THE ANNUAL TAX EXPENDITURE REPORT

INCLUDING

THE ECONOMIC DEVELOPMENT PROGRAMS AND TAX INCENTIVES EVALUATION

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University Research Center
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Contents

THE ECONOMIC DEVELOPMENT PROGRAMS AND TAX INCENTIVES EVALUATION

INTRODUCTION

The first Economic Development Programs and Tax Incentives Evaluation was published in January 2016. In that study, the University Research Center (URC) included thirty-two incentives in the analysis. Due to data constraints and confidentiality issues, the URC was only able to definitively analyze nine incentives. Data was insufficient to analyze nine of the incentives. Two incentives were constrained by confidentiality issues. Seven incentives were awarded to no firms. And, after careful reading of the authorizing legislation, five incentives contained no language indicating that their goal was to recruit or retain jobs or businesses.

Twenty economic development incentives were included in the 2020 report (See Table 1). Based on our analysis, nine incentives generated a positive return on the State's investment and two generated a negative return. Three incentives have not been awarded in recent years and one incentive was only lightly used and is scheduled to expire at the end of the current fiscal year. Five of the twenty incentives included in this report could not be analyzed due to insufficient information. The 2020 report represents an improvement over the 2016 report relative to both the number and percentage of incentives analyzed.

Table 1. Economic Development Incentives Selected for Analysis

Incentive	Page	No firms or projects were awarded this incentive in 2019	Fewer than five firms or projects were awarded this incentive in 2019. Confidentiality issues	Insufficient data was available to analyze this incentive	The results of the cost/benefit analysis of this incentive
Mississippi Major Economic Impact Act	6			X	NA
The Mississippi Industry Incentive Financing Revolving Fund	6				Positive
The Mississippi ACE Fund	7				Positive
The Mississippi Job Protection Act	8	X			NA
The Economic Development Highway Grant Program	8	X			Positive*
The Rural Impact Fund Grant Program	8		X		Positive
The Existing Industry Productivity Loan Program	9	X			NA
The Workforce Training Fund	9		X		Positive
The Mississippi Works Fund Training Program	9			X	NA
The Advantage Jobs Incentive Program	10				Positive
Mississippi Tourism Incentive Program	10				Negative
The Motion Picture Rebate Program	11				Negative
Jobs Tax Credit	12				Positive
The National Headquarters Credit	13	X			NA
Mississippi Business Finance Corporation Revenue Bond Service Credit	13			X	NA
Mississippi Economic Impact Authority (MEIA) Withholding Rebate Program	14				No Analysis Expiring
Mississippi Major Economic Impact Authority (MMEIA) Withholding Rebate Program	14				Positive
Existing Industry Withholding Rebate Program	14				Positive
Fee-In-Lieu (of Franchise Tax)	15			X	NA
The Healthcare Industry Zone incentive	15			X	NA

*The Economic Development Highway Grant Program was deemed positive based on data for 2018.

In the 2016 Economic Development Programs and Tax Incentives Evaluation the URC identified several constraints to estimating the fiscal and economic impacts of the State's economic development incentives. The most serious constraint was a lack of credible data. Second, since many projects receive more than one incentive, it is difficult to estimate the impact of a single incentive. Thus, the data needs to identify projects/firms receiving two or more incentives. Finally, the "But For" conundrum (but for the incentive, the firm would not have located in or expanded its operations in Mississippi) makes the process of estimating the fiscal and economic impacts questionable. Some of these issues have been rectified. Some still need to be addressed.

One new issue has surfaced in the data collection for the 2020 report. The data associated with some incentives is compiled by MDA (incentives that provide grants, loans and bond supported up-front funding) while data associated with foregone revenue is predominantly compiled by DOR. Two incentives that involve foregone revenue (the Tourism Tax Rebate incentive and the Health Care Industry Zone incentive) were not reported by DOR. The most recent data from MDA reported the maximum amount a firm could receive from the tourism tax rebate incentive and the amount they had received as of June 30, 2019. Although DOR is aware that eleven Tourism Tax Rebate qualifying projects (Biloxi Baseball, 10 South, Bloomfield Outlets, Children's Museum, DeSoto Mid-South-Tanger Outlets, Iron Horse Grill, Island View, King Edward, Nature's Golf and The District at Midtown) were receiving rebates, they provided no information on tax revenue foregone.

