THE ANNUAL TAX EXPENDITURE REPORT

December, 2014

University Research Center
Mississippi Institutions of Higher Learning
Jackson, Mississippi

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INTRODUCTION

The Tax Expenditure Annual Report Act and the Economic Development Reorganization Act require the University Research Center to prepare an annual tax expenditure report. This document is the twenty-fifth 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. 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 § 27-65-103 of the Mississippi Code of 1972 (Supp.) from the sales tax and as such could be considered a tax expenditure. However, § 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: 2012 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.), § 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 2015 Tax Expenditure: $800,000.

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

(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 Number 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.), § 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 § 57-73-21.

Estimated FY 2015 Tax Expenditure: $2,400,000.

National Headquarters Credit - Mississippi Code of 1972 (Supp.), § 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 20 jobs at the headquarters. The minimum increase of 20 jobs must occur within one year.

An Additional credit, the Headquarters Relocation Credit, is authorized for any company that transfers or relocates its national or regional headquarters to the State of Mississippi from outside the State of Mississippi in an amount equal to the actual relocation costs paid by the company. A minimum of twenty (20) jobs must be created in order to qualify for the additional credit. The tax credit shall be applied for the taxable year in which the relocation costs are paid. The total of the Jobs Tax Credit, the Headquarters Credit and the R&D Skills Credit cannot exceed fifty percent (50%) of the total income tax due. The credit is limited to fifty percent (50%) of the income tax liability in each year and any credit claimed but not used in any taxable year may be carried forward five (5) years from the close of the tax year in which the relocation costs were paid. A company may not receive a credit for the relocation of an employee more than one (1) time in a twelve-month period for that employee. The maximum cumulative amount of tax credit that may be claimed by all taxpayers in any one fiscal year shall not exceed $1,000,000.

Estimated FY 2015 Tax Expenditure: $0.

Research and Development Jobs Skills Credit - Mississippi Code of 1972 (Supp.), § 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 total of the Jobs Tax Credit, the Headquarters Credit and the R&D Skills Credit cannot exceed fifty percent (50%) of the total income tax due. The credit can be carried forward for up to five (5) years.

Estimated FY 2015 Tax Expenditure: $0.

Dependent Care Credit - Mississippi Code of 1972 (Supp.), § 57-73-23.

An income tax credit is allowed to any employer providing dependent day care (both children and adult) for its employees during the employees' working hours or assisting community-provided day care. The expenses must be incurred in the operation of a program certified by the Mississippi Department of Health and may only be claimed in the tax year in which the expenses are actually paid. The credit is equal to fifty percent (50%) of the income tax liability. Any excess credit will not be refunded, but can be carried forward for up to five (5) years.

Estimated FY 2015 Tax Expenditure: $900,000.

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

A training credit is allowed for all employer-sponsored training programs provided through any community or junior college in the district within which the employer is located or training approved by such community or junior college. The training offered must enhance skills related to the job that the employee is performing, improve job performance, or relate to a career path that is anticipated for the employee. If the employer provides pre-employment training, only the portion of the pre-employment training that involves skills training will be eligible for the credit. The credit is applied to qualified training expenses, which are expenses related to instructors, instructional materials and equipment, and the construction and maintenance of facilities by such employer designated for training purposes. The credit shall not to exceed $2,500 per employee per year. The credit is limited to 50% of the income tax liability and may be carried forward for up to five (5) years. The repeal date is July 1, 2016.

Estimated FY 2015 Tax Expenditure: $0.

Gambling License Fees Credit - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $19,000,000.

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

A tax credit is allowed to a Mississippi employer which is a financial institution against the income taxes based upon the net gain, if any, in the number of employees of the financial institution where there is a merger, consolidation or purchase of all or substantially all of the assets of another entity that qualifies as a financial institution as defined in Miss. Code Ann. § 27-7-24.1.1. The credit is earned when the transactions are between in-state and out-of state financial institutions and is based on the net gain in the number of employees by comparing the employment level in the month the transaction was completed to the employment level for the same month one (1) year following completion of the transaction. The base amount of the credit is $1,500 per employee and may be claimed against the income tax over five years in an amount equal to 100% of the base amount in the tax year the determination was made, 80% in the next year, 60% in the third year, 40% in the fourth year and 20% in the fifth year. The credit allowed shall not exceed the amount of taxes due and shall not be refunded or carried forward to any other taxable year.

Estimated FY 2015 Expenditure: $0.

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

An income tax credit is available equal to the total debt service paid on industrial revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing, telecommunications, data processing, distribution or warehouse facilities within this state. The credit is limited to the lesser of eighty percent (80%) of the total income tax liability or the income tax liability attributable to the income generated by the economic development project as determined by the Mississippi Business Finance Corporation. Any excess credit shall not be refunded and may be carried forward three (3) years.

For any economic development project bonds that were issued prior to July 1, 1997, a job development assessment fee may be levied upon employees whose job was created as a result of the economic project. The assessment fee shall not exceed the following percentages of gross wages of the employee: (a) 2%, if the gross wages are equivalent to $5.00 or more but less than $7.00 per hour; (b) 4%, if the gross wages are equivalent $7.00 or more but less than $9.00 per hour; and (c) 6% if the gross wages are equivalent to $9.00 or more per hour. An income tax credit is allowed for each employee required to pay the assessment fee in an amount equal to the amount of job assessment fee imposed. Any excess credit shall not be refundable or carried forward to any other taxable year. The repeal date is October 1, 2015.

Estimated FY 2015 Expenditure: $3,500,000.

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

An income tax credit is available for a manufacturing enterprise that has operated in Mississippi for two (2) or more years and is equal to five percent (5%) of the enterprise's investment in buildings or equipment used in the manufacturing operation. The eligible investment must be at least $1,000,000. The credit can offset up to fifty percent (50%) of the income tax liability in each year reduced by the sum of all other income tax credits. Any excess credit may be carried forward for five (5) years. The maximum credit allowed on any project is $1,000,000.

Estimated FY 2015 Expenditure: $7,000,000.

Ad Valorem Inventory Tax Credit - Mississippi Code of 1972 (Supp.), § 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. An income tax credit is also for individuals, firms or corporations for ad valorem taxes paid on rental equipment. The tax credit allowed may be claimed for each location where such commodities, raw material, works-in-process, products, goods, wares, merchandise and/or rental equipment are found and upon which the ad valorem taxes have been paid. Any tax credit claimed but not used in any taxable year may be carried forward for five (5) consecutive years from the close of the tax year in which the credit was earned. The credit shall be used as follows: (a) For the 1997 taxable year and each taxable year thereafter through taxable year 2013, the tax credit for each location of the taxpayer shall not exceed the lesser of $5,000 or the amount of income taxes paid attributed to such location; (b) For the 2014 taxable year, the tax credit for each location of the taxpayer shall not exceed the lesser of $10,000 or the amount of income taxes due that are attributable to such location; (c) For the 2015 taxable year, the tax credit for each location of the taxpayer shall not exceed the lesser of $15,000 or the amount of income taxes due that are attributable to such location; and (d) 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 paid or the amount of income taxes due that are attributable 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 2015 Expenditure: $7,200,000.

Brownfield Sites Credit - Mississippi Code of 1972 (Supp.), § 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 § 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 2015 Expenditure: $40,000.

Export Charges Credit - Mississippi Code of 1972 (Supp.), § 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 five (5) years. The maximum cumulative credit that may be claimed by a taxpayer 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. The repeal date is July 1, 2016.

Estimated FY 2015 Expenditure: $0.

Import Charges Credit - Mississippi Code of 1972 (Supp.), § 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 (5) 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 (5) years. 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.

Estimated FY 2015 Expenditure: $0.

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

An income tax and franchise tax credit is available for telecommunications enterprises for investments made after June 30, 2003 and before July 1, 2020. The credit is based on a percentage of the cost of equipment used in the deployment of broadband technology. The credit percentage amount is determined on where the equipment is being deployed or placed in service. The percentage amount for each county is 5%, 10% and 15% for Tier 1, Tier 2 and Tier 3 counties respectively. The annual credit is available beginning in the year the equipment is placed into service and may be taken for that equipment each year for the following nine (9) years. The total amount of credit taken in any one year is only allowed against fifty percent (50%) of the aggregate income and franchise tax liability for that year. The credit is not refundable and any excess credit amount can be carried forward for up to ten (10) consecutive years from the close of the original year in which the excess credit could not be used. The total amount of credits taken over the ten (10) consecutive year period cannot exceed 100% of the original investment in the equipment.

