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# THE ANNUAL TAX EXPENDITURE REPORT

December 2018

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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-ninth 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-

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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: 2017 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 in italics. 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.

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## 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 2019 Tax Expenditure: \$770,000**

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 the Mississippi Development Authority as air and transportation maintenance facilities, resort hotels having a minimum of 150 rooms, recreational facilities that impact tourism, movie industry studios, telecommunications companies, data or information processing companies, computer software development enterprises, or any technology-intensive facilities. 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:

<u>County Classification</u>	<u>Minimum Number of New Jobs Created</u>	<u>Credit Per Job</u>
Tier Three (Less Developed)	10 or more	10% of payroll
Tier Two (Moderately Developed)	15 or more	5% of payroll
Tier One (Developed)	20 or more	2.5% of payroll

In lieu of those provided for in § 57-73-21, a jobs 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 twenty full-time jobs located on the project site. The taxpayer can select the date the credit commences, but it cannot be more than five years after commercial production has begun. Permanent business enterprises and members of its affiliated group operating the project are allowed a credit equal to \$5,000 annually for each net new full-time employee for a period of twenty years. This credit can offset 100% of the income tax due from the earnings of the project. Integrated suppliers are allowed a credit equal to \$1,000 annually for each new net full-time employee for five years and cannot exceed 50% of the total income tax due.

**Estimated FY 2019 Tax Expenditure: \$10,000,000**

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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 twenty jobs at the headquarters. The minimum increase of twenty 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 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 50% of the total income tax due. The credit is limited to 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 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 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 2019 Tax Expenditure: \$0**

Research and Development Job 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-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 50% of the total income tax due. The credit can be carried forward for up to five years.

**Estimated FY 2019 Tax Expenditure: \$8,000**

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 50% of the income tax liability. Any excess credit will not be refunded, but can be carried forward for up to five years.

**Estimated FY 2019 Tax Expenditure: \$750,000**

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 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 years. The repeal date is July 1, 2016.

**Estimated FY 2019 Tax Expenditure: \$617,000**

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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 2019 Tax Expenditure: \$6,700,000**

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 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 2019 Tax Expenditure: \$3,600**

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 the state. The credit is limited to the lesser of 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 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 to \$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.

**Estimated FY 2019 Tax Expenditure: \$8,200,000**

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 or more years and is equal to 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 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 years. The maximum credit allowed on any project is \$1,000,000.

**Estimated FY 2019 Tax Expenditure: \$7,200,000**



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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 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 are 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 2019 Tax Expenditure: \$20,000,000**

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 2019 Tax Expenditure: \$0**

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 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 2019 Tax Expenditure: \$28,000**

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 permanent full-time

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employees who actually work at such headquarters and have a minimum capital investment of \$2,000,000 in Mississippi. The amount of the credit allowed shall be the total of the following charges on import of cargo paid by the corporation: [however, it does not apply to the import of forest products] (1) receiving into the port; (2) handling from a vessel; and (3) wharfage. The amount of the credit shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits allowable to such taxpayers, except credit for tax payments made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding five years. 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 2019 Tax Expenditure: \$123,000**

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 years. The total amount of credit taken in any one year is only allowed against 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 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 consecutive year period cannot exceed 100% of the original investment in the equipment.

**Estimated FY 2019 Tax Expenditure: \$8,200,000**

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 lesser of 50% of the actual cost of approved practices or 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 lesser of \$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 \$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 2019 Tax Expenditure: \$1,500**

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

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in any one 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 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 2019 Tax Expenditure: \$5,000,000**

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 5% of investments made by the enterprise in the initial establishment of an eligible facility. The commencement date shall not be more than two years from the date the eligible facility becomes fully operational. The credit is limited to 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 consecutive years.

**Estimated FY 2019 Tax 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 a historic structure or a 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 months of claiming the credit authorized by this section. The income tax credit is equal to 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 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 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 2019 Tax Expenditure: \$1,800,000**

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 the state an assessment as described in § 83-23-217(8) to the extent of 20% of the amount of such assessment, if any, for each year over the next five succeeding years. However, if the offset is less than 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 2019 Tax Expenditure: \$0**

Prekindergarten Credit – Mississippi Code of 1972 (Supp.), § 27-7-22.37

An income tax credit is allowed for qualified prekindergarten program support contributions paid to approved providers, lead partners or collaboratives, not to exceed \$1,000,000, by any individual, corporation or other entity having taxable income during calendar year 2013 or during any calendar year thereafter. In order to qualify for the credit, such contributions shall support the local match requirement of approved providers, lead partners, or collaboratives as is necessary to match state-appropriated funds, and any such providers, lead partners, or collaboratives shall be approved by the State Department of Education. Any unused portion of the credit may be carried forward for three years. The maximum amount of donations accepted for year 2014 shall not exceed

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\$8,000,000, in calendar year 2015 shall not exceed \$15,000,000, and in calendar year 2016 and calendar years thereafter shall not exceed \$32,000,000 or what is appropriated by the Legislature each year.

**Estimated FY 2019 Tax Expenditure: \$800,000**

## 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 into 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 2019 Tax Expenditure: Information not available**

## 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 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 years preceding or subsequent to the gain.

**Estimated FY 2019 Tax 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

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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 2019 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 2019 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 2019 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 employees or beneficiaries, shall be deductible from 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, 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 2019 Tax Expenditure: Information not available**

Net Operating Loss Carryback and Carryover - Mississippi Code of 1972 (Supp.), § 27-7-17(l)

For any taxable years ending after December 31, 2001, net operating losses have a carryback of two periods and a carryforward of twenty 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 2019 Tax Expenditure: Information not available**

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

Real estate investment trust, or REIT, shall have the meaning ascribed to such term in IRC § 856. A REIT is allowed a dividend distributed deduction if the dividend distributions meet 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 2019 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 2019 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 GAP Area is exempt from income tax for a period of ten years.

**Estimated FY 2019 Tax Expenditure: Information not available**

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## 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 2019 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 the state by the project. The fee-in-lieu shall not be less than \$25,000 annually.

**Estimated FY 2019 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 2019 Tax Expenditure: \$190,000**

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 years. The total amount of credit taken in any one year is only allowed against 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 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 consecutive year period cannot exceed 100% of the original investment in the equipment.