ECONOMIC DEVELOPMENT INCENTIVES

Economic development incentives are tools that state policymakers use to encourage businesses to locate, hire, and invest in the state. Although economic development incentives are awarded to businesses, they are awarded with the intent of helping people find jobs, increase their earnings and become more economically secure. Businesses are merely the vehicle used to accomplish this inherent goal.

Economic development incentives are used by states and communities to address cost disadvantages for specific types of industries, revitalize local economies and attract new industries. However, the use of incentives comes at a price; the State must either forego tax revenues or appropriate state funds to provide them. There is a growing concern that the increasing number of economic development incentives and the growing use of economic development incentives are eroding the funding necessary to finance State agencies and programs.

An argument can be made that the State should not meddle in the private sector; creating market distortions by helping some firms while harming others. Rather it should concentrate on funding public goods like public education, public health, public safety and transportation infrastructure. Government, rather than the private sector, typically provides these essential services because they are non-excludable, non-rivalrous in consumption and provide benefits shared by all members of society. The private sector under-invests in these services because they are unwilling to foot the bill to provide the benefits of these services to individuals who do not pay for them. The provision of these services is an easily justifiable use of the State's resources. Providing tax dollars in the form of economic development incentives to private sector businesses reduces the resources available to the State to provide these public goods. The State should level the playing field by not intervening in the private sector. It should only spend the taxes it collects from its citizens to provide the goods and services the private sector will not adequately provide.

Pragmatists, however, argue that Mississippi must compete with every other state for businesses and jobs. Every other state offers economic development incentives to the businesses they are attempting to recruit; thus, every state feels it must do likewise.

ECONOMIC DEVELOPMENT INCENTIVES, THE COSTS AND BENEFITS TO THE STATE

HB 1365 specifically requests that for each economic development incentive, the costs to the State and the returns to the state are evaluated to determine whether the state is receiving a positive return on its investment. Economic development incentives should be considered an investment in the State's future. And, as with any investment, the State needs to invest wisely. Separate from the cost/benefit evaluation, economic development incentives must have an obvious and specific programmatic goal or purpose.

To that end, HB 1365 states, "The analysis of tax incentives as required by Section 4 of this act shall include…. The statutory and programmatic goals and intent of the tax incentive…" Many of the State's economic development incentives do not specifically mention the goal or objective of the incentive. However, the goals of some of these incentives can be inferred based on the employment or capital investment requirements to qualify for the incentive.

The importance of goals cannot be ignored. Although policy makers are primarily interested in a positive return on the State's investment, they should be equally interested in the programmatic performance of the incentives. Has the incentive produced its intended purpose? Has it generated the jobs or the new businesses it was intended to produce? Furthermore, is the incentive's goal a worthwhile use of the State's finite resources? If the goal was not specifically stated in the authorizing legislation, its programmatic prudence is unclear, and measures of programmatic success are unachievable. In 2016 there were economic development incentives on the books with purposes or goals that were unknown or unclear. This is still true today. These incentives should be revisited and revised or possibly retired.

Furthermore, if the goal of an incentive is truly worthwhile (for example, generating jobs, or recruiting businesses to an economically depressed area of the State) it may not be essential for it to generate a positive return on the State's investment, so long as it is not excessively costly to the State. If a truly worthwhile incentive is successful in fulfilling its programmatic goals, but generates a negative monetary return to the State, it may still be a better economic development tool than an incentive that only marginally improves the lives of the State's residents but generates a modest positive monetary return to the State.

