2013 Tax Expenditure: $12,600,000.

Retaliatory Tax Deduction. Mississippi Code of 1972 (supp.), Section 27-15-109.

Where an additional premium tax is imposed against a domestic company under retaliatory laws of other states in which the domestic company does business, such company may deduct the total of the additional retaliatory tax from the state income tax due by it to the state of Mississippi.

Estimated FY 2013 Tax Expenditure: $2,000.

Reduction for Qualifying Mississippi Investments. Mississippi Code of 1972 (supp.), Section 27- 15-129.

Provision is made for the premium tax to be reduced if the company invests in qualifying Mississippi investments.

Estimated FY 2013 Tax Expenditure: $16,600,000.

Guaranty Association Credit. Mississippi Code of 1972 (supp.), Section 83-23-218.

Member insurers may reduce their premium or income tax liability by a percentage of their assessment paid to the Mississippi Life and Health Insurance Guaranty Association.

Estimated FY 2013 Tax Expenditure: $33,500.

New Markets Credit. -- Mississippi Code of 1972 (Supp.), Section 57-105-1.

An insurance tax credit is allowed for taxpayers making investments that qualify for federal income new markets tax credit as defined in Section 45D of the Internal Revenue Service Code. The aggregate amount of credits that may be allocated to all taxpayers in any one fiscal year cannot exceed $15,000,000 and is to be allocated by the Mississippi Development Authority.

Estimated FY 2013 Expenditure: $2,500,000

Coast Area Credit. -- Mississippi Code of 1972 (Supp.), Section 27-15-133.

Premium taxes shall be reduced by ten percent (10%) of the premium received from new policies written or covering risks for essential property within the coast area. The coastal area includes Hancock, Harrison, Jackson, Stone, Pearl River and George counties. The reduction cannot exceed $100,000.

Estimated FY 2013 Expenditure: $650,000.

## INSTALLMENT LOAN TAX EXPENDITURES

Also known as the finance company privilege tax, the installment loan tax is levied upon every person, firm, corporation, or association, other than state or national banks, doing business of lending money secured by tangible personal property or doing a business of purchasing, discounting, or acquiring forms of indebtedness secured by tangible personal property, not including cotton, cottonseed, or agricultural products. Tax is levied in lieu of all other privilege taxes upon such business.

**Exemptions**. -- Mississippi Code of 1972 (supp.), Section 27-21-3.

State and national banks;

Securities representing transactions known as "floor plan;" securities held representing loans for the repayment of wholesale sales price; signature loans; loans secured by real estate, cotton, cottonseed, or other agricultural products;

Persons, firms, or corporations engaged in the general mercantile business who make advancements of money, merchandise, and supplies to their customers and who take liens upon personal property to secure payment of the indebtedness.

A member of an affiliated group as defined by Section 1504 of the Internal Revenue Code of 1986, as amended, on the date of passage of Senate Bill No. 3247, 1995 Regular Session [Laws, 1995, ch. 457, approved March 24, 1995, and effective from and after July 1, 1995], with respect to loans made by one member of the affiliated group to another and who is not otherwise engaged in the business of loaning money secured by tangible personal property.

Estimated FY 2013 Tax Expenditure: Information not available.

## CASUAL AUTO SALES TAX EXPENDITURES

The auto sales tax is levied upon every person, firm, or corporation purchasing other than at wholesale outside the state any motor vehicle required to be registered or licensed with the tax collector of any county in this state from any person, firm, or corporation which is not a licensed dealer engaged in selling motor vehicles. This casual auto sales tax is levied and collected at the rate of 5% of the true value of the motor vehicle as calculated by using the most current official motor vehicle assessment schedule supplied by the Department of Revenue.

**Exemptions**. -- Mississippi Code of 1972 (supp.), Section 27-65-201(7)(a-c).

(l) Transfers of legal ownership of motor vehicles currently registered or licensed in the transferor's name between husband and wife, parent and child, or grandparents and grandchildren, unless the transferor is a licensed dealer of motor vehicles and the transfer of the motor vehicle is made in the regular course of business.

(2) Transfers of legal ownership of motor vehicles pursuant to a will or pursuant to any law providing for the distribution of the property of one dying intestate.

(3) Transfers of legal ownership of motor vehicles ten (10) or more years after the date of the manufacture of such vehicle.

Estimated FY 2013 Tax Expenditure: Insignificant.

## AUTO PRIVILEGE TAXES AND AUTO TAG FEES

## TAX EXPENDITURES

Auto privilege taxes and tag fees are levied upon operators as reasonable compensation for the use of the highways. Highway privilege tax is paid annually during the anniversary month of license tag or during month established by the tax commission when tag is issued for a period of less than 12 months. Upon carriers of property, highway privilege taxes may be paid for periods of 3 months, 6 months, and 12 months.