**Estimated FY 2019 Tax Expenditure: \$9,600,000**



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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 to the state an assessment as described in § 83-23-217(8) to the extent of 20% of the amount of such assessment, if any, for each year over the next five succeeding years. However, if the offset is less than 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 2019 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 into 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 2019 Tax Expenditure: Information not available**



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## 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 allows 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 2019 Tax Expenditure: \$21,518,055**

#### 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 wages and taxable benefits or the actual amount of Mississippi income 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 incentive payments may be made for a period of up to two 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 2019 Tax Expenditure: \$0**

#### 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 wages and taxable benefits or the actual amount of Mississippi income tax withheld by the employer for the qualified jobs. 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 ten 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 2019 Tax Expenditure: \$79,218**

#### 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 Mississippi income 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 a 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 years.

**Estimated FY 2019 Tax Expenditure: \$3,726,408**

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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, payroll, and/or fringes in the state. The amount of the rebate is 25% of the base investment made. Additionally, payroll and fringes for a Mississippi resident are eligible for a 30% rebate, and payroll and fringes for a non-resident are eligible for a 25% rebate. An additional 5% rebate is available for payroll and fringes 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 2019 Tax Expenditure: \$5,658,626**

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## 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 2019 Tax Expenditure: \$412,000,000**

#### 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 2019 Tax Expenditure: \$62,000,000**

#### 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 2019 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 2019 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 2019 Tax Expenditure: Information not available**

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4. Amounts paid by the United States to a person as added compensation for hazardous duty pay 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 2019 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 IRA 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 2019 Tax Expenditure: \$341,000,000**

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 2019 Tax Expenditure: \$4,200,000**

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 2019 Tax Expenditure: Information not available**

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

**Estimated FY 2019 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 2019 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 2019 Tax Expenditure: Information not available**

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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 2019 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 2019 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 2019 Tax Expenditure: \$800,000**

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

- a) *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.
- b) *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 2019 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 (IRA) if the individual is not covered by an employer's plan or a self-employed plan. This definition is limited to the smaller of \$5,500 or 100% annual compensation or earned income. For married filers, a separate deduction up to \$5,500 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) \$61,000 for a single individual or head of household
- 2) \$98,000 for a married couple filing a joint return
- 3) Zero for a married individual filing separately
- 4) Non-active participant with active participant spouse, phase-out begins at \$184,000

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

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separately with \$10,000 or more. The reduction in the maximum IRA deduction is determined by multiplying the maximum IRA deduction by the excess of adjusted gross income over the specified amount and 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 2019 Tax Expenditure: \$4,000,000**

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 2019 Tax Expenditure: \$4,800,000**

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 2019 Tax Expenditure: \$39,000**

Unreimbursed Moving Expense - IRC § 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 Mississippi income tax law.

**Estimated FY 2019 Tax Expenditure: \$800,000**

Contributions or Payments to a Mississippi College Savings Plan (MACS & MPACT) - Mississippi Code of 1972 (Supp.), § 27-7-18 and § 37-155-17

Contributions or payments to a Mississippi Affordable College Savings (MACS) program account and payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition (MPACT) program are deductible from gross income.

**Estimated FY 2019 Tax Expenditure: \$1,100,000**

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

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provisions of the IRC.

**Estimated FY 2019 Tax Expenditure: \$9,600,000**

Organ Donation Deduction - Mississippi Code of 1972 (Supp.) § 27-7-18

A one-time deduction not to exceed \$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 2019 Tax Expenditure: Information not available**

Catastrophe Savings Account Adjustment - Mississippi Code of 1972 (Supp.) § 27-7-1001 – 27-7-1007

The amount contributed to a catastrophe savings account; interest income earned on the catastrophe savings account; and distributions from a catastrophe savings account are excluded from taxable gross income of the account holder. The catastrophe savings account must be established in accordance with § 27-7-1001(a) and the contributions cannot exceed the limitations established under § 27-7-1003(3). Any contributions in excess of the limitations provided must be withdrawn and included in the taxable gross income in the year of withdrawal. Any distribution from the catastrophe savings account that is not used to pay qualified catastrophe expenses must be included in gross taxable income and an additional tax of 2½% tax is due on the taxable distribution.

**Estimated FY 2019 Tax Expenditure: \$37,500**

Self-Employment Tax Deduction – Mississippi Code of 1972 (Supp.) § 27-7-18(6)

Self-employed individuals are allowed a deduction from gross income in an amount equal to:

- 1) 17% of the federal self-employment taxes imposed for taxable years ending in calendar year 2017;
- 2) 34% of the federal self-employment taxes imposed for taxable years ending in calendar year 2018;
- 3) 50% of the federal self-employment taxes imposed for taxable years ending in calendar year 2019 and thereafter.

**Estimated FY 2019 Tax Expenditure: \$7,000,000**

First-time Home Buyer Savings Account Adjustment – Mississippi Code of 1972 (Supp.) § 27-7-15 and 27-7-1101 through 27-7-1103

First-time home buyers are allowed to exclude from gross income amounts deposited into a first-time home buyer savings account and any interest or other income earned attributable to that account for the purpose of paying eligible costs in the purchase of a single-family residence. The amount deducted shall not exceed \$2,500 for any single account holder who files an individual return or \$5,000 for any married couple who are joint account holders and file a joint return. Any monies or funds withdrawn or distributed from the first-time home buyer savings account for any purpose other than the payment of eligible costs by or on behalf of a qualified beneficiary shall be included in gross income in the year of withdrawal.

**Estimated FY 2019 Tax Expenditure: Information not available**

Achieving a Better Life Experience Act (ABLE) Adjustment – Mississippi Code of 1972 (Supp.) § 27-7-15(4)(ii), 27-7-18(7) and 43-28-13

A deduction up to the maximum annual federal amount is allowed for contributions or payments, interest, dividends, gains or income of any kind on deposit in an ABLE Trust Fund account. Any withdrawals from an account that are not qualified withdrawals shall be included in gross income in the year of the withdrawal.

**Estimated FY 2019 Tax Expenditure: Information not available**



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Agricultural Disaster Program Compensation Deduction – Mississippi Code of 1972 (Supp.) § 27-7-15(4)(kk)

Amounts paid by an agricultural disaster program as compensation to an agricultural producer, cattle farmer or cattle rancher who has suffered a loss as the result of a disaster or emergency are excluded from gross income.