Estimated FY 2015 Expenditure: $9,500,000.

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 corporations which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

Estimated FY 2015 Expenditure: $4,000.

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

An income tax credit and insurance premium tax credit is allowed for taxpayers making investments that qualify for Federal income new markets tax credit as defined in § 45D of the Internal Revenue Service Code. The amount of the credit shall be equal to the applicable percentage of the adjusted purchase price paid to the qualified community development entity for the qualified equity investment. The amount of the credit that may be utilized in any one (1) year shall be limited to the total tax liability of the taxpayer for the applicable (income, insurance premium or premium retaliatory) tax. The credit shall not be refundable or transferable. Any unused portion of the credit may be carried forward for seven (7) years beyond the credit allowance date on which the credit was earned. The total amount of credit for all taxpayers is capped at $15,000,000 per year.

Estimated FY 2015 Expenditure: $7,000,000.

Biomass Energy Credit - Mississippi Code of 1972 (Supp.), § 57-105-1.

An income investment tax credit is allowed for enterprises owning or operating certain electrical and thermal energy producing facilities. The 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 2015 Expenditure: $0.

Historical Structure Rehabilitation Credit - Mississippi Code of 1972 (Supp.), § 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 that has been determined eligible for the National Register of Historic Places by the Secretary of the United States Department of the Interior and will be listed within thirty (30) months of claiming the credit authorized by this section. 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 as defined under § 47(c)(2)(A) of the IRC. 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, the amount that exceeds the total state income tax liability may be carried forward for ten (10) succeeding tax years.
If the amount of the tax credit established by this section exceeds $250,000, the taxpayer may elect to claim a refund in the amount of seventy-five percent (75%) of the excess credit in lieu of the ten-year carry forward. The election must be made in the year in which the rehabilitated property is placed in service. Refunds will be paid in equal installments over a two-year period and shall be made from current collections.

Estimated FY 2015 Expenditure: $50,000.

Insurance Guaranty Credit - Mississippi code of 1972 (Supp.), § 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 § 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 2015 Expenditure: $0.

Corporate Deductions

Capital Gains Exempt - Mississippi Code of 1972 (Supp.), § 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 2015 Expenditure: Information not available.

General Expenses Associated with the Cost of Doing Business - Mississippi Code of 1972 (Supp.), § 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 generated for this report.

Charitable Contributions - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: Information not available.

Reserve Funds - Mississippi Code of 1972 (Supp.), § 27-7-17(l).

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 2015 Tax Expenditure: Information not available.

Annuity Income - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: Information not available.

Contributions to Employee Pension Plans - Mississippi Code of 1972 (Supp.), § 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 IRC 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:

1) 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 2015 Tax Expenditure: Information not available.

Net Operating Loss Carryback and Carryover - Mississippi Code of 1972 (Supp.), § 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:

1) 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 2015 Tax Expenditure: Information not available.

Dividend Distributions - Mississippi Code of 1972 (Supp.), § 27-7-17(n).

The term REIT has the meaning ascribed to such term in IRC § 856. A REIT is allowed a dividend distributed deduction if such dividend distribution meets the requirements of IRC § 857 or is otherwise deductible under IRC § 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 2015 Tax Expenditure: Information not available.

Dividends for Holding Companies - Mississippi Code of 1972 (Supp.), § 27-13-1.

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

Estimated FY 2015 Tax Expenditure: Information not available.

Growth and Prosperity Area Exemption - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: Information not available.

CORPORATE INCENTIVES

Redevelopment Project Incentive Fund - Mississippi Code of 1972 (Supp.), § 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 2015 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.), § 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 2015 Tax Expenditure: Information not available.

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

A "fee-in-lieu" may be negotiated by the Mississippi Development Authority 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 2015 Tax Expenditure: Information not available.

Credits

Bank Share Tax Credit - Mississippi Code of 1972 (Supp.), § 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 § 27-35-35 through 27-35-39 shall be a credit against the corporation franchise tax.

Estimated FY 2015 Tax Expenditure: $200,000.

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

An income tax and franchise tax credit is available for telecommunications enterprises for investments made after June 30, 2003 and before July 1, 2020. The credit is based on a percentage of the cost of equipment used in the deployment of broadband technology. The credit percentage amount is determined on where the equipment is being deployed or placed in service. The percentage amount for each county is 5%, 10% and 15% for Tier 1, Tier 2 and Tier 3 counties respectively. The annual credit is available beginning in the year the equipment is placed into service and may be taken for that equipment each year for the following nine (9) years. The total amount of credit taken in any one year is only allowed against fifty percent (50%) of the aggregate income and franchise tax liability for that year. The credit is not refundable and any excess credit amount can be carried forward for up to ten (10) consecutive years from the close of the original year in which the excess credit could not be used. The total amount of credits taken over the ten (10) consecutive year period cannot exceed 100% of the original investment in the equipment.

Estimated FY 2015 Tax Expenditure: $9,500,000.

Insurance Guaranty Credit - Mississippi Code of 1972, § 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 § 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 2015 Tax Expenditure: $0.

Incentives

Redevelopment Project Incentive Fund - Mississippi Code of 1972 (Supp.), § 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 2015 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.), § 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 2015 Tax Expenditure: $12,500,000.

Existing Industry Withholding Rebate Program - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $20,000.

Mississippi Economic Impact Authority (MEIA) Withholding Rebate Program - Mississippi Code of 1972 (Supp.), § 57-99-23.

The Mississippi Economic Impact Authority 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 2015 Tax Expenditure: $800,000.

Mississippi Major Economic Impact Authority (MMEIA) Withholding Rebate Program - Mississippi Code of 1972 (Supp.), § 57-99-3.

The Mississippi Major Economic Impact Authority Withholding Rebate Program allows qualified companies and their affiliates to receive quarterly incentive payments from the state in an amount equal to the lesser of 3.5% of the wages and taxable benefits or the actual amount of tax withheld by the employer for the qualified jobs. 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 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 twenty-five (25) years.

Estimated FY 2015 Tax Expenditure: $2,500,000.

Motion Picture Production Rebate Program - Mississippi Code of 1972 (Supp.), § 57-89-7.

A rebate is available for a motion picture production company that expends at least $50,000 in base investment or payroll, or both in this state. The amount of the rebate is twenty-five percent (25%) of the base investment made and expended in this state. Payroll for a Mississippi resident is eligible for a thirty percent (30%) rebate and payroll for a non-resident is eligible for a twenty-five percent (25%) rebate. An additional five percent (5%) rebate is available for payroll of honorably discharged veterans. The total amount of the rebate authorized for a motion picture shall not exceed $10,000,000 for each certified production with the total amount of rebates authorized for any fiscal year shall not exceed $20,000,000.

Estimated FY 2015 Tax Expenditure: $1,000,000.

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.), § 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 2015 Tax Expenditure: $410,000,000.

Exemptions for Dependents - Mississippi Code of 1972 (Supp.), § 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 § 152, IRC 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 2015 Tax Expenditure: $55,750,000.

Other Exemptions - Mississippi Code of 1972 (Supp.), § 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 2015 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 2015 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 2015 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 2015 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 IRC 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 2015 Tax Expenditure: $290,000,000.

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 2015 Tax Expenditure: $4,500,000.

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 2015 Tax Expenditure: Information not available.

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

Estimated FY 2015 Tax Expenditure: Information not available.

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 2015 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 2015 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 2015 Tax Expenditure: Information not available.

Medical Savings Accounts - IRC, § 71. Mississippi Code of 1972 (Supp.), § 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 § 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 2015 Tax Expenditure: Information not available.

Health Savings Accounts - Mississippi Code of 1972 (Supp.), § 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 § 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 2015 Tax Expenditure: $1,000,000.

Prisoners of War, Missing in Action - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: Information not available.

INDIVIDUAL ADJUSTMENTS

Individual Retirement Accounts - IRC, § 219 and 408, Mississippi Code of 1972 (Supp.), § 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:

1) $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 2015 Tax Expenditure: $1,100,000.

Keogh Plans - IRC, § 219, 401-405, and 408-415. Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $1,000,000.

Interest Penalty on Early Withdrawal of Savings - IRC, § 62(12). Mississippi Code of 1972 (Supp.), § 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, § 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 2015 Tax Expenditure: $11,000.