**Exemptions**. -- Mississippi Code of 1972 (Supp.), Section 27-19-1 et. seq.

(a) Carriers of property duly registered and licensed in another state and being used to transport farm harvesting machinery or equipment to and from a particular county in this state may, upon adoption of a resolution by the board of supervisors of said county where such machinery or equipment is being exclusively used in harvesting farm crops within said county, be exempt from the highway privilege taxes levied when said resolution is filed with the Department of Revenue. Provided, however, that said exemption shall not exceed a 40-day period for any annual period without a second resolution of approval by the board of supervisors who shall have the authority to extend said exemption not to exceed an additional 20-day period, during any annual period. (27-19-11)

(b) Any trailer or farm tractor solely hauling farm products of the soil from the farm to the gin or market, or transporting fertilizer or feed to the farm, where the gross weight does not exceed 8,000 pounds, and where the title to such products is still in the producer's name. (27-19-17(1))

(c) The wagons or trailers, or tractors drawing same, of circuses, carnivals, fairs and other shows using municipal streets or public highways, when they are shipped into and out of Mississippi by railroad. (27-19-17(4))

(d) Motor vehicles owned by the United States government or any agency or instrumentality thereof, or owned by the state of Mississippi or any county or municipality of the state, or any agency or instrumentality thereof, or owned by any school district or fire protection district in the state. Counties and municipalities are not exempt from tag fees. (27-19-27)

(e) Any tractor, road roller, or road machinery used solely in road building or other highway construction or maintenance work or vehicles permanently equipped with and used exclusively for transporting water well drilling outfits, all of which vehicles are not used upon highways to transport persons or property. (27-19-29)

(f) Antique automobiles, upon payment of $25 permanent fee, shall be exempt from all ad valorem and other taxes. (27-19-47)

(g) Antique motorcycles, upon payment of $25 permanent fee, shall be exempt from all ad valorem and other taxes. (27-19-47.1)

(h) One motor vehicle owned by disabled American veterans who have 100% permanent service-connected disability, or the unremarried surviving spouse, upon payment of $l; pertains only to tags or plates for private passenger motor vehicles or pickup trucks; exempt from all ad valorem and privilege taxes. (27-19-53)

(i) One motor vehicle owned by recipients of the Congressional Medal of Honor or former prisoners of war or the unremarried surviving spouse are exempt from all taxes and fees. (27-19-54) Pertains only to tags for private passenger motor vehicles or pickup trucks.

(j) Street rods, upon payment of $50, are exempt from all taxes and fees. (27-19-56.6)

(k) One motor vehicle owned by the unremarried surviving spouse of a member of the Armed Forces of the United States, a reserve component of the Armed Forces or of the National Guard who, while on active duty, is killed or dies in time of war or national emergency or in an area of immediate military hazard upon payment of $1.00 exempt from all taxes. (27-19-169)

(l) One motor vehicle owned by the recipient of the Purple Heart Medal will be exempt from all taxes and fees pertaining to private passenger motor vehicles, pickup trucks or recreational motor vehicles. One motor vehicle owned by the surviving spouse of a deceased person who was issued a Purple Heart Medal distinctive license plate may apply for or retain one such license plate and may continue to renew as long as the spouse remains unmarried. (27-19-56.5)

(m) Motor vehicles that are designed or adapted to be used exclusively in the preparation and loading of chemical or other materials for aerial agriculture application to crops and only incidentally used on public roadways in this state. (27-19-30)

(n) One (1) private carrier of passengers owned by any religious society, ecclesiastical body or any congregation thereof which is used exclusively for such society and not for profit. (27-19-3)

(o) All motor vehicles owned by any such religious society or any educational institution having a seating capacity greater then seven (7) passengers and used exclusively for transporting passengers for religious or educational purposes and not for profit. (27-19-3)

(p) Motor vehicles that are eligible to display an authentic historical license plate. (27-19-56.11)

(q) Antique pickup, upon payment of $25 permanent fee, shall be exempt from all ad valorem and other taxes. (27-19-47.2)

(r) One motor vehicle owned by the mother or the un-remarried spouse of a service member killed in action or died in a combat zone after 09/11/2001. (27-19-56.162)

Estimated FY 2013 Tax Expenditure: Information not available.