**Estimated FY 2019 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 2019 Tax Expenditure: \$62,500,000**

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 2019 Tax Expenditure: \$1,625,000**

Charitable Contribution Credit – Mississippi Code of 1972 (Supp.) § 27-7-22.39

A credit for cash contributions made to a qualifying charitable organization which is the lesser of \$400 or the amount of the contribution in any taxable year for a single individual, or the lesser of \$800 or the amount of the contribution in any taxable year for a married couple filing a joint return.

**Estimated FY 2019 Tax Expenditure: Information not available**

Foster Care Credit – Mississippi Code of 1972 (Supp.) § 27-7-22.40

A credit for cash contributions made to a qualifying foster care charitable organization which is the lesser of \$500 or the amount of the contribution in any taxable year for a single individual, or the lesser of \$1,000 or the amount of the contribution in any taxable year for a married couple filing a joint return.

**Estimated FY 2019 Tax Expenditure: Information not available**

Other Credits - Mississippi Code of 1972 (Supp.)

Certain credits are allowed on the Mississippi individual income tax return as direct credits or as pass-through credits from partnerships, S Corporations, and LLC's:

1. 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.

**Estimated FY 2019 Expenditure: \$1,100,000**



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2. Mississippi Natural Heritage Program and Mississippi 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.  
**Estimated FY 2019 Expenditure: \$0**
  
  3. 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 \$5,000, for each dependent child legally adopted by a taxpayer during calendar year 2006 or thereafter.  
**Estimated FY 2019 Expenditure: \$235,000**
  
  4. Historical Structure Rehabilitation 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.  
**Estimated FY 2019 Expenditure: \$1,350,000**
  
  5. 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.  
**Estimated FY 2019 Expenditure: \$9,300,000**
  
  6. Finance Company Privilege Tax - § 27-21-9  
**Estimated FY 2019 Expenditure: \$400,000**
  
  7. 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 2019 Expenditure: \$425,000**

## 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 2019 Tax Expenditure: \$150,500,000**

## ITEMIZED DEDUCTIONS

### Medical and Dental Expenses - IRC § 63(f) and 213. Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

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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 2019 Expenditure: \$45,000,000**

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 2019 Tax Expenditure: \$62,500,000**

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 2019 Tax Expenditure: \$60,000,000**

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 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 2019 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 2019 Tax Expenditure: \$94,000,000**

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 2019 Tax Expenditure: \$2,000,000**

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Employee Expenses and 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 2019 Tax Expenditure: \$0**

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 2019 Tax Expenditure: \$7,000,000**

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## 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 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.

	<b>Estimated FY 2019 Tax Expenditure</b>
Retail sales of farm tractors, farm implements & logging equipment taxed at 1.5%	\$38,839,473
Aircraft, trucks, semi-trailers and mobile homes taxed at 3%	\$22,471,475
Autos, light trucks: (10,000 lbs. or less) taxed at 5%	\$111,771,889
Manufacturing machinery and certain port facility equipment taxed at 1.5%	\$93,140,827
Materials used in railroad tracks taxed at 3%	\$926,272
Sales to electric power associations taxed at 1%	\$9,766,631

#### 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 2019 Tax Expenditure: \$15,438,533**

### EXEMPTIONS

#### Sale of utilities to residential consumers - 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.

**Estimated FY 2019 Tax Expenditure: \$143,796,225**

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Sale of utilities to manufacturers – Mississippi Code of 1972 (Supp.), § 27-65-107(b)

The sale of utilities to manufacturers is exempt from sales tax. This constitutes a wholesale transaction and should not be considered a true tax expenditure.

**Estimated FY 2019 Tax Expenditure: \$47,143,195**

Sale of utilities to nonprofit water associations - Mississippi Code of 1972 (Supp.), § 27-65-107(c)

Sales to nonprofit water associations in which no part of the net earnings inures to the benefit of any private shareholder, group, or individual are exempt from sales tax. Only sales which are ordinary and necessary to the operation of such organizations are exempt from tax.

**Estimated FY 2019 Tax Expenditure: \$1,509,825**

Sale of utilities to farmers – Mississippi Code of 1972 (Supp.), § 27-65-107(g)

The sale of utilities to farmers is exempt from sales tax. This constitutes a wholesale transaction and should not be considered a true tax expenditure.

**Estimated FY 2019 Tax Expenditure: \$1,458,037**

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 in part or in whole under the provisions of the Medicare and Medicaid program.

Mississippi Code of 1972 (Supp.), § 27-65-111(dd) provides that all sales of durable medical equipment and home medical supplies when ordered or prescribed by a licensed physician for medical purposes of the patient are exempt from sales tax. As used in this paragraph, durable medical equipment means equipment, including repair and replacement parts for the equipment which: can withstand repeated use; is primarily and customarily used to serve a medical purpose; generally is not useful to a person in the absence of illness or injury; and is not worn in or on the body.

**Estimated FY 2019 Tax Expenditure: \$24,344,111**

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:

	<b>Estimated FY 2019 Tax Expenditure</b>
Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers	<i>\$2,387,000</i>
Raw materials used in manufacturing	\$142,281,000
Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels	<i>\$2,387,000</i>
Sales to commercial fishermen of specified commercial fishing boats	\$2,409,000
Gross income from repairs to vessels engaged in foreign trade or interstate transport	\$6,698,000
Rolling stock used in interstate commerce	<i>\$3,580,000</i>
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	Not Available
Tangible personal property consumed on ships in international commerce	\$69,700
Income from storage/handling of perishable goods by public storage warehouses	Insignificant

	<b>Estimated FY 2019 Tax Expenditure</b>
<u>Industrial Exemptions</u> – (continued)	
Natural gas used in oil production	\$2,984,000
Gross collections from self-service commercial laundering, drying, and cleaning equipment	\$1,808,000
Economic Development Reform Act incentives	\$7,270,000
Growth and Prosperity Act incentives	Not Available
Pollution control equipment	Not Available
Sales of broadband technology equipment	<i>\$10,000,000</i>
Sales of machinery or equipment to nonprofit organizations created by the Oil Pollution Control Act of 1990	Not Available
Sales of component materials and equipment used to repair buildings and equipment damaged or destroyed as a result of a natural disaster	Insignificant
National and Regional Headquarters	Insignificant
Clean Energy Initiative Incentives Program	Not Available
Aerospace Initiative Incentives Program	Not Available

NOTE: Numbers in italics 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:

	<b>Estimated FY 2019 Tax Expenditure</b>
Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc.	\$63,748,000
Sales of agricultural produce to be further processed	\$106,407,000
Retail sales of mules, horses, and other livestock	Insignificant
Sales of antibiotics, hormones, drugs, medicines, etc.	\$1,622,000