In the 1970s, labor quality and quantity, environmental regulations, and the availability of adequate utilities were the greatest concerns cited by U.S. businesses. Access to low-cost financing, taxes, and development incentives were toward the bottom of the list. By 2005, firms identified access to an adequate pool of skilled workers, energy costs, and transportation considerations as their most important factors. A survey of Fortune 500 business found that only three percent of respondents indicated that development incentives could sway their firm's location decisions. Most successful businesses will always use sound business reasons in site selection. Many firms will still compare development incentives, but only as a tiebreaker when two or more sites they are considering are essentially equal from a business perspective.

Today, firms are aggressively seeking to minimize their start-up costs by encouraging competing state development agencies to provide them development incentives; incentives that they know have recently been provided to many other firms. Firms have become bolder and more adept in their demand for site-selection incentives (Foxconn, Amazon, Tesla, etc.). Unabated, the economic war between the states will only become more brutal.

A BRIEF HISTORY OF ECONOMIC DEVELOPMENT INCENTIVES IN MISSISSIPPI

The first known use of economic development incentives in the United States occurred in 1791 when the State of New Jersey incorporated a private company founded by Alexander Hamilton and granted the company a state tax exemption, the authority to condemn property for its own use and control over the water supply in much of northern

New Jersey.[1] By 1844, the state of Pennsylvania had invested more than $100 million in more than 150 private corporations.[2]

In the aftermath of the Great Depression, a number of southern states desperate to improve their economies, provided incentives to northern manufactures to relocate to the south. It is widely recognized by historians and industrial policy scholars that this wave of relocation incentives began in Mississippi. In 1936, the Mississippi legislature passed Governor Hugh White's "Balance Agriculture with Industry" (BAWI) proposal.[3] This initiative authorized the use of industrial development bonds to finance a targeted economic development strategy. BAWI was the first plan of its kind and served as the precedent for other state governments' future involvement it their own economic development activities that continues to this day.[4] Garrett and Shughart also observe that, "Although the Balance Agriculture with Industry program superficially was successful in luring manufacturing firms to relocate to Mississippi from high-wage northern states, it is far from clear that BAWI's costs exceeded its benefits". Garrett and Shughart also state,

> "The BAWI was short-lived, as the state legislature and newly elected Governor Paul Johnson, Sr., canceled the program in 1940. Despite some continued support for BAWI around the state, the small number of jobs created, the costs of administering the plan, and growing doubt about the costs of the subsidies relative to the benefits received all played parts in its demise. Although BAWI had a short life, the plan set the legal precedent for local governments and, eventually, for the State of Mississippi itself to become ever-more involved in managing and attracting businesses to the state by using the public purse (taxpayer-financed subsidies, outright grants, loans and tax relief). Programs similar to BAWI remain active in Mississippi and in many other states despite overwhelming evidence that the vast majority targeted incentives end up costing taxpayers much more than the benefits created by subsidized firms."[5]

In 1979, the Mississippi Agricultural and Industrial Board was replaced by the Mississippi Department of Economic Development which shifted the State's focus more toward non-agricultural economic development.

In 1986 the Mississippi Legislature passed, and the Governor signed into law, the Tax Expenditure Annual Report Act (§ 57-13-45, The Tax Expenditure Annual Report Act, Laws, 1986 chapter 380, §1, effective from and after July 1, 1986), which required the Mississippi Research and Development Center to prepare an annual tax expenditure report. The intent of this report was to help the legislature better understand the fiscal and economic impacts of tax breaks and economic development incentives. After reorganization, this responsibility was transferred to the University Research Center. The first report published in November 1986 only required the inclusion of tax expenditures for sales taxes, use taxes and income taxes. Subsequent reports required the inclusion of expenditures for all taxes.

Economic development incentives first appeared in the Annual Tax Expenditure Report published November 1987. In that report there was only one economic development incentive; the Credit for High Tech Zone and Enterprise Zone (27-7-22). Just to be clear, Mississippi had more than one economic development incentive at that time, but most were managed solely by MDA which, at that time, was not required to publish an incentives report.