## SUMMARY OF TAX EXPENDITURES

## CORPORATE INCOME TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Credits** | |
| Credit for Finance Company Privilege Tax Paid for Same Tax Year | $ 1,000,000 |
| Jobs Tax Credit | 2,000,000 |
| National and Regional Headquarters Credit | -0- |
| Research and Development Jobs Skills Credit | 1,000 |
| Dependent Care Credit | -0- |
| Job Training or Retraining Credit | 800,000 |
| Gambling License Fees Credit | 11,000,000 |
| Mississippi Business Finance Corporation Revenue Bond Service Credit | 11,000,000 |
| Ad Valorem Inventory Tax Credit | 6,000,000 |
| Export Port Charges Credit | -0- |
| Import Port Charges Credit | -0- |
| Reforestation Tax Credit | 1,000 |
| Financial Institution Credit | -0- |
| Broadband Technology Credit | 11,000,000 |
| Manufacturing Investment Tax Credit | 2,700,000 |
| Brownfield Sites Credit | -0- |
| New Markets Credit | 4,000,000 |
| Biomass Syn-Fuel Credit | Not Available |
| Historical Structure Rehabilitation Credit | 10,000,000 |
| Insurance Guaranty Credit | -0- |
| **Incentives** | |
| Redevelopment Project Incentive Fund | Not Available |
| **Deductions** | |
| Capital Gains Exempt | Not Available |
| Charitable Contributions - Corporate | Not Available |
| Reserve Funds | Not Available |
| Annuity Income | Not Available |
| Contributions to Employee Pension Plans | Not Available |
| Net Operating Loss Carryover | Not Available |
| Dividends for Holding Companies | Not Available |
| Dividend Distributions | Not Available |
| Growth and Prosperity Area | Not Available |

## CORPORATE FRANCHISE TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Exemptions** | |
| Growth and Prosperity Area | Not Available |
| “Fee-In-Lieu” | Not Available |
| **Credits** | |
| Bank Share Tax Credit | 200,000 |
| Broadband Technology Credit | 11,000,000 |
| Insurance Guaranty Credit | -0- |
| **Incentives** | |
| Redevelopment Project Incentive Fund | Not Available |

## WITHHOLDING TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Incentive Payments** | |
| Mississippi Advantage Jobs Incentive Program | 11,000,000 |
| Existing Industry Withholding Rebate Program | 3,000,000 |
| IMPACT Withholding Rebate Program | 8,000,000 |

## INDIVIDUAL INCOME TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Exemptions** | |
| Personal Exemptions | $ 413,101,000 |
| Exemptions for Dependents | 51,885,000 |
| Other Exemptions | 358,453,000 |
| Medical Savings Accounts | 5,000 |
| Health Savings Accounts | 565,000 |
| Prisoners of War, Missing in Action | Insignificant |

**Adjustments**

| | |
|---|---|
| Individual Retirement Accounts | 2,495,000 |
| Keogh Plans | 4,452,000 |
| Interest Penalty on Early Withdrawal of Savings | 87,000 |
| Unreimbursed Moving Expense | 396,000 |
| College Savings Plans | 2,293,000 |
| Self-Employed Health Insurance | 7,457,000 |

**Credits**

| | |
|---|---|
| Credit for Income Tax Paid To Another State | 58,300,000 |
| Long-Term Care Premium Credit | 1,000,000 |
| Other Credits | 14,279,000 |

**Deductions**

| | |
|---|---|
| Standard Deduction | 117,000 |
| Itemized Deductions | |
| Medical and Dental Expenses | 31,941,000 |
| Real Estate Taxes | 21,554,000 |
| Home Mortgage Interest | 84,306,000 |

**Individual Income Tax (Continued)**

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| Investment Interest | $ 2,664,000 |
| Charitable Contributions | 70,118,000 |
| Casualty and Theft Losses | 1,301,000 |
| Employee Expenses % Miscellaneous Deductions Subject To 2% Limitation | 61,629,000 |
| Miscellaneous Deductions Not Subject to 2% Limitation | 12,075,000 |
| Organ Donation Deduction | Not Available |

## SALES AND USE TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Exceptions to the General Sales Tax Rate** | |
| Retail Sales of Farm Tractors, Farm Implements and Logging Equipment Taxed at 1.5% | $ 16,479,780 |
| Aircraft, Trucks, Semi-Trailers and Mobile Homes Taxed at 3% | 17,442,862 |
| Autos and Light Trucks Taxed at 5% | 81,260,542 |
| Manufacturing Machinery and Certain Port Facility Equipment Taxed at 1½% | 70,104,341 |
| Materials Used in Railroad Tracks Taxed at 3% | 1,334,000 |
| Sales to Electric Power Associations Taxed at l% | 4,562,983 |
| **Discount for Timely Filing 2%** | 12,000,000 |
| **Sale of Utilities** | |
| To Residential Consumers 0% | (123,995,000) |
| To Manufacturers Taxed at 1½% | 24,523,861 |
| To Farmers Taxed at 1½% | 758,470 |
| **Industrial Exemptions** | |
| Boxes, Crates, and Cartons | (2,216,000) |
| Raw Materials Used in Manufacturing | (122,689,000) |
| Offshore Drilling Equipment Large Vessels | (2,216,000) |
| Commercial Fishing Boats | (2,077,000) |
| Repairs to Vessels | (5,776,000) |
| Rolling Stock Used in Interstate Commerce | (3,325,000) |
| Sales of Parts Used in the Repair of Aircraft | Not Available |

NOTE: Numbers in parentheses should be considered very inexact estimates. No established data base exists for determining these values.