#### 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.

	<b>Estimated FY 2019 Tax Expenditure</b>
Sales to U.S. Government or State of Mississippi	\$212,814,000
Sales to public schools	<i>\$29,839,000</i>
Sales of school textbooks	<i>\$10,477,390</i>
Sales to the Mississippi Band of Choctaw Indians	\$239,000
Sales of firefighting equipment to governmental or volunteer fire departments	\$181,000

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

#### 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 2019 Tax Expenditure
Miscellaneous Exemptions – (continued)	
Sales to nonprofit hospitals and infirmaries	\$94,049,000
Sales of newspapers, periodicals, and subscription magazines	\$6,535,000
Sales of coffins and caskets	\$2,387,000
Sales of goods for immediate export	Insignificant
Sales to nonprofit orphanages, old men’s or old ladies’ homes	\$298,000
Sales to YMCA, YWCA, or Boys or Girls Clubs	\$1,682,000
Sales to nonprofit private schools	\$1,194,000
Gross proceeds of retail sales and the use or consumption of drugs and medicines	\$172,764,000
Retail sales of vehicles and semi-trailers exported within 48 hours	\$2,507,000
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	\$239,000
Sales of alcohol-blended fuel using Mississippi distilled alcohol	Insignificant
Sales to the Institute for Technology Development	\$678,000
Sales of food & drink through full-service vending (taxed at 8% of the wholesale purchase price)	\$5,134,444
Gross proceeds of sales of motor fuel	\$415,130,425
Sales of food purchased with food stamps or instruments provided by the Women, Infants and Children’s (WIC) Program	\$67,821,000
Sales of cookies by the Girl Scouts of America	\$308,000
Gifts or sales to public or private 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 which qualify for state funding	Insignificant
Sales to the Mississippi Chapter of the National Multiple Sclerosis Society	Insignificant
Sales to the Mississippi Technology Alliance	Insignificant
Sales to nonprofit organizations providing foster care, adoption services and temporary housing for unwed mothers and their children	Not Available
Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies	Not Available
Retail sales of specified articles of clothing purchased during the ‘Annual Clothing Sales Tax Holiday’	\$2,050,000
Gross proceeds of sales made for the sole purpose of raising funds for a school (k-12)	\$6,662,500
Sales to Mississippi Blood Services	Not Available
Retail sales of specified firearms, ammunition, and hunting supplies purchased during the ‘Mississippi Second Amendment Weekend’ sales tax holiday	Not Available
Sales of non-perishable food to food banks, food pantries, and food lines	Not Available
Sales to The United Way of the Pine Belt Region, Inc.	Not Available
Sales to Mississippi Children’s Museum	Not Available
Sales to Jackson Zoological Park	Not Available
Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation	Not Available
Sales of potting soil, mulch and other soil amendments for use in growing ornamental plants when sold to wholesale commercial plant nurseries	Not Available
Sales to University of Mississippi Medical Center Research and Development Foundation	Not Available
Sales to Keep Mississippi Beautiful, Inc.	Not Available
Sales to Friends of Children’s Hospital	Not Available
Sales to Pinecrest Weekend Backpacks for Kids, Corinth MS	Not Available
Hearing aids prescribed by a licensed physician, audiologist, or hearing aid specialist	\$8,658,842

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## 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 exceptions are 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(b)

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

**Estimated FY 2019 Tax Expenditure: \$17,800,000**

#### Horizontally Drilled – Mississippi Code of 1972 (Supp.), § 27-25-503(c)

Oil produced by qualified horizontally drilled wells is taxed at 1.3%. The purpose of this tax exemption is to encourage companies to invest in oil and gas exploration in the state.

**Estimated FY 2019 Tax Expenditure: \$500,000**



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## INSURANCE PREMIUM TAX EXPENDITURES

A premium tax is levied and imposed upon each domestic or foreign insurance company doing business in the 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. 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 2019 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 2019 Tax Expenditure: \$15,000,000**

#### 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 2019 Tax Expenditure: \$808,000**

#### 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 2019 Tax Expenditure: \$29,700,000**

#### 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 2019 Tax Expenditure: \$679,000**

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

Premium taxes shall be reduced by 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 2019 Tax Expenditure: \$553,000**

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 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 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 2019 Tax Expenditure: \$6,500,000**

Mississippi Small Business Investment Credit – Mississippi Code of 1972 (Supp.), § 57-115-5

This is an insurance premium tax credit for participating investors of an amount equal to 100% of the participating investor's investment of designated capital in a Mississippi small business investment company. A participating investor may claim 20% of the designated capital each year starting on January 1, 2015. The credit claimed each year cannot exceed the investor's total insurance premium tax liability for that year. Any unused credit may be carried forward from the date the credit was first able to be utilized for the succeeding five years.

**Estimated FY 2019 Tax Expenditure: \$5,000,000**

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## 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 the 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)

- a) 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.
- b) 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.
- c) Transfers of legal ownership of motor vehicles ten or more years after the date of the manufacture of such vehicle.

**Estimated FY 2019 Tax Expenditure: \$2,791,757**

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## 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 Department of Revenue 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 the 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. However, the exemption shall not exceed a period of forty days for any annual period without a second resolution of approval by the board of supervisors who shall have the authority to extend the exemption not to exceed an additional period of twenty days during any annual period. § 27-19-11.
- b) No tax shall be levied upon 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 thereof. § 27-19-17(1).
- c) No tax shall be imposed on 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 the state of Mississippi by railroad, and use such streets and highways only in the transporting of such trailers or wagons from the railroad to be placed where such circus, carnival, fair, or other show is to be held or staged, and in returning such trailers and wagons from such place to the railroad for reloading. § 27-19-17(4).
- d) No privilege tax shall be imposed upon any motor vehicle owned by the U.S. 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 upon any motor vehicle owned by any school district, fire protection district, or levee or drainage district in the state. Exemption of motor vehicles owned by a county or municipality or any agency or instrumentality thereof from motor vehicle privilege taxes does not waive payment of the registration fee imposed in § 27-19-43. § 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 \$1.00; 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.