Unreimbursed Moving Expense - IRC, §s 62 and 217. Mississippi Code of 1972 (Supp.), § 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 IRC, and rules, regulations and revenue procedures relating to moving expenses not in direct conflict with provisions of the Mississippi Income Tax Law.

Estimated FY 2015 Tax Expenditure: $315,000.

Contributions or Payments to a Mississippi College Savings Plan (MACS & MPACT) - Mississippi Code of 1972 (Supp.), § 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 § 37-155-17.

Estimated FY 2015 Tax Expenditure: $290,000.

Self-Employed Medical Insurance - Mississippi Code of 1972 (Supp.), § 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 IRC.

Estimated FY 2015 Tax Expenditure: $1,100,000.

Organ Donation Deduction - Mississippi Code of 1972 (Supp.) § 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 2015 Tax Expenditure: Information not available.

INDIVIDUAL CREDITS

Credit for Income Tax Paid To Another State - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $58,491,000.

Long-Term Care Premiums Credit - Mississippi Code of 1972 (Supp.), § 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 cannot exceed $500 or the taxpayers' income tax liability, whichever is less, for each qualified long-term care insurance policy. Any unused credit cannot be carried forward to apply to the succeeding tax year's liability.

Estimated FY 2015 Tax Expenditure: $1,425,000.

Other Credits - Mississippi Code of 1972 (Supp.). (See below for sections)

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 - § 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 - § 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 - § 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 - § 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 - § 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 - § 27-21-9. Gaming Control Act License Fees Credit - § 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 - § 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 2015 Tax Expenditure: $15,000,000.

INDIVIDUAL DEDUCTIONS

Standard Deduction - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $150,000,000.

ITEMIZED DEDUCTIONS

Medical and Dental Expenses - IRC, § 63(f) and 213. Mississippi Code of 1972 (Supp.), § 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 2015 Expenditure: $37,000,000.

Real Estate Taxes - IRC, § 63(f) and 164; Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $55,072,000.

Home Mortgage Interest - IRC, § 63(f) and 163; Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $74,298,000.

Investment Interest - IRC, § 63(f) and 163; Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a) and (1)(c).

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 2015 Tax Expenditure: Information not available.

Charitable Contributions - IRC, § 63(f) and 170(c); Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $82,400,000.

Casualty and Theft Losses - IRC, § 165(c)(3); Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $1,600,000.

Employee Expenses & Miscellaneous Deductions Subject to 2% Limitation - IRC, § 162 and 212; Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $71,350,000.

Deductions Not Subject to the 2% Limitation - IRC, § 72, 162, 165, 691(c), 1341, and 212; Mississippi Code of 1972 (Supp.) § 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 2015 Tax Expenditure: $7,800,000.

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, § 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.), § 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.

	Estimated FY 2015 Tax Expenditure
Retail Sales of Farm Tractors, Farm Implements & Logging Equipment Taxed at 1.5%	$14,258,042
Aircraft, Trucks, Semi-Trailers and Mobile Homes Taxed at 3%	$20,607,685
Autos, Light Trucks: (10,000 lbs. or less) Effective 1/1/95 at 5%	$98,370,617
Manufacturing Machinery and Certain Port Facility Equipment Taxed at 1.5%	$127,442,453
Materials Used in Railroad Tracks Taxed at 3%	$376,194
Sales to Electric Power Associations Taxed at 1%	$7,681,681

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

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

Estimated FY 2015 Tax Expenditure: $14,250,000.

EXEMPTIONS

Sale of Utilities - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $130,273,000.

The sale of utilities to manufacturers is taxed at 1.5%. This constitutes a wholesale transaction and should not be considered a true tax expenditure.

Estimated FY 2015 Tax Expenditure: $45,412,913.

The sale of utilities to farmers is also a wholesale transaction which is taxed at 1.5% and should not be considered a tax expenditure.

Estimated FY 2015 Tax Expenditure: $1,362,387.

Sales of Home Medical Equipment and Supplies - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $7,410,000.

Industrial Exemptions - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure
Boxes, Crates, and Cartons	($2,216,000)
Raw Materials Used in Manufacturing	($128,900,000)
Offshore Drilling Equipment Large Vessels	($2,216,000)
Commercial Fishing Boats	($2,182,000)
Repairs to Vessels	($6,067,000)
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	($776,000)
Tangible Personal Property Consumed on Ships in International Commerce	($63,000)
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
Income from Self-Service Commercial Laundry	($1,638,000)
Economic Development Reform Act Incentives	($6,587,000)

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

	Estimated FY 2015 Tax Expenditure
Industrial Exemptions – (continued)	
Growth and Prosperity Act Incentives	Not Available
Sales of Component Materials and Equipment Used to Repair Building and Equipment Damaged or Destroyed as a Result of a Natural Disaster	Not Available

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

Agricultural Exemptions - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure
Sales of Lint, Seed Cotton, Baled Cotton, Feed, Seed, Fertilizers, Baling Wire, Packaging Materials, etc.	($57,753,000)
Sales of Agricultural Produce to Be Further Processed	($96,400,000)
Retail Sales of Mules, Horses, and Other Livestock	Insignificant
Sales of Antibiotics, Hormones, Drugs, Medicines, etc.	($1,469,000)

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

Governmental Exemptions - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure
Sales to U.S. Government or State of Mississippi	($192,799,000)
Sales to Public Schools	($27,709,000)
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	($164,000)

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

Utility Exemptions - Mississippi Code of 1972 (Supp.), § 27-65-107.

In addition to those exempted under § 27-65-19, certain utility sales are exempt. This includes sales to nonprofit water associations.

Estimated FY 2015 Tax Expenditure: $1,367,000.

Miscellaneous Exemptions - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure
Sales to Nonprofit Hospitals and Infirmaries	($87,334,000)
Newspapers and Periodicals	($6,069,000)
Coffins and Caskets	($2,216,000)
Sales of Goods for Immediate Export	Insignificant
Sales to Nonprofit Orphanages, Old Men's or Old Ladies' Homes	($277,000)
Sales to YMCA, YWCA, or Boys or Girls Clubs	($1,524,000)
Sales to Nonprofit Private Schools	($1,109,000)
Drugs and Medicines	($30,296,000)
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	($217,000)
Sales of Alcohol-Blended Fuel Using Mississippi Distilled Alcohol	Insignificant
Sales to the Institute for Technology Development	($614,000)
Retail Sales of Motor Vehicles and Semi-Trailers Exported Within 48 Hours	($2,271,000)
Sales of Food and Drink Through Full-Service Vending	Insignificant
Sales of Motor Fuel	($218,781,000)
Sales of Food Purchased with Food Stamps or Instruments Provided by the Women, Infants and Children's (WIC) Program	($25,891,000)
Sales of Cookies by the Girl Scouts of America	($379,000)
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 database 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 exception is for Enhanced Oil Recovery oil wells which are taxed at 3% and Horizontally Drilled oil wells which are taxed at 1.3%.

EXEMPTIONS

Enhanced Recovery - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $45,000,000.

Horizontally Drilled

Oil and gas produced from a qualified well is taxed at 1.3% rather than 6%. The purpose of this tax exemption is to encourage companies to invest in Oil and Gas exploration in the state.

Estimated FY 2015 Tax Expenditure: $2,236,000.

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.), § 27-15-119.

Policies and contracts issued to fund a retirement, thrift, or deferred compensation plan qualified under § 401 or § 403 or an individual retirement annuity qualified under § 408 or § 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 2015 Tax Expenditure: Information not available.

CREDITS

Income Taxes Paid - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $13,000,000.

Retaliatory Tax Deduction - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $534,000.

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

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

Estimated FY 2015 Tax Expenditure: $32,000,000.

Guaranty Association Credit - Mississippi Code of 1972 (Supp.), § 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 2015 Tax Expenditure: $30,000.

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

An income tax credit and insurance premium tax credit is allowed for taxpayers making investments that qualify for Federal income new markets tax credit as defined in § 45D of the IRC. The amount of the credit shall be equal to the applicable percentage of the adjusted purchase price paid to the qualified community development entity for the qualified equity investment. The amount of the credit that may be utilized in any one (1) year shall be limited to the total tax liability of the taxpayer for the applicable (income, insurance premium or premium retaliatory) tax. The credit shall not be refundable or transferable. Any unused portion of the credit may be carried forward for seven (7) years beyond the credit allowance date on which the credit was earned. The total amount of credit for all taxpayers is capped at $15,000,000 per year.