**Sales and Use Tax (Continued)**

| | | Estimated FY 2013 Tax Expenditure |
|---|---|---|
| **Industrial Exemptions** (continued) | | |
| Raw Material Used in Manufacturing Rolling Stock | $ | Insignificant |
| Machinery or Parts Used in Repairing Large Ships | | (739,000) |
| Tangible Personal Property Consumed on Ships in International Commerce | | (60,000) |
| Storage of Perishable Goods | | Insignificant |
| Natural Gas Used in Oil Production | | (2,771,000) |
| Income from Self-Service Commercial Laundry | | (1,559,000) |
| Economic Development Reform Act Incentives | | (6,269,000) |
| Growth and Prosperity Act Incentives | | Not Available |
| Pollution Control Equipment | | Not Available |
| Broadband Technology Equipment | | Not Available |
| Motion Picture Items | | Not Available |
| Sales of Component Materials and Equipment Used to Repair Buildings and Equipment Damaged or Destroyed as a Result of a Natural Disaster | | Not Available |
| **Agricultural Exemptions** | | |
| Sales of lint, Seed Cotton, Baled Cotton, Feed, Seed, Fertilizers, Baling Wire, Packaging Materials, etc. | | (54,970,000) |
| Sales of Agricultural Produce to Be Further Processed | | (91,755,000) |
| Retail Sales of Mules, Horses, and Other Livestock | | Insignificant |
| Sales of Antibiotics, Medicines, Vitamins, etc. | | (1,398,000) |
| **Other Exemptions** | | |
| Sales to U.S. Government or State of Mississippi | | (183,509,000) |
| Sales to Public Schools | | (27,709,000) |
| Sales of School Textbooks | | (3,325,000) |
| Sales to Mississippi Band of Choctaw Indians | | (1,000,000) |

NOTE: Numbers in parentheses should be considered very inexact estimates.
No established data base exists for determining these values.

**Sales and Use Tax (Continued)**

| | | Estimated FY 2013 Tax Expenditure |
|---|---|---|
| **Other Exemptions** (continued) | | |
| Sales of Firefighting Equipment to Governmental or Volunteer Fire Departments | | (156,000) |
| Sales to Nonprofit Water Associations | | (1,302,000) |
| Sales of Home Medical Equipment | | (7,053,000) |
| | | |
| **Miscellaneous Exemptions** | | |
| Sales to Nonprofit Hospitals and Infirmaries | $ | (87,334,000) |
| Newspapers and Periodicals | | (5,776,000) |
| Coffins and Caskets | | (2,216,000) |
| Sales of Goods for Immediate Export | | Insignificant |
| Sales to Nonprofit Orphanages, or to Old Men's or Old Ladies' Homes | | (277,000) |
| Sales to YMCA, YWCA, or Boys or Girls Clubs | | (1,450,000) |
| Sales to Nonprofit Private Schools | | (1,109,000) |
| Drugs and Medicines | | (28,836,000) |
| Sales to Salvation Army or Muscular Dystrophy Association, Inc. | | (206,000) |
| Sales of Alcohol-Blended Fuel Using Mississippi Distilled Alcohol | | Insignificant |
| Sales to the Institute for Technology Development | | |
| Retail Sales of Vehicles and Semi-Trailers Exported Within 48 Hours | | (584,000) |
| Sales of Food and Drink in Full-Service Vending | | Insignificant |
| Sales of Motor Fuel | | (208,239,000) |
| Sales of Food Purchased with Food Stamps or WIC Instruments | | (24,643,000) |
| Sales of Cookies by Girl Scouts of America | | (265,000) |
| Sales to Public or Nonprofit Museums of Art | | Insignificant |
| Sales to Alumni Associations of State-Supported Colleges or Universities | | Insignificant |
| Sales to National Association of Junior Auxiliaries, Inc. | | Insignificant |
| Sales to Domestic Violence Shelters | | Insignificant |

NOTE: Numbers in parentheses should be considered very inexact estimates.
No established data base exists for determining these values.

**Sales and Use Tax (Continued)**

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Miscellaneous Exemptions** (continued) | |
| Sales to the Mississippi Chapter of the National Multiple Sclerosis Society | Insignificant |
| Sales to Nonprofit Organizations Providing Foster Care, Temporary Housing, Adoption Services and Residential Rehabilitation Services | Not Available |

## SEVERANCE TAXES

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Exemptions** | |
| Enhanced Recovery | $ 49,000,000 |
| Development Wells or Replacement Wells | 0 |
| Development Wells Utilizing 3D Seismic | 0 |

## INSURANCE PREMIUM TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Exemptions** | Not Available |
| **Credits** | |
| Income Taxes Paid | 12,600,000 |
| Retaliatory Tax Deduction | 2,000 |
| Reduction for Qualifying Mississippi Investments | 16,600,000 |
| Guaranty Association | 33,500 |
| Coast Area Credit | 650,000 |
| New Markets Credit | 2,500,000 |

## INSTALLMENT LOAN TAX

| | Estimated FY 2013 Tax Expenditure |
|---|---|
| **Exemptions** | Not Available |

## CASUAL AUTO SALES TAX

| | |
|---|---|
| **Exemptions** | Insignificant |

## AUTO PRIVILEGE TAXES AND AUTO TAG FEES

| | |
|---|---|
| **Exemptions** | Not Available |

## CLASSIFICATION OF TAX EXPENDITURES ACCORDING TO PURPOSE

In order to organize the tax expenditure items documented in the previous pages in a systematic fashion, five categories of tax expenditures have been established for this report. Each of the tax expenditures listed in this report has been placed into one of the five classifications.