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- 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 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 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 2019 Tax Expenditure: Information not available**

## SUMMARY OF TAX EXPENDITURES

	Estimated FY 2019 Tax Expenditure
<b><u>CORPORATE INCOME TAX</u></b>	
<u>Credits:</u>	
Credit for finance company privilege tax paid for same tax year	\$770,000
Jobs Tax Credit	\$10,000,000
National Headquarters Credit	-0-
Research and Development Job Skills Credit	\$8,000
Dependent Care Credit	\$750,000
Job Training or Retraining Credit	\$617,000
Gambling License Fees Credit	\$6,700,000
Financial Institution Credit	\$3,600
Mississippi Business Finance Corporation Revenue Bond Service Credit	\$8,200,000
Manufacturing Investment Tax Credit	\$7,200,000
Ad Valorem Inventory Tax Credit	\$20,000,000
Brownfield Sites Credit	-0-
Export Charges Credit	\$28,000
Import Charges Credit	\$123,000
Broadband Technology Credit (Corporate Income)	\$8,200,000
Reforestation Tax Credit	\$1,500
New Markets Credit	\$5,000,000
Biomass Energy Credit	-0-
Historic Structure Rehabilitation Credit	\$1,800,000
Insurance Guaranty Credit	-0-
Prekindergarten Credit	\$800,000
<u>Incentives:</u>	
Redevelopment Project Incentive Fund	Not Available
<u>Deductions:</u>	
Capital Gains Exempt	Not Available
General expenses associated with the cost of doing business	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
<b><u>CORPORATE FRANCHISE TAX</u></b>	
<u>Exemptions:</u>	
Growth and Prosperity Area Exemption	Not Available
"Fee-In-Lieu"	Not Available

Credits:

Bank Share Tax Credit	\$190,000
Broadband Technology Credit (Corporate Franchise)	\$9,600,000
Insurance Guaranty Credit	-0-

Incentives:

Redevelopment Project Incentive Fund	Not Available
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WITHHOLDING TAXIncentive Payments:

Mississippi Advantage Jobs Incentive Program	\$21,518,055
Existing Industry Withholding Rebate Program	-0-
Mississippi Economic Impact Authority Withholding Rebate Program (MEIA)	\$79,218
Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA)	\$3,726,408
Motion Picture Production Rebate Program	\$5,658,626

INDIVIDUAL INCOME TAXExemptions:

Personal Exemptions	\$412,000,000
Exemptions for Dependents	\$62,000,000
Other Exemptions	\$345,200,000
Medical Savings Accounts	Not Available
Health Savings Accounts	\$800,000
Prisoners of War, Missing in Action	Not Available

Adjustments:

Individual Retirement Accounts	\$4,000,000
Keogh Plans	\$4,800,000
Interest penalty on early withdrawal of savings	\$39,000
Unreimbursed moving expense	\$800,000
Contributions or payments to a Mississippi college savings plan (MACS & MPACT)	\$1,100,000
Self-employed medical insurance	\$9,600,000
Catastrophe Savings Account	\$37,500
Self-employment tax deduction	\$7,000,000
First-time Home Buyer Savings Account Adjustment	Not Available
Achieving a Better Life Experience Act (ABLE) Adjustment	Not Available
Agricultural Disaster Program Compensation Deduction	Not Available

Credits:

Credit for income tax paid to another state	\$62,500,000
Long-Term Care Premiums Credit	\$1,625,000
Charitable Contribution Credit	Not Available
Foster Care Credit	Not Available
Other credits	\$12,810,000

Deductions:

Standard Deduction	\$150,500,000
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#### Itemized Deductions:

Medical and dental expenses	\$45,000,000
Real estate taxes	\$62,500,000
Home mortgage interest	\$60,000,000
Investment interest	Not Available
Charitable contributions	\$94,000,000
Casualty and theft losses	\$2,000,000
Employee expenses and miscellaneous deductions subject to 2% limitation	-0-
Miscellaneous deductions not subject to 2% limitation	\$7,000,000
Organ Donation Deduction	Not Available

#### SALES AND USE TAX

##### Exceptions to the General Sales Tax Rate:

Retail sales of farm tractors, farm implements and logging equipment taxed at 1.5%	\$38,839,473
Aircraft, trucks, semi-trailers and mobile homes taxed at 3%	\$22,471,475
Autos, light trucks: (10,000 lbs. or less) taxed at 5%	\$111,771,889
Manufacturing machinery and certain port facility equipment taxed at 1.5%	\$93,140,827
Materials used in railroad tracks taxed at 3%	\$926,272
Sales to electric power associations taxed at 1%	\$9,766,631

##### Discount for timely filing 2%

\$15,438,533

##### Sale of Utilities:

To residential consumers: 0%	\$143,796,225
To manufacturers: 0%	\$47,143,195
To nonprofit water associations: 0%	\$1,509,825
To farmers: 0%	\$1,458,037

##### Sales of home medical equipment and supplies

\$24,344,111

##### Industrial Exemptions:

Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers	\$2,387,000
Raw materials used in manufacturing	\$142,281,000
Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels	\$2,387,000
Sales to commercial fishermen of specified commercial fishing boats	\$2,409,000
Gross income from repairs to vessels engaged in foreign trade or interstate transport	\$6,698,000
Rolling stock used in interstate commerce	\$3,580,000
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	Insignificant
Tangible personal property consumed on ships in international commerce	\$69,700
Income from storage/handling of perishable goods by public storage warehouses	Insignificant
Natural gas used in oil production	\$2,984,000
Gross collections from self-service commercial laundering, drying, and cleaning equipment	\$1,808,000
Economic Development Reform Act Incentives	\$7,270,000
Growth and Prosperity Act Incentives	Not Available
Pollution control equipment	Not Available



Sales of broadband technology equipment	<i>\$10,000,000</i>
Sales of machinery or equipment to nonprofit organizations created by the Oil Pollution Control Act of 1990	Not Available
Sales of component materials and equipment used to repair buildings and equipment damaged or destroyed as a result of a natural disaster	-0-
National and Regional Headquarters	-0-
Clean Energy Initiative Incentives Program	Not Available
Aerospace Initiative Incentives Program	Not Available

Agricultural Exemptions:

Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc.	\$63,748,000
Sales of agricultural produce to be further processed	\$106,407,000
Retail sales of mules, horses, and other livestock	Insignificant
Sales of antibiotics, hormones, drugs, medicines, etc.	\$1,622,000

Governmental Exemptions:

Sales to U.S. Government or State of Mississippi	\$212,814,000
Sales to public schools	<i>\$29,839,000</i>
Sales of school textbooks	<i>\$10,477,390</i>
Sales to Mississippi Band of Choctaw Indians	\$239,000
Sales of firefighting equipment to governmental or volunteer fire depts.	\$181,000