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1 Eisinger, Peter K. "The Rise of the Entrepreneurial State: State and Local Economic Development Policy In the United States," The University of Wisconsin Press, 1986.
2 Buss, Terry F. "The effect of State Tax Incentives on Economic Growth and Firm Location Decisions: An Overview of the Literature," Economic Development Quarterly, 15:1 (2001).
3 Lester, Connie, "Economic Development in the 1930s: Balance Agriculture with Industry," Mississippi History Now, Mississippi Historical Society.
4 Garrett, Thomas A. and William F. Shughart II, "Selective Incentives, Crony Capitalism and Economic Development", Promoting Prosperity in Mississippi, Institute for Market Studies at Mississippi State University, 2018.
5 Ibid.

By 1989, the Mississippi Department of Economic Development was renamed the Mississippi Department of Economic and Community Development. And, by 1994, the number of economic development incentives appearing in the Annual Tax Expenditure had grown to nine.

In 2000, the Mississippi Department of Economic and Community Development was renamed the Mississippi Development Authority. On August 7 of that year, Governor Ronnie Musgrove unveiled The Advantage Mississippi Initiative and called for an August 28, 2000 special legislative session to address this plan. The Advantage Mississippi Initiative was passed by the State legislature in early November 2000 and immediately signed into law by Governor Musgrove.

The Advantage Mississippi Initiative included the following new incentives:

- Regional Economic Development Act
- Mississippi Advantage Jobs Act
- Growth and Prosperity Act
- Basic Skills Tax Credit
- (An amendment to) the Jobs Tax Credit

This initiative included an additional proposal (the Local Advantage Financing Program) that was not included in the final legislation.

In 2000, these five new economic development incentives were added to a growing list of incentive offered by the State. By 2004 the number of economic development incentives tracked by DOR had grown to sixteen. Once again, this does not include the incentives managed solely by MDA.

In 2012, the Annual Tax Expenditure Report contained information on eighteen economic development incentives. This was also the first year that MDA (voluntarily) published an incentives report. In 2014, the Legislature passed legislation requiring MDA publish this report. MDA's 2012 incentives report listed thirty-nine economic development incentives, including the eighteen contained in the 2012 Annual Tax Expenditure Report. Twenty-seven of these incentives were simply designated 'foregone revenue" while twelve were discussed at length. Of the twelve incentives detailed in MDA's 2012 incentive report, two (Advantage Jobs and Motion Picture Production) were already covered in the Annual Tax Expenditure Report. By 2019, the number of economic development incentives tracked by MDA and DOR had grown to forty-five. There are numerous other incentives not captured by either MDA or DOR but none of them are explicitly designed to create/retain jobs or recruit/retain businesses.

Since about 1979, the number of economic development incentives has grown significantly. Information published by both MDA and DOR indicate that there are over seventy incentives in the State's economic development toolbox. Frequently firms/projects are awarded numerous incentives which makes it difficult or impossible to determine if each incentive is accomplishing its goal or generating a positive return on the State's investment.

Many of these subsidies, incentives, and tax breaks generate no costs to the State. Many do not have the intent of creating or retaining jobs or recruiting or retaining businesses. Some generate significant State costs, but little measurable return on the State's investment. Some are so similar that they should be retired or consolidated with other incentives.

It would be prudent to revisit all of the State's economic development incentives and insure they each have worthwhile, measurable goals and objectives and determine whether they have a high likelihood of generating a positive return on the State's investment.

ECONOMIC DEVELOPMENT INCENTIVES EVALUATED IN THIS REPORT

The Mississippi Major Economic Impact Act, Mississippi Code of 1972, § 57-75-1

The Major Economic Impact Act was created by the legislature to provide specific incentives for large projects. This special legislation has typically been introduced by the Governor and has been tailored to meet the needs of each entity.

Two projects were awarded this incentive in 2016: Continental Tire and Topship LLC. The Topship project, which was projected to create 1,000 jobs, was canceled. The Continental Tire project has not begun production and currently has fewer than 250 employees.