### Tax Expenditures Which Redistribute the Tax Burden

The first classification of tax expenditures consists of those tax expenditures which redistribute the tax burden. This includes all of those tax expenditure items, the purpose of which is to directly or indirectly shift the burden of taxation from one income class to another.

| Tax Expenditures | Estimated FY 2013 Tax Expenditure |
|---|---|
| Credit for Finance Company Privilege Tax Paid for Same Tax Year | $ 1,000,000 |
| Dependent Care Credit | -0- |
| Gambling License Fees Credit | 11,000,000 |
| Mississippi Business Finance Corporation Revenue Bond Service Credit | 11,000,000 |
| Ad Valorem Inventory Credit | 6,000,000 |
| Brownfield Sites Credit | 0 |
| Export Port Charges Credit | -0- |
| Import Charges Credit | 0 |
| Broadband Technology Credit | 11,000,000 |
| Reforestation Tax Credit | 1,000 |
| Advantage Jobs Incentive Credit | 11,000,000 |
| Personal Exemptions | 413,101,000 |
| Income Tax Exemptions For Dependents | 51,885,000 |
| Jobs Tax Credit | 2,000,000 |
| National and Regional Headquarters Credit | 0 |
| Research and Development Jobs Skills Credit | 1,000 |
| Job Training or Retraining Credit | 800,000 |
| Financial Institution Credit | 0 |
| Bank Share Tax Credit | 200,000 |
| Manufacturing Investment Tax Credit | 2,700,000 |

**Tax Expenditures Which Redistribute the Tax Burden** (continued)

| Tax Expenditure (continued) | Estimated FY 2013 Tax Expenditure |
|---|---|
| Insurance Premium Retaliatory Tax Deduction | $ 1,000,000 |
| Other Individual Exemptions | 358,453,000 |
| College Savings Plans | 2,293,000 |
| Prisoners of War, Missing in Action | Insignificant |
| Standard Deduction | 117,000 |
| Sale of Utilities to Residential Consumers | 123,995,000 |
| Sales to Nonprofit Water Associations | (1,302,000) |
| Sales to Nonprofit Hospitals and Infirmaries | (87,334,000) |
| Coffins and Caskets | (2,216,000) |
| Sales to Nonprofit Orphanages, or to Old Men's or Old Ladies' Homes | (277,000) |
| Drugs and Medicines | (28,836,000) |
| Sales of Food Purchased with Food Stamps or WIC Instruments | (24,643,000) |
| **Total** | 1,365,381,000 |

**Tax Expenditures With a Direct Budgetary Objective**

The second category of tax expenditures includes those provisions in the statutes which have a direct budgetary objective, i.e., to encourage private expenditure in lieu of public expenditure for particular purposes or to subsidize private expenditures.

| **Tax Expenditures** | Estimated FY 2013 Tax Expenditures |
|---|---|
| Discount for Timely Filing | $ 12,000,000 |
| Newspapers and Periodicals | (5,776,000) |
| Sales of Goods for Immediate Export | Insignificant |
| Sales to YMCA, YWCA, or Boys or Girls Clubs | (1,450,000) |
| Sales to Nonprofit Private Schools | (1,109,000) |

NOTE: Numbers in parentheses should be considered very inexact estimates.

No established data base exists for determining these values.

**Tax Expenditures With a Direct Budgetary Objective** (continued)

| Tax Expenditure (continued) | Estimated FY 2013 Tax Expenditures |
|---|---|
| Sales to Salvation Army or Muscular Dystrophy Association, Inc. | $ (206,000) |
| Sales of Alcohol-Blended Fuel Using Mississippi Distilled Alcohol | Insignificant |
| Sales to the Institute for Technology Development | (584,000) |
| Enhanced Recovery | 49,000 |
| Development Wells or Replacement Wells | 0 |
| Development Wells Utilizing 3D Seismic | 0 |
| Insurance Premium Tax Credits | 12,600,000 |
| Coast Area Credit | 650,000 |
| Sales of Cookies by Girl Scouts of America | (265,000) |
| Sales of Home Medical Equipment and Supplies | 7,053,000 |
| Sales to Public or Nonprofit Museums of Art | Insignificant |
| Sales to Alumni Associations of State-Supported Colleges and Universities | Insignificant |
| Sales to National Association of Junior Auxiliaries, Inc. | Insignificant |
| Sales to Domestic Violence Shelters | Insignificant |
| Sales to the Mississippi Chapters of the National Multiple Sclerosis Society | Insignificant |
| **Total** | 74,405,400 |

NOTE: Numbers in parentheses should be considered very inexact estimates.