Miscellaneous Exemptions:

Sales to nonprofit hospitals and infirmaries	<i>\$94,049,000</i>
Sales of newspapers, periodicals, and subscription magazines	\$6,535,000
Sales of coffins and caskets	<i>\$2,387,000</i>
Sales of goods for immediate export	Insignificant
Sales to nonprofit orphanages, old men's or old ladies' homes	<i>\$298,000</i>
Sales to YMCA, YWCA, or Boys or Girls Clubs	\$1,682,000
Sales to nonprofit private schools	<i>\$1,194,000</i>
Gross proceeds of retail sales and the use or consumption of drugs and medicines	\$172,764,000
Retail sales of motor vehicles and Semi-trailers exported within 48 hours	\$2,507,000
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	\$239,000
Sales of alcohol-blended fuel using Mississippi distilled alcohol	Insignificant
Sales to the Institute for Technology Development	\$678,000
Sales of food and drink through full-service vending (taxed at 8% of the wholesale purchase price)	\$5,134,444
Gross proceeds of sales of motor fuel	\$415,130,425
Sales of food purchased with food stamps or WIC instruments	\$67,821,000
Sales of cookies by Girl Scouts of America	\$308,000
Gift or sales to public or private 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 which qualify for state funding	Insignificant
Sales to the Mississippi Chapter of the National Multiple Sclerosis Society	Insignificant
Sales to the Mississippi Technology Alliance	Insignificant

Sales to nonprofit organizations providing foster care, adoption services and temporary housing for unwed mothers and their children	Not Available
Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies	Not Available
Retail sales of specified articles of clothing/footwear when purchased during the 'Annual Clothing Sales Tax Holiday'	\$2,050,000
Gross proceeds of sales made for the sole purpose of raising funds for a school (k-12)	\$6,662,500
Sales to Mississippi Blood Services	Not Available
Retail sales of specified firearms, ammunition, and hunting supplies when purchased during the 'Mississippi Second Amendment Weekend' sales tax holiday	Not Available
Sales of non-perishable food to food banks, food pantries, and food lines	Not Available
Sales to The United Way of the Pine Belt Region, Inc.	Not Available
Sales to Mississippi Children's Museum	Not Available
Sales to Jackson Zoological Park	Not Available
Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation	Not Available
Sales of potting soil, mulch and other soil amendments for use in growing ornamental plants when sold to wholesale commercial plant nurseries	Not Available
Sales to University of Mississippi Medical Center Research and Development Foundation	Not Available
Sales to Keep Mississippi Beautiful, Inc.	Not Available
Sales to Friends of Children's Hospital	Not Available
Sales to Pinecrest Weekend Snackpacks for Kids, Corinth MS	Not Available
Hearing aids prescribed by a licensed physician, audiologist, or hearing aid specialist	\$8,658,842

### SEVERANCE TAX

#### Exemptions:

Enhanced Recovery	\$17,800,000
Horizontally Drilled	\$500,000

### INSURANCE PREMIUM TAX

#### Exemptions

Not Available

#### Credits:

Income Taxes Paid	\$15,000,000
Retaliatory Tax Deduction	\$808,000
Reductions for Qualifying Mississippi Investments	\$29,700,000
Guaranty Association Credit	\$679,000
Coast Area Credit	\$553,000
New Markets Credit	\$6,500,000
Mississippi Small Business Investment Credit	\$5,000,000

### CASUAL AUTO SALES TAX

#### Exemptions

\$2,791,757

### 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

All tax expenditure items, the purpose of which is to directly or indirectly shift the burden of taxation from one income class to another.

	<b>Estimated FY 2019 Tax Expenditure</b>
Credit for finance company privilege tax paid for same tax year	\$770,000
Jobs Tax Credit	\$10,000,000
National Headquarters Credit	-0-
Research and Development Job Skills Credit	\$8,000
Dependent Care Credit	\$750,000
Job Training or Retraining Credit	\$617,000
Gambling License Fees Credit	\$6,700,000
Financial Institution Credit	\$3,600
Mississippi Business Finance Corporation Revenue Bond Service Credit	\$8,200,000
Manufacturing Investment Tax Credit	\$7,200,000
Ad Valorem Inventory Credit	\$20,000,000
Brownfield Sites Credit	-0-
Export Charges Credit	\$28,000
Import Charges Credit	\$123,000
Broadband Technology Credit (Corporate Income)	\$8,200,000
Reforestation Tax Credit (Corporate Income)	\$1,500
New Markets Tax Credit	\$5,000,000
Bank Share Tax Credit	\$190,000
Mississippi Advantage Jobs Incentive Program	\$21,518,055
Existing Industry Withholding Rebate Program	-0-
Mississippi Economic Impact Authority Withholding Rebate Program (MEIA)	\$79,218
Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA)	\$3,726,408
Personal exemptions	\$412,000,000
Exemption for dependents	\$62,000,000
Other individual income tax exemptions	\$345,200,000
Prisoners of War, Missing in Action	Not Available
Contributions or payments to a Mississippi college savings plan (MACS & MPACT)	\$1,100,000
Long-term care premiums tax credit	\$1,625,000
Business ad valorem tax credit	\$9,300,000
Finance company privilege tax	\$400,000
Standard deduction	\$150,500,000
Sale of utilities to residential consumers	\$143,796,225
Sale of utilities to nonprofit water associations	\$1,509,825
Sales to nonprofit hospitals and infirmaries	<i>\$94,049,000</i>
Sales of coffins and caskets	<i>\$2,387,000</i>

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

	Estimated FY 2019
<u>TAX EXPENDITURES WHICH REDISTRIBUTE THE TAX BURDEN – (continued)</u>	<u>Tax Expenditure</u>
Sales to nonprofit orphanages, old men's or old ladies' homes	<i>\$298,000</i>
Gross proceeds of retail sales and the use or consumption of drugs and medicines	\$172,764,000
Sales of food purchased with food stamps or WIC instruments	\$67,821,000
Retail sales of specified articles of clothing/footwear when purchased during the 'Annual Clothing Sales Tax Holiday'	\$2,050,000
Retail sales of specified firearms, ammunition, and hunting supplies when purchased during the 'Mississippi Second Amendment Weekend' sales tax holiday	Not Available
Retaliatory tax deduction	\$808,000