Estimated FY 2015 Expenditure: $1,000,000.

<u>Coast Area Credit</u> - Mississippi Code of 1972 (Supp.), § 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 2015 Expenditure: $541,000.

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.), § 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 § 1504 of the IRC 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 2015 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.), § 27-65-201(7)(a-c).

1) 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 2015 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.), § 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 than 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 2015 Tax Expenditure: Information not available.

SUMMARY OF TAX EXPENDITURES

CORPORATE INCOME TAX

Credits	Estimated FY 2015 Tax Expenditure
Credit for Finance Company Privilege Tax Paid for Same Tax Year	$800,000
Jobs Tax Credit	$2,400,000
National Headquarters Credit	-0-
Research and Development Job Skills Credit	-0-
Dependent Care Credit	$900,000
Job Training or Retraining Credit	-0-
Gambling License Fees Credit	$19,000,000
Financial Institution Credit	-0-
Mississippi Business Finance Corporation Revenue Bond Service Credit	$3,500,000
Manufacturing Investment Tax Credit	$7,000,000
Ad Valorem Inventory Tax Credit	$7,200,000
Brownfield Sites Credit	$40,000
Export Charges Credit	-0-
Import Charges Credit	-0-
Broadband Technology Credit	$9,500,000
Reforestation Tax Credit	$4,000
New Markets Credit	$7,000,000
Biomass Energy Credit	-0-
Historic Structure Rehabilitation Credit	$50,000
Insurance Guaranty Credit	-0-

Incentives	
Redevelopment Project Incentive Fund	Not Available

Deductions	
Capital Gains Exempt	Not Available
Charitable Contributions	Not Available
Reserve Funds	Not Available
Annuity Income	Not Available
Contributions to Employee Pension Plans	Not Available
Net Operating Loss Carryback and Carryover	Not Available
Dividend Distributions	Not Available
Dividends for Holding Companies	Not Available
Growth and Prosperity Area Exemption	Not Available

CORPORATE FRANCHISE TAX

	Estimated FY 2015 Tax Expenditure
Exemptions	
Growth and Prosperity Area	Not Available
"Fee-In-Lieu"	Not Available
Credits	
Bank Share Tax Credit	$200,000
Broadband Technology Credit	$9,500,000
Insurance Guaranty Credit	-0-
Incentives	
Redevelopment Project Incentive Fund	Not Available

WITHHOLDING TAX

Incentive Payments	
Mississippi Advantage Jobs Incentive Program	$12,500,000
Existing Industry Withholding Rebate Program	$20,000
Mississippi Economic Impact Authority Withholding Rebate Program (MEIA)	$800,000
Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA)	$2,500,000
Motion Picture Production Rebate Program	$1,000,000

INDIVIDUAL INCOME TAX

Exemptions	
Personal Exemptions	$410,000,000
Exemptions for Dependents	$55,750,000
Other Exemptions	$295,000,000
Medical Savings Accounts	Not Available
Health Savings Accounts	$1,000,000
Prisoners of War, Missing in Action	Not Available
Adjustments	
Individual Retirement Accounts	$1,100,000
Keogh Plans	$1,000,000
Interest Penalty on Early Withdrawal of Savings	$11,000
Unreimbursed Moving Expense	$315,000
College Savings Plans	$290,000
Self-Employed Health Insurance	$1,100,000

	Estimated FY 2015 Tax Expenditure
Credits	
Credit for Income Tax Paid to Another State	$58,491,000
Long-Term Care Premium Credit	$1,425,000
Other Credits	$15,000,000
Deductions	
Standard Deduction	$150,000,000
Itemized Deductions:	
Medical and Dental Expenses	$37,000,000
Real Estate Taxes	$55,072,000
Home Mortgage Interest	$74,298,000
Investment Interest	Not Available
Charitable Contributions	$350,000,000
Casualty and Theft Losses	$7,900,000
Employee Expenses % Miscellaneous Deductions Subject to 2% Limitation	$71,350,000
Miscellaneous Deductions Not Subject to 2% Limitation	$7,800,000
Organ Donation Deduction	Not Available

SALES AND USE TAX

Exceptions to the General Sales Tax Rate	
Retail Sales of Farm Tractors, Farm Implements & Logging Equipment Taxed at 1.5%	$14,258,042
Aircraft, Trucks, Semi-Trailers and Mobile Homes Taxed at 3%	$20,607,685
Autos, Light Trucks: (10,000 lbs. or less) Effective 1/1/95 at 5%	$98,370,617
Manufacturing Machinery and Certain Port Facility Equipment Taxed at 1.5%	$127,442,453
Materials Used in Railroad Tracks Taxed at 3%	$376,194
Sales to Electric Power Associations Taxed at 1%	$7,681,681
Discount for Timely Filing: 2%	$14,250,000
Sale of Utilities	
To Residential Consumers: 0%	$130,273,000
To Manufacturers Taxed at 1.5%	$45,412,913
To Farmers Taxed at 1.5%	$1,362,387
Industrial Exemptions	
Boxes, Crates, and Cartons	($2,216,000)
Raw Materials Used in Manufacturing	($128,900,000)
Offshore Drilling Equipment Large Vessels	($2,216,000)
Commercial Fishing Boats	($2,182,000)
Repairs to Vessels	($6,067,000)

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

	Estimated FY 2015 Tax Expenditure
Industrial Exemptions – (continued)	
Rolling Stock Used in Interstate Commerce	($3,325,000)
Sales of Parts Used in the Repair of Aircraft	Not Available
Raw Materials Used in Manufacturing Rolling Stock	Insignificant
Machinery or Parts Used in Repairing Large Ships	($776,000)
Tangible Personal Property Consumed on Ships in International Commerce	($63,000)
Storage of Perishable Goods	Insignificant
Natural Gas Used in Oil Production	($2,771,000)
Income from Self-Service Commercial Laundry	($1,638,000)
Economic Development Reform Act Incentives	($6,587,000)
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 Building and Equipment Damaged or Destroyed as a Result of a Natural Disaster	Not Available

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

Agricultural Exemptions	
Sales of Lint, Seed Cotton, Baled Cotton, Feed, Seed, Fertilizers, Baling Wire, Packaging Materials, etc.	($57,753,000)
Sales of Agricultural Produce to be Further Processed	($96,400,000)
Retail Sales of Mules, Horses, and Other Livestock	Insignificant
Sales of Antibiotics, Medicines, Vitamins, etc.	($1,469,000)

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

Other Exemptions	
Sales to U.S. Government or State of Mississippi	($192,799,000)
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 Depts.	($164,000)
Sales to Nonprofit Water Associations	($1,367,000)
Sales of Home Medical Equipment	($7,410,000)

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

Miscellaneous Exemptions	
Sales to Nonprofit Hospitals and Infirmaries	($87,334,000)
Newspapers and Periodicals	($6,069,000)
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)

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

	Estimated FY 2015 Tax Expenditure
Miscellaneous Exemptions – (continued)	
Sales to YMCA, YWCA, or Boys or Girls Clubs	($1,524,000)
Sales to Nonprofit Private Schools	($1,109,000)
Drugs and Medicines	($30,296,000)
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	($217,000)
Sales of Alcohol-Blended Fuel Using Mississippi Distilled Alcohol	Insignificant
Sales to the Institute for Technology Development	($614,000)
Retail Sales of Vehicles and Semi-Trailers Exported Within 48 Hours	($2,271,000)
Sales of Food and Drink in Full-Service Vending	Insignificant
Sales of Motor Fuel	($218,781,000)
Sales of Food Purchased with Food Stamps or WIC Instruments	($25,891,000)
Sales of Cookies by Girl Scouts of America	($379,000)
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 database exists for determining these values.

SEVERANCE TAXES

Exemptions	
Enhanced Recovery	$45,000,000
Horizontally Drilled	$2,236,000

INSURANCE PREMIUM TAX

Exemptions	Not Available

Credits	
Income Taxes Paid	$13,000,000
Retaliatory Tax Deduction	$534,000
Reductions for Qualifying Mississippi Investments	$32,000,000
Guaranty Association	$30,000
Coast Area Credit	$541,000
New Markets Credit	$1,000,000

Installment Loan Tax

Exemptions Not Available

Casual Auto Sales Tax

Exemptions Not Available

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.