No established data base exists for determining these values.

## Tax Expenditures Which Are Outside the Relevant Tax Base

The third category of tax expenditures consists of those provisions in the tax code which, although constituting tax expenditures in the strict language of the law, are in fact outside of the relevant tax base according to the implied or stated spirit of the law. These include items such as the levy of the retail sales tax on transactions which are clearly wholesale in nature.

| **Tax Expenditures** | Estimated FY 2013 Tax Expenditure |
|---|---|
| Retail Sales of Farm Tractors, Farm Implements & Logging Equipment Taxed at 1.5% | $ 16,479,780 |
| Aircraft, Trucks, Mobile Homes Taxed at 3% | 17,442,862 |
| Autos and Light Trucks (10,000 lbs or less) Taxed at 5% | 81,260,542 |
| Manufacturing Machinery and Certain Port Facility Equipment Taxed at l½% | 70,104,341 |
| Materials Used in Railroad Tracks Taxed at 3% | 376,194 |
| Sales to Electric Power Associations Taxed at 1 ½% | 4,562,983 |
| Sale of Utilities to Manufacturers | 24,523,861 |
| Sale of Utilities to Farmers | 758,470 |
| Boxes, Crates, and Cartons | (2,216,000) |
| Raw Materials Used in Manufacturing | (122,689,000) |
| Offshore Drilling Equipment Large Vessels | (2,216,000) |
| Commercial Fishing Boats | (2,077,000) |
| Repairs to Vessels | (5,775,000) |
| Rolling Stock Used in Interstate Commerce | (3,325,000) |
| Raw Material Used in Manufacturing Rolling Stock | Insignificant |
| Machinery or Parts Used in Repairing Large Ships | (739,000) |
| Tangible Personal Property Consumed on Ships in International Commerce | (60,000) |

NOTE: Numbers in parentheses should be considered very inexact estimates

No established data base exists for determining these values.

**Tax Expenditures Which Are Outside the Relevant Tax Base** (continued)

| Tax Expenditures (continued) | Estimated FY 2013 Tax Expenditure |
|---|---|
| Storage of Perishable Goods | $ Insignificant |
| Natural Gas Used in Oil Production | (2,771,000) |
| Economic Development Reform Act Incentives | (6,269,000) |
| Income from Self-Service Commercial Laundry | (1,559,000) |
| Sales of Lint, Seed Cotton, Baled Cotton, Feed, Seed, Fertilizers, Baling Wire, Packaging Materials, etc. | (54,970,000) |
| Sales of Agricultural Produce to Be Further Processed | (91,755,000) |
| Retail Sales of Mules, Horses, and Other Livestock | Insignificant |
| Sales to U.S. Government or State of Mississippi | (183,509,000) |
| Sales to Public Schools | (27,709,000) |
| Sales of School Textbooks | (3,325,000) |
| Sales to Mississippi Band of Choctaw Indians | (1,000,000) |
| Sales of Firefighting Equipment to Governmental or Volunteer Fire Departments | (156,000) |
| Casual Auto Sales Tax Exemptions | Insignificant |
| Retail Sales of Vehicles and Semi-Trailers Exported Within 48 Hours | (2,162,000) |
| Sales of Food and Drink in Full-Service Vending | Insignificant |
| Sales of Motor Fuel | (208,239,000) |
| **Total** | 860,616,500 |

NOTE: Numbers in parentheses should be considered very inexact estimates.
No established data base exists for determining these values.

## Tax Expenditures Which Conform With Federal Law

The fourth category of tax expenditures includes those provisions in the Mississippi statutes which conform to federal tax codes.

| Tax Expenditures | Estimated FY 2013 Tax Expenditure |
|---|---|
| Medical Savings Account | $ 5,000 |
| Health Savings Accounts | 565,000 |
| Individual Retirement Accounts | 2,495,000 |
| Keogh Plans | 4,452,000 |
| Interest Penalty on Early Withdrawal of Savings | 87,000 |
| Credit for Income Tax Paid To Another State | 58,300,000 |
| Medical and Dental Expenses | 31,941,000 |
| Real Estate Taxes | 21,554,000 |
| Home Mortgage Interest | 84,306,000 |
| Investment Interest | 2,664,000 |
| Charitable Contributions | 70,118,000 |
| Casualty and Theft Losses | 1,301,000 |
| Employee Expenses % of Miscellaneous Deductions Subject to 2% Limitation | 61,629,000 |
| Miscellaneous Deductions Not Subject to 2% Limitation | 12,075,000 |
| **Total** | 340,147,800 |