Major economic development projects take time to develop. They typically have a two-to-three-year construction phase that generates substantial returns to State general fund revenue. Then, as they ramp-up the operation of the facility, costs to the State exceed additions to State general fund revenue until the project meets its full employment goals.

The evaluation of this incentive at this time would indicate that it is a net positive to the State, but that would be based solely on the construction phase. If the evaluation was conducted in the first few years of operations, annual returns to the State would probably be negative, while cumulative returns would probably still be positive (large positive returns to the State from the construction phase would offset modest negative returns to the State in the early years of operation). Once this project reaches its full employment goal, a more accurate evaluation could be conducted.

There is insufficient information to estimate the impact of this incentive at this time. Once this project has become operational, an analysis of this incentive may be possible.

Over the past twenty years, several major economic development projects have been awarded up-front funding to finance site preparation, infrastructure improvements and other costs. The State provides this funding by issuing general obligation bonds. These bonds typically have a maturity of twenty years and an interest rate of approximately 5 percent. Four notable projects that received this up-front incentive were Nissan, Toyota, PACCAR and Continental Tire. Combined, these four firms received an estimated $986 million in up-front money financed by State general obligation bonds. Mississippi's total debt service on the bonds from all four projects is estimated to by about $1.58 billon. In FY 2019, the State's debt service for just these four projects was $79.1 million. These are not the only projects that were awarded up-front money but still provide a glimpse of the additional drain on State general fund resources related to economic development incentives.

The Mississippi Industry Incentive Financing Revolving Fund, Mississippi Code of 1972, § 57-1-221

The Industry Incentive Financing Revolving Fund provides a fund that MDA can use to incentivize projects that create significant economic opportunities within the State. This program allows <u>grants</u> or <u>loans</u> to be awarded to companies or local government to meet the specific needs of the project. This incentive requires significant job creation and capital investment by the firm. The funds for this incentive are derived from general obligation bonds.

The goal of this incentive, although not explicitly stated, is to encourage capital investment and job creation in the State.

Three firms/projects were awarded Mississippi Industry Incentive grants in 2019 totaling $15,000,000. No firms were awarded Mississippi Industry Incentive loans. In 2018, two firms/projects were awarded a total of $3,300,000 in grants, while no firms/projects were awarded loans. And, in 2017, three firms/projects were awarded a total of $8,050,000 in grants, while no firms/projects were awarded loans.

ANALYTICAL RESULTS

As a purely stand-alone incentive, the Mississippi Industry Incentive Financing Revolving Fund has generated a positive return on the State's investment.

Evaluating the costs and benefits of incentives that are financed by general obligation bonds is problematic. If the evaluation is focused on a single year, the cost to the State should be the annual debt service on the general obligation bonds used to finance the grant. In most cases the additions to State general fund revenue from the firm/project awarded the grant will exceed the annual debt service of the general obligation bond that provided the funds; assuming other incentives awarded to the project don't erode an excessive amount of general fund revenue from the normal operation of the firm. However, in the long run, if the firm/project that was awarded the incentive ceases operations before the bond is paid off, the State must still make annual debt service payments on the bonds. The State's return on the investment in the firm/project may become negative because, once the firm is no longer operating, the returns to State general fund become zero. On its surface, this incentive is a good economic development tool, but only if it is awarded to firms with a reasonable probability of lengthy operations.

The Mississippi ACE Fund, Mississippi Code of 1972, § 57-1-16

The goal of this incentive, as stated in the authorizing statute, is to assist a new or expanding business or industry in the creation of substantial employment, particularly in areas of high unemployment.

The Mississippi ACE Fund is designed to make grants to economic development entities ("local sponsors") to assist in funding extraordinary economic development opportunities that promote economic growth in the state of Mississippi. This program is typically used as a "deal-closing fund" and is often used when there is significant competition with other states for projects. These funds can be used to relocate equipment, for specialized training, and for leasehold or building improvements. Local sponsors are encouraged to use these grants in connection with other state and federal programs.