	Estimated FY 2015 Tax Expenditure
Credit for Finance Company Privilege Tax Paid for Same Tax Year	$800,000
Dependent Care Credit	$900,000
Gambling License Fees Credit	$19,000,000
Mississippi Business Finance Corporation Revenue Bond Service Credit	$3,500,000
Ad Valorem Inventory Credit	$7,200,000
Brownfield Sites Credit	$40,000
Export Charges Credit	-0-
Import Charges Credit	-0-
Broadband Technology Credit	$9,500,000
Reforestation Tax Credit	$4,000
Advantage Jobs Incentive Credit	$7,200,000
Personal Exemptions	$410,000,000
Income Tax Exemptions for Dependents	$55,750,000
Jobs Tax Credit	$2,400,000
National and Regional Headquarters Credit	-0-
Research and Development Job Skills Credit	-0-
Job Training or Retraining Credit	-0-
Financial Institution Credit	-0-
Bank Share Tax Credit	$200,000
Manufacturing Investment Tax Credit	$7,000,000
New Markets Tax Credit	$7,000,000
Insurance Premium Retaliatory Tax Deduction	$534,000
Other Individual Exemptions	$290,000,000
College Savings Plan	$290,000
Prisoners of War, Missing in Action	Not Available
Standard Deduction	$150,000,000
Sale of Utilities to Residential Consumers	$130,273,000
Sales to Nonprofit Water Associations	($1,367,000)
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	($30,296,000)
Sales of Food Purchased with Food Stamps or WIC Instruments	($25,891,000)
Total	**$1,248,972,000**

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

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.

	Estimated FY 2015 Tax Expenditure
Discount for Timely Filing	$14,250,000
Newspapers and Periodicals	($6,069,000)
Sales to YMCA, YWCA, or Boys or Girls Clubs	($1,524,000)
Sales to Nonprofit Schools	($1,109,000)
Sales of Goods for Immediate Export	Insignificant
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	($217,000)
Sales of Alcohol-Blended Fuel Using Mississippi Distilled Alcohol	Insignificant
Sales to the Institute for Technology Development	($614,000)
Enhanced Recovery	$45,000,000
Horizontally Drilled	$2,236,000
Insurance Premium Tax Credits	$13,000,000
Coast Area Credit	$541,000
Sales of Cookies by Girl Scouts of America	($379,000)
Sales of Home Medical Equipment and Supplies	$7,410,000
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 Chapter of the National Multiple Sclerosis Society	Insignificant
Total	**$92,349,000**

NOTE: Numbers in parentheses should be considered very inexact estimates.
No established database 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.

Retail Sales of Farm Tractors, Farm Implements & Logging Equipment Taxed at 1.5%	$14,258,042
Aircraft, Trucks, Mobile Homes Taxed at 3%	$20,607,685
Autos and Light Trucks (10,000 lbs. or less) Taxed at 5%	$98,370,617
Manufacturing Machinery and Certain Port Facility Equipment Taxed at 1.5%	$127,442,453
Materials Used in Railroad Tracks Taxed at 3%	$376,194
Sales to Electric Power Associations Taxed at 1%	$7,681,681
Sales of Utilities to Manufacturers	$45,412,913
Sales of Utilities to Farmers	$1,362,387
Boxes, Crates and Cartons	($2,216,000)
Raw Materials Used in Manufacturing	($128,900,000)
Offshore Drilling Equipment Large Vessels	($2,216,000)

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

Tax Expenditures which are outside the relevant tax base – (continued)	Estimated FY 2015 Tax Expenditure
Commercial Fishing Boats	($2,182,000)
Repairs to Vessels	($6,067,000)
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	($776,000)
Tangible Personal Property Consumed on Ships in International Commerce	($63,000)
Storage of Perishable Goods	Insignificant
Natural Gas Used in Oil Production	($2,771,000)
Economic Development Reform Act Incentives	($6,587,000)
Income from Self-Service Commercial Laundry	($1,638,000)
Sales of Lint, Seed Cotton, Baled Cotton, Feed, Seed, Fertilizers, Baling Wire, Packaging Materials, etc.	($57,753,000)
Sales of Agricultural Produce to be Further Processed	($96,400,000)
Retail Sales of Mules, Horses, and Other Livestock	Insignificant
Sales to U.S. Government or State of Mississippi	($192,799,000)
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 Depts.	($164,000)
Casual Auto Sales Tax Exemptions	Insignificant
Retail Sales of Vehicles and Semi-Trailers Exported Within 48 Hours	($2,271,000)
Sales of Food and Drink in Full-Service Vending	Insignificant
Sales of Motor Fuel	($218,781,000)
Total	$1,072,454,972

NOTE: Numbers in parentheses should be considered very inexact estimates.
No established database 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.

Medical Savings Account	Not Available
Health Savings Account	$1,000,000
Individual Retirement Accounts	$1,100,000
Keogh Plans	$1,000,000
Interest Penalty on Early Withdrawal of Savings	$11,000
Credit for Income Tax Paid to Another State	$58,491,000
Medical and Dental Expenses	$37,000,000
Real Estate Taxes	$55,072,000
Home Mortgage Interest	$74,298,000
Investment Interest	Not Available
Charitable Contributions	$82,400,000
Casualty and Theft Losses	$1,600,000

	Estimated FY 2015 Tax Expenditure
Tax Expenditures which conform with federal law – (continued)	
Employee Expenses % of Miscellaneous Deductions Subject to 2% Limitation	$71,350,000
Miscellaneous Deductions Not Subject to 2% Limitation	$7,800,000
Total	$391,122,000

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.

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 Exemption	Not Available
Auto Privilege Taxes and Auto Tax Fee Exemptions	Not Available
Sales of Machinery or Equipment to Nonprofit Organizations Created by the Oil Pollution Control Act of 1990	Not Available
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 in the Repair of Aircraft	Not Available
Long-Term Care Premium Tax Credit	$1,425,000
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: 2014 LEGISLATION

SALES & USE TAX BUREAU

House Bill 260 – Effective July 1, 2014. Approved by the Governor April 1, 2014.
This bill amends §27-65-3 to provide that finance charges and carrying charges shall not be included within the meaning of "Gross Proceeds of Sales" for sales tax and amends §27-67-3 to provide that finance charges and carrying charges shall not be included within the meaning of "Purchase Price" or "Sales Price" for use tax.
The bill also amends §27-65-21 to exempt from contractor's tax the portion of the total contract price attributable to engineering services if the engineering services are performed by a professional engineer who is the general or prime contractor.

House Bill 487 – Effective January 1, 2015. Approved by the Governor March 21, 2014.
This bill creates the Uniform Statewide System for filing notices of tax liens maintained by the Department of Revenue that are in favor of or enforced by the Department of Revenue.
Some key provisions of this bill include:

- Entitled the Mississippi Uniform State Tax Lien Registration Act.
- Scope is limited to tax liens in real property and personal property.
- Liens will be enrolled in the tax lien registry and shall include the name and last known address of the debtor, the name and address of the Department, the tax lien number assigned by the Department, and the basis for the tax lien.
- This single lien shall attach against all of the debtor's real and personal property located in all 82 counties within Mississippi.
- The Department will make twice annual payments to the Mississippi Circuit Clerks to provide service to taxpayers for researching and providing lien information.
- The lien shall be for a period of seven years from the date of enrollment unless it is released by the Department or the Department re-enrolls the lien.
- The Department may cancel a notice of tax lien within two working days from the date issued if the Department discovers an administrative issue in the filing.
- The Department must issue a release within 15 days of receiving full payment.
- All outstanding tax liens as of January 1, 2015 shall be immediately enrolled on the tax lien registry.

House Bill 787 – Various Effective Dates. Approved by the Governor April 24, 2014.
This bill is a bond bill that directs multiple issuances of state bonds as well as the use of such bond proceeds. However, this bill was used to provide several tax law changes affecting taxes administered for the Department of Revenue. The provisions affecting the DOR include:

- The bill amends § 27-7-22.31, which is the Section authorizing an income tax credit for rehabilitation of certain historic structures, and extends the qualifying date to December 31, 2017. Effective July 1, 2014.
- The bill amends § 27-65-241, which is the Section authorizing the special 1% Jackson Infrastructure Tax. This amendment removes the provision that taxed sales delivered into Jackson and also exempted wholesale sales of beer/light wine, alcohol and food for human consumption sold through a vending machine. Effective upon passage.
- The bill amends the law change from the 2013 session that exempts utilities sold to manufacturers, farmers, etc. This amendment makes sales BILLED after July 1, 2014 exempt instead of sales made after July 1, 2014. Effective July 1, 2014.