NOTE: Numbers in italics 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 2019
	<u>Tax Expenditure</u>
Biomass Energy Credit	-0-
Historical Structure Rehabilitation Credit (Corporate Income)	\$1,800,000
Prekindergarten Credit	\$800,000
Broadband Technology Credit (Corporate Franchise)	\$9,600,000
Motion Picture Production Rebate Program	\$5,658,626
Mississippi Natural Heritage Program and Scenic Streams Stewardship Program	-0-
Credit for certain qualified adoption expenses	\$235,000
Historical Structure Rehabilitation Credit (Individual Income)	\$1,350,000
Reforestation Credit (Individual Income)	\$425,000
Discount for timely filing	\$15,438,533
Sales of home medical equipment and supplies	\$24,344,111
Clean Energy Initiative Incentives Program	Not Available
Aerospace Initiative Incentives Program	Not Available
Sales of newspapers, periodicals, and subscription magazines	\$6,535,000
Sales of goods for immediate export	Insignificant
Sales to YMCA, YWCA, or Boys or Girls Clubs	\$1,682,000
Sales to nonprofit private schools	<i>\$1,194,000</i>
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	\$239,000
Sales of alcohol-blended fuel using Mississippi distilled alcohol	Insignificant
Sales to the Institute for Technology Development	\$678,000
Sales of cookies by Girl Scouts of America	\$308,000
Gifts or sales to public or private 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 which qualify for state funding	Insignificant
Sales to the Mississippi Chapter of the National Multiple Sclerosis Society	Insignificant
Sales to the Mississippi Technology Alliance	Insignificant
Gross proceeds of sales made for the sole purpose of raising funds for a school	\$6,662,500
Sales to Mississippi Blood Services	Not Available

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

Estimated FY 2019

**TAX EXPENDITURES A DIRECT BUDGETARY OBJECTIVE – (continued)**

	<u>Tax Expenditure</u>
Sales of non-perishable food to food banks, food pantries, and food lines	Not Available
Sales to the United Way of the Pine Belt Region, Inc.	Not Available
Sales to Mississippi Children’s Museum	Not Available
Sales to Jackson Zoological Park	Not Available
Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation	Not Available
Sales to UMMC Research and Development Foundation	Not Available
Sales to Keep Mississippi Beautiful, Inc.	Not Available
Sales to Friends of Children’s Hospital	Not Available
Sales to Pinecrest Weekend Snackpaks for Kids, Corinth, MS	Not Available
Hearing aids prescribed by a licensed physician, audiologist, or hearing specialist	\$8,658,842
Enhanced Recovery	\$17,800,000
Horizontally Drilled	\$500,000
Insurance Premium Tax Credits including the following:	
Income taxes paid	\$15,000,000
Reduction for qualifying Mississippi investments	\$29,700,000
Guaranty Association credit	\$679,000
Coast Area Credit	\$553,000
New Markets Credit	\$6,500,000
Mississippi Small Business Investment Credit	\$5,000,000

NOTE: Numbers in italics 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.

Estimated FY 2019

	<u>Tax Expenditure</u>
Insurance Guaranty Credit (Corporate Income)	-0-
General expenses associated with the cost of doing business	Not Available
Insurance Guaranty Credit (Corporate Franchise)	-0-
Gaming Control Act License Fees Credit	\$6,700,000
Retail sales of farm tractors, farm implements & logging equipment	\$38,839,473
Aircraft, trucks, semi-trailers and mobile homes	\$22,471,475
Autos and light trucks (10,000 lbs. or less)	\$111,771,889
Manufacturing machinery and certain port facility equipment	\$93,140,827
Materials used in railroad tracks	\$926,272
Sales to electric power associations	\$9,766,631
Sales of utilities to manufacturers	\$47,143,195
Sales of utilities to farmers	\$1,509,825
Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers	<i>\$2,387,000</i>
Raw materials used in manufacturing	\$142,281,000
Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels	<i>\$2,387,000</i>
Sales to commercial fishermen of specified commercial fishing boats	\$2,409,000

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

Estimated FY 2019

TAX EXPENDITURES WHICH ARE OUTSIDE THE RELEVANT TAX BASE – (continued)

	<u>Tax Expenditure</u>
Gross income from repairs to vessels engaged in foreign trade/interstate transport	\$6,698,000
Rolling stock used in interstate commerce	<i>\$3,580,000</i>
Raw materials used in manufacturing rolling stock	Insignificant
Machinery or parts used in repairing large ships	Insignificant
Tangible personal property consumed on ships in international commerce	\$69,700
Income from storage/handling of perishable goods by public storage warehouses	Insignificant
Natural gas used in oil production	\$2,984,000
Gross collections from self-service commercial laundering/drying/cleaning equipment	\$1,808,000
Economic Development Reform Act Incentives	\$7,270,000
Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc.	\$63,748,000
Sales of agricultural produce to be further processed	\$106,407,000
Retail sales of mules, horses, and other livestock	Insignificant
(Agricultural) sales of antibiotics, hormones, drugs, medicines, etc.	\$1,622,000
Sales to U.S. Government or State of Mississippi	\$212,814,000
Sales to public schools	<i>\$29,839,000</i>
Sales of school textbooks	<i>\$10,477,390</i>
Sales to Mississippi Band of Choctaw Indians	\$258,825
Sales of firefighting equipment to governmental or volunteer fire depts.	\$181,000
Retail sales of vehicles and semi-trailers exported within 48 hours	\$2,507,000
Sales of food and drink through full-service vending	\$5,134,444
Gross proceeds of sales of motor fuel	\$415,130,425
Sales of potting soil, mulch and other soil amendments for use in growing ornamental plants when sold to wholesale commercial plant nurseries	Insignificant
Casual Auto Sales Tax Exemptions	\$2,791,757

NOTE: Numbers in italics 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.

	<u>Estimated FY 2019</u> <u>Tax Expenditure</u>
Medical Savings Account	Not Available
Health Savings Account	\$800,000
Individual Retirement Accounts	\$4,000,000
Keogh Plans	\$4,800,000
Interest penalty on early withdrawal of savings	\$39,000
Unreimbursed moving expense	\$800,000
Self-employed medical insurance	\$9,600,000
Catastrophe Savings Account	\$37,500
Credit for income tax paid to another state	\$62,500,000
Medical and dental expenses	\$45,000,000
Real estate taxes	\$62,500,000
Home mortgage interest	\$60,000,000
Investment interest	Not Available
Charitable contributions (Individual Income)	\$94,000,000

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TAX EXPENDITURES WHICH CONFORM WITH FEDERAL LAW – (continued)

Estimated FY 2019

	<u>Tax Expenditure</u>
Casualty and theft losses	\$2,000,000
Employee expenses and miscellaneous deductions subject to 2% limitation	-0-
Miscellaneous deductions not subject to 2% limitation	\$7,000,000

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.