In 2019, eleven firms/projects were awarded a total of $11,475,000 in ACE funds. Eleven firms/projects were awarded Mississippi ACE Funds in 2018. The total amount of ACE funds awarded in 2018 was $10,240,000. Since the first publication of this report (2015) seventy-five firms/projects have been awarded Mississippi ACE Funds. The total amount of ACE funds awarded from 2015 through 2018 was $52,343,000.

In 2019, the Mississippi ACE Fund created 2,072 direct jobs and 783 secondary (indirect and induced) jobs for a total of 2,855 jobs. The net return to the State in 2019 from this incentive program is estimated to be $9,467,500, well above the annual debt service on the grant funds ($920,784).

ANALYTICAL RESULTS

If evaluated on an annualized basis and as a stand-alone incentive, Mississippi ACE Funds generate a positive return on the State's investment.

The grants awarded by this incentive are financed using general obligation bonds (See The Mississippi Industry Incentive Financing Revolving Fund).

The Mississippi Job Protection Act, Mississippi Code of 1972, § 57-95-1

The Mississippi Job Protection Program is designed to provide grants and loans to at -risk industries to be used for job retention and to improve productivity and competitiveness. A business cannot reduce its employment by more than 20 percent if it receives a Job Protection grant.

No firms/projects have been awarded this incentive since 2016.

The Economic Development Highway Grant Program, Mississippi Code of 1972, § 64-4-1

The Economic Development Highway Grant is designed to assist local units of government with highway projects that encourage private companies to engage in projects of "high economic benefit" within their areas.

The program promotes economic development in the state of Mississippi by supporting the construction and/or improvement of highways in areas that demonstrate immediate potential to attract or expand major industries or other significant development. The highway or highway segment to be constructed must be necessary to ensure adequate and appropriate access to a proposed business to encourage its location or expansion within a political subdivision.

No firms were awarded this incentive in 2019. One was awarded in 2018 and two were awarded in 2017. Detailed reporting on the analysis of this incentive is not allowed due to confidentiality concerns.

ANALYTICAL RESULTS

Based on the modest amount awarded in each year and the significant amount of private sector capital investment associated with these firms, as a stand-alone incentive, this incentive generated a positive return on the State's investment.

The grants awarded by this incentive are financed using general obligation bonds (See The Mississippi Industry Incentive Financing Revolving Fund).

The Rural Impact Fund Grant Program, Mississippi Code of 1972, § 57-85-1

The Rural Impact Fund Grant Program (RIF) provides funding for publicly owned infrastructure needs to assist with the location or expansion of businesses. To be eligible for RIF assistance, municipalities must have a population of no more than 10,000 and counties must have a population of no more than 30,000 according to the most recent federal decennial census. Eligible projects include public building construction, rehabilitation, or repair, sewer system improvements, improvements to transportation systems directly affecting the site of the proposed business, site preparation, and the acquisition or development of real property or improvements to real property. Eligible projects must have a direct connection to a business location expansion. Typical industries that can benefit from RIF-funded public infrastructure improvements include manufacturers, warehouses and distribution centers, research and development facilities, telecommunications and data processing facilities, and national or regional headquarters.

ANALYTICAL RESULTS

One firm/project was awarded RIF Grant funding in 2019. Due to confidentiality issues, no detailed analytical results can be reported. As a stand-alone incentive, this incentive generated a net positive return on the State's investment.

The Existing Industry Productivity Loan Program, Mississippi Code of 1972, § 57-93-1

This incentive is awarded to firms to assist them in improving their productivity and competitiveness through new technology. This incentive does not require firms to create any new jobs and, in fact, allows them to reduce their workforce up to 20 percent. However, it appears that the underlying goal of this incentive is to retain jobs.

The Mississippi Existing Industry Productivity Loan Program provides loans to existing industries that have been operating in the state for at least two years and meet minimum criteria established by MDA. Loan funds may be used to finance long-term fixed assets, such as land improvements, equipment purchases or building construction or improvements, or to refinance loans that were used to finance fixed assets.