- The bill exempts all sales of durable medical equipment and home medical supplies regardless of who makes the payment for such equipment and supplies. Effective July 1, 2014.
- The bill exempts sales of property and services to the Diabetes Foundations of Mississippi and the Mississippi Chapter of the Juvenile Diabetes Research Foundation. Effective July 1, 2014.
- The bill exempts the sale of potting soil, mulch, or other soil amendments used in growing ornamental plants when sold to commercial plant nurseries that operate exclusively at wholesale and where no retail sales can be made. Effective July 1, 2014.
- The bill amends § 27-7-22.5 to provide an income tax credit for ad valorem taxes paid on rental equipment. The bill defines rental equipment and provides for the amount of credit which increases each year until the 2016 taxable year in which the amount of the credit will be limited to the lesser of the amount of ad valorem taxes paid or the amount of income taxes due for each location where rental equipment is found. Effective January 1, 2014.

<u>House Bill 1555</u> – Effective July 1, 2014. Approved by the Governor March 24, 2014.
This bill amends §27-65-101 to expand the exemption related to the sale of offshore drilling equipment. The amendment allows the exemption to apply to equipment used in oil AND natural gas exploration or production and expands the definition of offshore drilling equipment to include aircraft used predominately to transport passengers or property to or from exploration or production platforms or vessels. The exemption also covers engines, accessories and spare parts.

<u>Senate Bill 2425</u> – Effective July 1, 2014. Approved by the Governor April 2, 2014.
This bill amends §27-65-111 to exempt from sales tax the retail sales of firearms, ammunition and hunting supplies when sold during the annual Mississippi Second Amendment Weekend Holiday.

- The holiday begins at 12:01 a.m. on the first Friday in September and ends at 12:00 midnight the following Sunday.
- Hunting supplies means tangible personal property used for hunting, including and limited to, archery equipment, firearm and archery cases, firearm and archery accessories, hearing protection, holsters, belts, and slings.
- Title and/or possessions must be transferred from the seller to the purchaser during the time frame; or
- The purchaser must order and pay for an eligible item and seller accept the order for immediate shipment, even if delivery is made after the time period.

<u>Senate Bill 2921</u> – Effective July 1, 2014. Approved by the Governor April 23, 2014.
This bill amends §27-65-111 to provide several new exemptions from sales tax.

- Sales of tangible personal property or services to National Associations of Junior Auxiliaries, Inc.
- The sale of non-perishable food items to charitable organizations that are exempt from federal income taxation under § 501(c)(3) of the IRC and operate a food bank or food pantry or food lines.
- Sales of tangible personal property or services to The United Way of the Pine Belt Region, Inc.
- Sales of tangible personal property or services to the Mississippi Children's Museum.
- Sales of tangible personal property or services to the Jackson Zoological Park.
- Sales of tangible personal property or services to the Hattiesburg Zoo.
- Gross proceeds from sales of food, merchandise or other concessions at an event held solely for religious or charitable purposes at livestock facilities, agriculture facilities or other facilities constructed, renovated or expanded with funds for the grant program authorized under § 18, Chapter 530, Laws of 1995.

Senate Bill 2934 – Effective July 1, 2014. Approved by the Governor April 21, 2014.
This bill amends §27-65-101 to exempt from sales taxation the retail sales of truck-tractors and semitrailers used in interstate commerce and registered under the International Registration Plan (IRP) or any similar reciprocity agreement or compact related to the proportional registration of commercial vehicles. The bill also amends §27-65-17 to conform to the new exemption.

Senate Bill 2972 – Effective January 1, 2014. Approved by the Governor April 23, 2014.
This bill amends §27-65-22 to provide additional exemptions from amusement tax.

- Guided tours on navigable waters of this state, which include providing accommodations, guide services and/or related equipment operated by or under the direction of the person providing the tour.
- Admissions to events held solely for religious or charitable purposes at livestock facilities, agriculture facilities or other facilities constructed, renovated or expanded with funds from the grant program authorized under § 18 of Chapter 530, Laws of 1995.

This bill amends §27-65-101 to exempt gross collections derived from guided tours on navigable waters of this state, which include providing accommodations, guide services and/or related equipment operated by or under the direction of the person providing the tour. This exemption does not include the sale of tangible personal property by a person providing such tours.
This bill amends §27-65-105 to exempt parking at events held solely for religious or charitable purposes at livestock facilities, agriculture facilities or other facilities constructed, renovated or expanded with funds from the grant program authorized under § 18 of Chapter 530, Laws of 1995.

§27-65-31, §27-65-35, §27-65-37 and §27-65-39 – Sales Tax

There shall be a presumption that the taxpayer collected tax from the customer or purchaser. The 300% penalty shall not be imposed based upon the presumption that the tax was collected. The commissioner shall prove by preponderance of the evidence that the taxpayer actually collected the trust fund monies from the purchaser and knowingly and intentionally failed to remit them before this penalty may be assessed.

Provides that the taxpayer shall be given a period of sixty (60) days from the date the commissioner mailed or hand delivered an assessment before collection proceeding may begin. In the case of an individual, the notice shall be mailed to the taxpayer or delivered by an agent of the commissioner to the taxpayer, manager or general agent at the taxpayer's place of business or to someone above the age of sixteen (16) at the taxpayer's residence. In the case of a partnership, the notice shall be mailed to the partnership or delivered by an agent of the commissioner to any partner, to a manager or general agent at the taxpayer's place of business or to someone above the age of sixteen (16) at the residence of any partner. In the case of a corporation, limited liability company, joint venture, association, estate, trust or other group or combination acting as a unity, including any government entity, the notice shall be mailed to the taxpayer or delivered by an agent of the commissioner to an officer of the entity, to someone above the age of sixteen (16) years at the residence of an officer of the entity or to a manager or general agent at the taxpayer's place of business.

If the commissioner makes an assessment of tax, he shall give the taxpayer notice and demand payment within sixty (60) days of the date the commissioner mailed or hand delivered the notice. The notice must be sent first class mail or hand delivered as provided above.

Penalty may not be assessed to the taxpayer if the taxpayer establishes reasonable cause for his negligence or failure to comply. A taxpayer's purported disregard of instructions given through an audit shall not be a basis for the imposition of the 50% penalty.

For taxes assessed on or after January 1, 2015, the rate of interest assessed under this section is computed as follows:

- 9/10 of 1% per month from 01/01/15 through 12/31/15
- 8/10 of 1% per month from 01/01/16 through 12/31/16
- 7/10 of 1% per month from 01/01/17 through 12/31/17
- 6/10 of 1% per month from 01/01/18 through 12/31/18
- ½ of 1% per month on or after 01/01/19

INDIVIDUAL INCOME TAX BUREAU

Senate Bill 2023, 2014 Regular Session – Amends Miss. Code Ann. §57-73-21 to include entities that perform certain warehousing activities are eligible for the jobs tax credit. The credit that is generated by the entity shall offset the income of the entity based on an apportioned ratio of payroll for warehouse employees of the entity to total Mississippi payroll of the entity that includes the payroll of retail employees of the entity. The bill was effective January 1, 2014.

House Bill 785, 2014 Regular Session – Amends Miss. Code Ann. §57-73-21 to authorize an income tax credit for any company that transfers or relocates its national or regional headquarters to Mississippi. The company must create 20 jobs in order to qualify for the credit. The credit is equal to the actual relocation costs paid in each year and is limited to 50% of the income tax liability. Any excess credit may be carried forward for 5 years. The bill was effective January 1, 2014.