## Tax Expenditures Which Cannot Be Accurately Measured

The final category of tax expenditures listed in this document includes all of those items which are considered to be legitimate tax expenditures but for which there exists insufficient information to estimate the value.

| Tax Expenditures | Estimated FY 2013 Tax Expenditure |
|---|---|
| Capital Gains Exempt | Not Available |
| Charitable Contributions - Corporate | Not Available |
| Reserve Funds | Not Available |
| Annuity Income | Not Available |
| Contributions to Employee Pension Plans | Not Available |
| Net Operating Loss Carryover | Not Available |
| Unreimbursed Employee Business Expenses | Not Available |
| Insurance Premium Tax Exemptions | Not Available |
| Installment Loan Tax Exemption | Not Available |
| Auto Privilege Taxes and Auto Tax Fee Exemptions | Not Available |
| Sales of Machinery or Equipment to Nonprofit Organizations | Not Available |
| Created by the Oil Pollution Control Act of 1990 | |
| Dividend Distribution | Not Available |
| Dividends for Holding Companies | Not Available |
| Sales of Broadband Technology Equipment | Not Available |
| Growth and Prosperity Area | Not Available |
| “Fee-In-Lieu” | Not Available |
| Sales of Parts Used in the Repair of Aircraft | Not Available |
| New Markets Credit | $4,000,000 |

**Tax Expenditures Which Cannot Be Accurately Measured** (continued)

| Tax Expenditures (continued) | Estimated FY 2013 Tax Expenditure |
|---|---|
| Long-Term Care Premium Tax Credit | Not Available |
| Redevelopment Project Incentive Fund | Not Available |
| Growth and Prosperity Act Incentives | Not Available |
| Pollution Control Equipment | Not Available |
| Organ Donation Deduction | Not Available |
| Sales to Nonprofit Organizations Providing Foster Care, Temporary Housing, Adoption Services and Residential Rehabilitation Services | Not Available |
| Sales of Component Materials and Equipment Used to Repair Buildings and Equipment Damaged or Destroyed as a Result of a Natural Disaster | Not Available |

## APPENDIX A: 2011 LEGISLATION

### Sales & Use Tax Bureau

House Bill 1677, 2010 Regular Session - Amends Miss Code Ann. §27-65-105, to exempt from sales taxation retail sales of buses and other motor vehicles, and parts and labor used to maintain and repair the buses and motor vehicles, to an entity that has entered into or renewed a contact with a school board on or after July 1, 2010. The bus or motor vehicle must be used for the transportation of students to and from schools in order to qualify for the exemption Effective date July 1, 2010.

House Bill 1684, 2010 Regular Session - Creates new Miss Code Ann. §27-65-24, to change how the 1.5% tax on the sale of manufacturing or processing machinery to be installed and/or used at a refinery in this state, and the 3.5% tax on the performance of construction activities at refineries in this state are levied. It provides that if the owner of the refinery holds a direct pay permit, the owner must furnish the permit to the seller or person performing the construction activity unless the holder of the direct pay permit is given written authority to do otherwise. This has the effect of relieving the seller or person performing the construction activity of the duty to collect the tax. Instead, the owner of the refinery will pay the tax. House Bill 1684 also amends Miss Code Ann. §27-65-21, to exempt construction activities performed at certain refineries. It also amends Miss Code Ann. §27-67-5, to provide that use tax will apply to certain equipment used at refinery operations. It also provides that purchases financed by certain bond proceeds will not be exempt from the tax levied in Miss Code Ann. §27-65-24(1) (b). Effective July 1, 2010.

House Bill 1701, 2010 Regular Session - Amends Miss Code Ann. §27-65-101 to provide that certain entities that manufacture clean energy or are involved in the research and development or manufacture of aerospace products or training in the aerospace industry may be eligible for the exemption of sales and use tax for a period of ten years. It also provides that certain businesses that operate data centers in Mississippi may be exempt from sales and use tax for the purchase of component building materials and equipment for the initial construction or expansion of facilities and sales and use tax on the purchase of replacement hardware, software or technology used to operate a data center. Effective July 1, 2010.

Senate Bill 2636, 2010 Regular Session - Amends Miss Code Ann. §27-65-75 to provide that the sales tax revenue derived from sales by cotton compresses or cotton warehouses that is normally paid into the general fund will be paid into the Boll Weevil Management Fund. Effective July 1, 2010.

House Bill 598, 2011 Regular Session - Amends Miss. Code Ann. §27-65-24 to remove repeal date on the tax imposed under Miss. Code Ann. §27-65-24. Effective July 1, 2011.

House Bill 1161, 2011 Regular Session - Amend Miss. Code Ann. §27-65-101, to provide for the repeal of the industrial sales tax exemption for sales of certain machinery and equipment used in the production of motion pictures; to amend Miss Code Ann. §27-65-101, to provide an industrial sales tax exemption for sales of supplies, equipment and other personal property to an organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is the host organization coordinating a professional golf tournament played or to be played in this state and the property will be used for purposes related to the golf tournament and related activities; and for related purposes.