Estimated FY 2019

	<u>Tax Expenditure</u>
Redevelopment Project Incentive Fund (Corporate Income)	Not Available
Capital Gains Exempt	Not Available
Charitable contributions (Corporate Income)	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 (Corporate Income)	Not Available
Growth and Prosperity Area Exemption (Corporate Franchise)	Not Available
"Fee-In-Lieu"	Not Available
Redevelopment Project Incentive Fund (Corporate Franchise)	Not Available
Organ donation deduction	Not Available
Sales of parts used in the repair of aircraft	Not Available
Growth and Prosperity Act Incentives (Sales and Use)	Not Available
Pollution control equipment	Not Available
Sales of machinery or equipment to nonprofit organizations created by the Oil Pollution Control Act of 1990	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
Sales to nonprofit organizations providing foster care, adoption services and temporary housing for unwed mothers and their children	Not Available
Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies	Not Available
Insurance Premium Tax Exemptions	Not Available
Auto privilege taxes and auto tax fee exemptions	Not Available



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## APPENDIX: 2018 LEGISLATION

### House Bill 1359 – Effective January 1, 2018

Provides an exemption from gross income for payments received by an agricultural producer or cattleman from certain agricultural disaster programs.

### House Bill 1566 – Effective January 1, 2018

Provides an income tax credit for cash contributions to a Qualifying Charitable Organization and Qualifying Foster Care Charitable Organization as well as increases the credit allowed on qualified adoption expenses not to exceed \$5,000 for each child legally adopted under the laws of this state. The credit allowed for a Qualifying Charitable Organization is the lesser of \$400 or the amount of the contribution in any taxable year for a single individual or the lesser of \$800 or the amount of the contribution in any taxable year for a married couple filing a joint return. The credit allowed for a Qualifying Foster Care Charitable Organization is the lesser of \$500 or the amount of the contribution in any taxable year for a single individual or the lesser of \$1,000 or the amount of the contribution in any taxable year for a married couple filing a joint return.

### House Bill 1350 – Effective March 19, 2018

This bill extends the reduced tax rate (Oil and Gas Severance Tax) for horizontally drilled wells from which production from those wells commences before July 1, 2023.

### The Tax Cuts and Jobs Act (Public Law 115-97) – Effective January 1, 2018

President Trump signed the Tax Cuts and Jobs Act (TCJA) on December 22, 2017. The legislation provided for reduced tax rates for individuals and corporations, increased the standard deduction for individuals and provided for repatriation of foreign income. Many of the aspects of the federal legislation will not affect Mississippi taxpayers as Mississippi has its own statutory provisions for many of the changes. Therefore, the impact on Mississippi revenues will not be as significant as many other states.

#### *Impact of Individual Income Taxes*

The TCJA made the most significant changes to the individual income tax structure. The legislation doubled the standard deduction and eliminated the personal exemption. Neither of these changes affects Mississippi, as our statutes are specific to these items. The following is a list of some of the changes that will affect Mississippi taxpayers:

- Moving expenses will no longer be deductible except for active duty members of the military based on military orders (Miss. Code Ann. § 27-7-18 (2))
- The most significant state impact is due to the change in itemized deductions. Mississippi law provides that most taxpayers are allowed the same individual non-business itemized deductions with exceptions for state income tax paid, or other taxes allowed in lieu of state income taxes, gaming losses, and the amounts withheld on gaming winnings per Miss. Code Ann. § 27-7-901 and 27-7-903. (Miss. Code Ann. § 27-7-17 (3))
  - Medical Expenses that exceed 7.5% of adjusted gross income are allowable as an itemized deduction for 2017 and 2018 tax years.
  - State and local taxes deduction is limited to \$10,000.
  - The mortgage interest deduction is limited to the interest on \$750,000 of acquisition indebtedness. It allows the deduction on second homes, but it is included in the lower cap of indebtedness. Interest on home equity loans is only deductible if it is used for home improvement.
  - The limitation on the amount of cash contributions allowable as a charitable contribution has increased from 50% to 60%. Seating for college athletic events is no longer allowable as a charitable contribution.
  - Casualty and theft losses are only allowable for losses attributable to federally declared disaster areas. (Miss. Code Ann. § 27-7-20)



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- Miscellaneous itemized deductions subject to 2% of adjusted gross income are suspended for tax years 2018 through 2025. These amounts include, but are not limited to, unreimbursed employee business expenses, tax preparation fees, investment expenses, safe deposit box, etc.
  - The overall limitation on itemized deductions (the Pease Limitation) is suspended until 2025.
  - Qualified education expenses for purposes of 529 plans are no longer limited to higher education, but will also include elementary or secondary public, private, home schools or religious school expenses, up to \$10,000 per year. (Miss Code Ann. § 37-155-101 through 37-155-125 and Miss. Code Ann. § 27-7-15 (4)(u) and 27-7-15 (4)(z))

## SALES & USE TAX BUREAU

### House Bill 2312 – Effective July 1, 2018

This bill amends § 27-65-22 to provide that admissions charged at events, activities, or entertainments held on property controlled by a municipality, which are created and sponsored by the municipality, are exempt from sales tax.

The municipality may, through the adoption of an ordinance, require the tax to be levied and collected at these events, activities, or entertainments. The municipality must provide the Department with a certified copy of the ordinance requiring the tax to be collected at least thirty days prior to the effective date of the ordinance.

### House Bill 2754 – Effective July 1, 2018

This bill makes it a felony to manufacture, sell, purchase, install, update, repair, service, use, or otherwise possess an automated sales suppression device and provides for a fine of up to \$100,000 and/or up to 15 years imprisonment. These devices are commonly called Zappers.

### House Bill 2998 – Effective July 1, 2018

This bill amends § 27-65-101 to provide an exemption for the sale of rotary-wing aircraft when such aircraft are exported from this state within 48 hours and are registered and first used in another state.

There are similar exemptions for sales of automobiles, trucks, truck-tractors, semitrailers, trailers, boats, travel trailers, motorcycles, and all-terrain cycles.

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