House Bill 799, 2014 Regular Session – This bill has multiple substantial changes to tax laws. The major changes and effects of this bill are as follows:

- Additional Income Taxes or Refunds; Delinquent Taxes and Failure to File – Amends Miss. Code Ann. §27-7-51, §27-7-53, §27-7-315, §27-7-327, and §27-7-345 to provide the following:
  (1) the taxpayer shall be given a period of sixty (60) days from the date the commissioner mailed or hand delivered the assessment before collection procedures may begin;
  (2) if the Department of Revenue does not refund any overpayment provided for in the income tax laws within six months after the final date for filing returns, the taxpayer may treat this as a denial of the refund subject to appeal procedures found in Miss. Code Ann. §27-77-5. A taxpayer's failure to file an appeal on the deemed denial will not prevent the taxpayer from filing an appeal upon a subsequent formal denial;
  (3) the rate of interest for taxes assessed on or after January 1, 2015, the rate of interest paid on an overpayment reflected on a return or amended return filed on or after January 1, 2015, and the rate of interest on any overpayment based on a determination of refund by the commissioner, Board of Tax Appeals or court on or after January, 1, 2015 will be as follows:
    - 9/10 of 1% per month from 01/01/15 through 12/31/15
    - 8/10 of 1% per month from 01/01/16 through 12/31/16
    - 7/10 of 1% per month from 01/01/17 through 12/31/17
    - 6/10 of 1% per month from 01/01/18 through 12/31/18
    - ½ of 1% per month on or after 01/01/19
- Appeals – Amends Miss. Code Ann. § 27-77-5 and § 27-77-7 to provide that the taxpayer has sixty (60) days to appeal and that the appeal time runs from the date the agency mailed or delivered written notice. The time frame for an appeal to the Board of Tax Appeals will begin from the date the Board of Review mailed the order. If the Board of Review does not issue an order within six (6) month of the hearing, the taxpayer may treat this as a denial of the relief requested at the hearing and appeal this deemed denial to the Board of Tax Appeals. The filing of an appeal on the deemed denial does not prevent the taxpayer from filing an appeal based on the Board of Review's issuance of a subsequent order.

Senate Bill 2023, 2014 Regular Session – Amends Miss. Code Ann. § 57-73-21 to include entities that perform certain warehousing activities are eligible for the jobs tax credit. The credit that is generated by the entity shall offset the income of the entity based on an apportioned ratio of payroll for warehouse employees of the entity to total Mississippi payroll of the entity that includes the payroll of retail employees of the entity. The bill was effective January 1, 2014.

Senate Bill 2065, 2014 Regular Session – Amends Miss. Code Ann. § 27-13-9 to exclude deferred gains and deferred income from the computation of capital, paid-in-capital, surplus and retained earnings for purposes of the corporation franchise tax law. It also provides that capital shall be reduced by the cost of treasury stock of the corporation regardless of whether such stock is purchased with the earnings of the corporation. The bill was effective July 1, 2014.

Senate Bill 2628, 2014 Regular Session – Amends Miss. Code Ann. § 27-13-63 to exempt savings and loan associations organized under the laws of the State of Mississippi or the United States which have no outstanding capital stock from franchise tax in Mississippi. The bill was effective March 19, 2014.

Senate Bill 2933, 2014 Regular Session – Creates Miss. Code Ann. § 27-7-24.8 to provide a method of apportioning income of a major supplier of medical or pharmaceutical products for a Mississippi distribution facility. The apportionment percentage shall be determined by adding together a payroll factor which shall be counted twice, property factor which is counted twice and sales factor which is counted once, then divide the sum by five.
The bill also amends Miss. Code Ann. § 27-7-23 to define a "major medical" or "pharmaceutical supplier" as a company or group of affiliated companies who ship medical or pharmaceutical products to a Mississippi distribution facility. The bill was effective January 1, 2014.

House Bill 785, 2014 Regular Session - Amends Miss. Code Ann. § 57-73-21 to authorize an income tax credit for any company that transfers or relocates its national or regional headquarters to Mississippi. The company must create 20 jobs in order to qualify for the credit. The credit is equal to the actual relocation costs paid in each year and is limited to 50% of the income tax liability. Any excess credit may be carried forward for 5 years. The bill was effective January 1, 2014.

House Bill 799, 2014 Regular Session – This bill has multiple substantial changes to tax laws. The major changes and effects of this bill are as follows:

- Alternative Apportionment – Amends Miss. Code Ann. § 27-7-23, § 27-7-24, § 27-7-23(2)(D) and § 27-7-24(5) to provide that the party requesting or requiring an alternative method shall bear the burden of proving by preponderance of the evidence that the standard methods outlined in statute do not fairly represent the taxpayer's activity.
- Forced Combined or Consolidated Income Tax Return – Amends Miss. Code Ann. § 27-7-37, § 27-7-37(2)(ii) and § 27-7-37(2)(iii) to provide that the commissioner cannot require a corporation that is taxable under the state income tax law to file a combined return until regulations have been enacted specifying the criteria and circumstances that for the basis for meeting the preponderance of evidence standard to support a conclusion that intercompany transactions have resulted in the improper shifting of income to another member of the affiliated group.
- Additional Income Taxes or Refunds; Delinquent Taxes and Failure to File – Amends Miss. Code Ann. § 27-7-51, § 27-7-53, § 27-7-315, § 27-7-327, § 27-7-345, § 247-13-23 and § 27-13-25 to provide the following:

(1) the taxpayer shall be given a period of sixty (60) days from the date the commissioner mailed or hand delivered the assessment before collection procedures may begin;
(2) if the Department of Revenue does not refund any overpayment provided for in the income tax laws within six months after the final date for filing returns, the taxpayer may treat this as a denial of the refund subject to appeal procedures found in Miss. Code Ann. § 27-77-5. A taxpayer's failure to file an appeal on the deemed denial will not prevent the taxpayer from filing an appeal upon a subsequent formal denial;
(3) the rate of interest for taxes assessed on or after January 1, 2015, the rate of interest paid on an overpayment reflected on a return or amended return filed on or after January 1, 2015, and the rate of interest on any overpayment based on a determination of refund by the commissioner, Board of Tax Appeals or court on or after January, 1, 2015 will be as follows:
    - 9/10 of 1% per month from 01/01/15 through 12/31/15
    - 8/10 of 1% per month from 01/01/16 through 12/31/16
    - 7/10 of 1% per month from 01/01/17 through 12/31/17
    - 6/10 of 1% per month from 01/01/18 through 12/31/18
    - ½ of 1% per month on or after 01/01/19

- Appeals – Amends Miss. Code Ann. § 27-77-5 and § 27-77-7 to provide that the taxpayer has sixty (60) days to appeal and that the appeal time runs from the date the agency mailed or delivered written notice. The time frame for an appeal to the Board of Tax Appeals will begin from the date the Board of Review mailed the order. If the Board of Review does not issue an order within six (6) month of the hearing, the taxpayer may treat this as a denial of the relief requested at the hearing and appeal this deemed denial to the Board of Tax Appeals. The filing of an appeal on the deemed denial does not prevent the taxpayer from filing an appeal based on the Board of Review's issuance of a subsequent order.

Senate Bill 2395, 2013 Regular Session – Creates a state income tax credit (Prekindergarten Credit) for contributions made to qualified prekindergarten programs during calendar year 2013 or any calendar year thereafter. In order to qualify for the credit, contributions shall support the local match requirement of approved provider, lead partners or collaboratives as necessary and must be approved by the State Department of Education. The credit shall not exceed $1,000,000 by any individual, corporation or other entity during any calendar year. Any unused portion of the credit may be carried forward for three (3) years. The credit went into effect July 1, 2013.

APPENDIX B: 2013 LEGISLATION

House Bill 722 – Effective July 1, 2013. Approved by the Governor April 22, 2013.
Amends §57-117-3, §57-117-5, and §57-117-7. Affects Sales Tax (§27-65-101(pp); Income Tax (accelerated depreciation); and Ad Valorem Taxes (§27-31-101 and §27-31-104)
This bill amends the definitions of a Health Care Industry Facility to include:

- A business located on land owned by or leased from an academic health science center with a medical school accredited by the Liaison Committee on Medical Education,
- *and* a hospital accredited by the Joint Committee on Accreditation of Healthcare Organizations,
- *and* creates a minimum of 25 new jobs and/or $20 million of capital investment after July 1, 2012.

This bill expands the Health Care Zone, if the Health Care Facility is within a 5-mile radius of:

- A facility with a certificate of need for hospital beds; and/or
- A university college that is:
  (1) Accredited by the Southern Association of Colleges and Schools and awards degrees and/or trains workers for jobs in health care or pharmaceutical fields of study and/or work,
  (2) *and,* located along or near Mississippi Highway 67 within a master planned community as defined in §19-5-10.
- A health care industry facility that engages in activity where a certificate of need must comply with §41-7-191 to be a qualified business.
- Health care businesses in health care zones receive an accelerated state income tax depreciation deduction (for a 10-year period), an exemption from sales and use taxes on component materials used in the construction or expansion of a business, plus a sales/use tax exemption on purchases of machinery and equipment acquired. A fee in lieu of local taxes and an ad valorem exemption are also authorized.