Senate Bill 2368, 2012 Regular Session - Amends Miss. Code Ann. §27-65-39 to apply a straight 10% for sales and use tax. Prior to July 1, 2012, the penalty rate graduated from 10%, 15%, 25% to a maximum of 50% after every three occurrence of delinquent payment. The interest rate of 1% remains in effect, in addition to the blanket 10% penalty rate.

House Bill 1537, 2012 Regular Session - Amends Miss. Code Ann. §27-65-101, to provide an exemption for sales of materials used in the construction of a health care industry facility. The exemption under §27-65-101 (pp) is applicable to sales of materials used in the construction of a health care industry facility, as defined in Section 57-11703, or any addition or improvement thereon, and sales of any machinery and equipment not later than three (3) months after the completion of construction of the facility, or any addition thereon, to be used therein, to qualified businesses, as defined in Section 57-117-3.

House Bill 582, 2012 Regular Session - Amends Miss. Code Ann. §27-65-19, to provide an exemption for sales of utilities to churches. The exemption under §27-65-19(1)(a)(ii) is applicable to the gross income from sales to a church that is exempt from federal income taxation under 26 USCS Section 501(c)(3) of electricity, current, power, natural gas, liquefied petroleum gas or other fuel for heating, lighting or other use, and sales of potable water to such a church shall be excluded from taxable gross income of the business if the electricity, current, power, natural gas, liquefied petroleum gas or potable water is utilized on property that is primarily used for religious or educational purposes.

## Individual Income Tax Bureau

House Bill 1673, 2010 Regular Session - Amends Miss Code Ann. §27-7-15 to exclude amounts converted from a Traditional IRA to a Roth IRA from gross income. This bill is effective January 1, 2010.

House Bill 1716, 2010 Regular Session - Provides a $5.50 per acre income tax credit for certain taxpayers that allow land to be used as a natural area preserve, wildlife refuge, wildlife management area or public outdoor recreation area. This bill is effective January 1, 2010.

House Bill 1311, 2011 Regular Session - Amends Miss. Code Ann. §27-7-22.31 to provide that the amount of income tax credit allowed for costs and expenses incurred in the rehabilitation of certified historic structures exceeds the taxpayer's tax liability for the year, and the amount of the tax credit established by this sections exceeds $250,000.00, the taxpayer may elect to claim a refund in the amount of 75% of the excess credit in lieu of the ten-year carryforward.

Senate Bill 2934, 2012 Regular Session - Amends Miss. Code Ann. §27-7-22.5, by increasing the income tax credit for ad valorem taxes paid by taxpayers on certain inventory, including raw materials or work-in-process. The bill also authorizes any tax credit claimed under this section but not used in any taxable year to be carried forward for five (5) consecutive years from the close f the tax year in which the credit was earned. For taxable year 1997 thereafter through taxable year 2013, the tax credit for each location of the taxpayer cannot exceed the lesser of $5,000 or the amount of income taxes paid attributed to such location. For taxable year 2014, the tax credit for each location of the taxpayer shall not exceed the lesser of $10,000 or the amount of income taxes paid attributed to such location. For taxable year 2015, the tax credit for each location shall not exceed the lesser of $15,000 or the amount of income taxes paid attributed to such location. For the 2016 taxable year and each taxable year thereafter, the tax credit of the taxpayer shall be the lesser of the amount of the ad valorem taxes described in subsection (1) paid or the amount of income taxes due that attributable to such location.

**Corporate Income Tax Bureau**

House Bill 1674, 2010 Regular Session - Authorizes a jobs tax credit for businesses that operate an upholstered household furniture manufacturing facility. The credit is $2,000 annually for each full-time employee employed in a new "cut and sew job" for a period of 5 years from the date the credit commences. This bill is effective January 1, 2010.

House Bill 1701, 2010 Regular Session - Amends Miss Code Ann. §27-7-21 to provide that certain entities that manufacture clean energy or are involved in the research and development or manufacture of aerospace products or training in the aerospace industry may be eligible for the exemption of income tax for a period of ten years. The bill is effective July 1, 2010.

House Bill 1716, 2010 Regular Session - Provides a $5.50 per acre income tax credit for certain taxpayers that allow land to be used as a natural area preserve, wildlife refuge, wildlife management area or public outdoor recreation area. This bill is effective January 1, 2010.

House Bill 1311, 2011 Regular Session - Amends Miss. Code Ann. §27-7-22.31 to provide that the amount of income tax credit allowed for costs and expenses incurred in the rehabilitation of certified historic structures exceeds the taxpayer's tax liability for the year, and the amount of the tax credit established by this sections exceeds $250,000.00, the taxpayer may elect to claim a refund in the amount of 75% of the excess credit in lieu of the ten-year carryforward.

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