House Bill 841 – Effective July 1, 2013. Approved by the Governor March 7, 2013.
Amends §27-65-19, Sales Tax.
This bill provides the reduced industrial rate of 1.5% for electricity, gas, or other fuel used in enhanced oil recovery and/or the permanent sequestration of carbon dioxide in a geological formation.

- Sequestration of carbon dioxide means injecting or placing carbon dioxide in a geologic formation of the earth for permanent storage rather than releasing it into the atmosphere. Examples of geological formations include depleted oil and gas reservoirs, coal seams, and formations containing salt water.
- Enhanced Oil Recovery allows increased recovery of oil from otherwise depleted oil fields. One EOR method is to inject a gas such as carbon dioxide (CO_2) into the well to help push trapped oil and increase production flow. Some EOR uses naturally occurring carbon dioxide deposits; however, CO_2 byproducts (like greenhouse gases) from industrial purposes can also be used.

House Bill 844 – Effective July 1, 2014. Approved by the Governor April 23, 2013.
Amends §27-65-107, Sales Tax.
This bill adds additional sales tax exemptions for the sale of electricity, current, power, stream, coal, natural gas, liquefied petroleum gas or other fuel used directly in the operations of a :

- Manufacturer
- Custom processor
- Technology intensive enterprise
- Electrical distribution or transmission system
- Pipeline compressor or pumping stations
- Production of poultry or poultry products

- Production of livestock and livestock products
- Production of domesticated fish and domesticated fish products
- Production of marine aquaculture products
- Production of plants or food by commercial horticulturists
- Processing of milk and milk products
- Processing of poultry and livestock feed
- Irrigation of farm crops
- Used by a commercial fisherman, shrimper or oysterman

<u>House Bill 892</u> – Effective January 1, 2013. Approved by the Governor March 27, 2013.
Amends §27-7-49, §27-13-49, §27-65-42, §27-7-313, §27-73-5, and §27-65-37.
This bill defines the statute of limitations and revised the time for the completion of an audit or examination of a taxpayer's return.
It also provides that if a Sales Tax taxpayer is being audited following a prior audit where a reporting method was reviewed and no tax was found due under that method, the DOR may be barred from holding the taxpayer responsible for any tax found due under the reporting method in the second audit.
Statute of Limitations:

- The statute of limitations (the time provided to assess additional tax or issue a refund) for Income, Withholding, and Franchise taxes <u>is the later</u> of 3 years from the due date <u>or</u> the date the return was filed.
- The statute of limitations for Sales Taxes is 36 months from the date the return was filed.
- Other tax types follow the Sales Tax Administrative provisions as provided by law
- Exceptions:
    - The statute of limitations does not apply if the taxpayer did not file a return. Tax and any applicable penalties and interest may be assessed and collected by the commissioner at any time as otherwise provided by law.
    - The statute of limitations does not apply if the taxpayer filed a false or fraudulent return with the intent to evade tax. The commissioner is authorized to determine and assess tax due using any information in his or her possession, at any time.
    - The time limit for completion of the audit may be extended if both the taxpayer and commissioner agree (in writing) to extend the time.
    - If the income of a taxpayer has been increased or decreased by the Internal Revenue Service, the 3-year examination period is not applicable. In this situation, no additional assessment or no refund is made after 3 years from the date the Internal Revenue Service <u>disposes</u> of the tax liability in question. "Disposes of" is the date the notice from the IRS is received by the DOR.
- If the taxpayer requests an extension of time for filing a return, and the request is granted, the time for examining the return is extended for a like period.
- The taxpayer must be notified if an audit or examination is to be made by the DOR of the return(s).
- Notification to the taxpayer is made by either certified mail or personal delivery.
- An audit or examination or a return <u>must be completed within 1 year from the date of notification</u> to the taxpayer by the DOR of the audit.
  Note to Audit Staff: Technically the 1-year runs <u>from the expiration of the 3 year or 36 month period</u>; not from the date of the notice. But for our administrative purposes and for advising the taxpayer, we will <u>use the date of notification</u>. The certified notice to the taxpayer must always be sent <u>before the expiration</u> of the 3 year or 36 month period. Using the notification date is easier to compute, easier for the taxpayer to understand, and is within the statute expiration date.

Records Required:

- Taxpayers are required to maintain an accurate and complete set of records and other information necessary for the DOR to determine the correct amount of tax due.
- The records and other information must be available for inspection by the DOR upon request at a reasonable time and location.
- Refusal or delay by the taxpayer to provide documentation upon the DOR's request will result in an assessment being made from any information available, which shall be prima facie correct.

2nd Audit Relief:

The bill provides relief to taxpayers who were previously audited and no additional tax was found due, under a particular reporting method, but subsequently audited and tax was found due under the same method IF:

- The taxpayer paid tax following the method used during the prior audit period which audit found no additional tax due; and
- The method in the current audit is the same method that was used in the prior audit; and
- There has not been a statutory or regulatory change that would have resulted in additional tax being due after the statutory or regulatory change; and
- The taxpayer detrimentally relied on the fact that this method had been previously audited and not found to result in additional tax.

House Bill 1680 – Effective July 1, 2013. Approved by the Governor March 27, 2013.

Amends §27-65-11, Sales Tax.

- This bill adds certain scrap metal recyclers to the definition of manufacturer.
- Manufacturing includes activities of an industrial or commercial nature where labor or skill is applied to materials so that a new, different, or more useful product is produced.
- The bill provides that scrap metal recyclers who primarily convert material into a more useful product is included in the definition of manufacturer. A more useful product includes:
  - A specification-grade commodity
  - By processing the metal into separate types
  - Removing waste material
  - Cutting, chipping, sorting, sizing or shaping the material into a usable product for sale
- NOT included are scrap metal recyclers who gather recycled material and/or flatten, sort, bundle or perform some other similar function solely to allow for ease of transportation or storage. These scrap metal recyclers do not produce specification-grade commodities and/or the removal of parts for resale.
- Manufacturers may purchase manufacturing equipment and utilities at the reduced tax rate of 1.5% and qualify for the Manufacturer's Investment Tax Credit on their Income Returns.

Senate Bill 2244 – Effective July 1, 2013. Approved by the Governor April 18, 2013.

Amends §27-65-103 and §27-65-111, Sales Tax.

This bill provides several exemptions from Sales Tax:

- The sales by producers of honey bees of products of an apiary when sold in the original state or condition, the sale of honey bees, and honey sold at a farmers market which honey has been certified by the Mississippi Department of Agriculture.
- The gross proceeds of sales of tangible personal property made for the sole purpose of raising funds for a school or an organization affiliated with a school.
- Sales of durable medical equipment and home medical supplies prescribed by a licensed physician for a patient, and when payment is made, in part or in whole, as a covered benefit under an insurance policy, contract or plan.
- Sales of tangible personal property or services to Mississippi Blood Services.

Senate Bill 2806 – Effective July 1, 2013. Approved by the Governor February 26, 2013.
Amends § 57-26-1, Sales Tax Incentive. See § 27-65-75(16) Sales Tax Diversion Authority.

- This bill amends the definition of "tourism project" to add "cultural retail project" for purposes of the Tourism Project Sales Tax Incentive Fund. This program returns a percentage of the sales taxes collected at the project, for up to 15 years, to the developers. The rebate is used to offset eligible construction costs.
- A "cultural retail project" combines destination shopping with cultural or historical elements specific to Mississippi. To qualify the project must have:
    - Located in a qualified resort area as defined in § 67-1-5 (Alcoholic Beverages)
    - Part of a master-planned development with a total of $100 million investment
    - Minimum of 50 retail tenants and a minimum of 300,000 square feet
    - Minimum investment of $1 million in art created by Mississippi artists or specific to Mississippi; memorabilia, signage or historical markers to promote the state; audio/visual equipment to showcase Mississippi artists; and office space for MDA.
- The Mississippi Tourism Rebate Program provides a tax rebate to qualified tourism-oriented projects. The rebate is funded by a portion of the sales tax resulting from the project.
- The amount of the rebate is 80% of the sales tax collected from the operation of the tourism project, after making the required diversions.
- The aggregate amount of incentive payments that a participant receives cannot exceed 30% of the approved costs, or 15 years after the date the tourism project opens, whichever occurs first.

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