No firms have been awarded this incentive since 2016.

Workforce Training Fund, Mississippi Code of 1972, § 57-1-401

The Workforce Training Fund allows for grants to be made to assist companies to offset training needs that are not met through the community college system and WIN Job Centers. These funds can be used to reimburse travel expenses for employees who need to be trained at other facilities, augment community college funds, or provide on-the-job training dollars for new jobs that do not qualify for the federal On-the-Job Training program, such as those jobs moved to Mississippi from out of state. Grant funds are awarded directly to the community colleges, local workforce areas, or universities providing on behalf of companies that are creating jobs and have training needs.

No firms/projects were awarded this incentive in 2019. Two firms/projects were awarded this incentive in 2018 and four were awarded in 2017.

Detailed reporting on the analysis of this incentive is not allowed due to confidentiality concerns.

ANALYTICAL RSULTS

Based on the modest amount awarded in each year and the enhanced skills and increased productivity associated with this funding, this incentive probably generated a positive return on the State's investment.

The Mississippi Works Fund Training Program, Mississippi Code of 1972, § 71-5-353

The Mississippi Works Fund is a flexible workforce training incentive that allows MDA to proactively meet the training needs of both new and existing employers in Mississippi. Designed to provide businesses locating or expanding in the State with additional workforce training resources and help build a more qualified applicant pool in the state, Mississippi Works Fund grants may be used to supplement other training resources the State offers and can help meet training needs that are not met through existing resources. Training is conducted through Mississippi's community college system and other training providers in the state. The Mississippi Legislature approved a total of $50 million for the Mississippi Works Fund. While the State Workforce Investment Board officially approves Mississippi Works grants for existing workforce projects, MDA is authorized to direct funds where needed to support the agency's business recruitment and expansion efforts.

Mississippi Works Funds, totaling $4,292,620, were awarded in six counties (Coahoma, Forrest, Lee, Marshall, Monroe and Warren). One award was to the Mississippi Community College Board-Career Tech Scholars Program, which is statewide.

This incentive also enhances workers skills which enhances productivity. However, there was insufficient information available to evaluate this incentive.

The Advantage Jobs Incentive Program, Mississippi Code of 1972, § 57-62-1

The Advantage Jobs Incentive Program is a rebate program designed to encourage businesses that create twenty-five or more new jobs in the state. Jobs must meet or exceed the average annual wage of the state or the county in which the company locates, whichever is lower. The Advantage Jobs Incentive Program provides for a rebate of 90 percent of Mississippi Payroll taxes withheld to qualified employers for a period of up to 10 years. In Mississippi code section 57-62-9, which applied to Advantage jobs incentive recipients prior to 2005, the limit on use of this incentive was ten years. However, in 2001, the Nissan project was awarded the Advantage Jobs Incentive for fifteen years and an additional fifteen years if it so desired.

In the 2019 Mississippi Incentives Report, MDA indicates that the Advantage Jobs Incentive created 2,752 jobs from 2014 through 2019. In 2019, twelve firms qualified for the Advantages Jobs incentive and created 673 jobs. Twelve firms/projects were awarded Advantage Jobs tax rebates in 2019. These firms/projects were located in ten counties; Copiah, DeSoto, Forrest, Hancock, Jackson, Lauderdale, Lee, Marshall, Monroe, and Panola.

MDA does not provide an estimate of the cost (either annually or in total) of this incentive. In the 2019 Tax expenditure Report, DOR projects this incentive will cost the State $17,933,485. Their projection for 2019 was $21,518,055, $24,503,374 in 2018, $22,426,961 in 2017.

While MDA certifies companies meet the program requirements, DOR validates job creation commitments and makes payment for each applicant on a quarterly basis. Information about actual payments to a single firm or project is not available since payments are tied to the taxpayer's withholding tax returns. However, in the 2019 Tax Expenditure Report, DOR projects the 2020 estimated cost of this incentive to be $17,933,485.

The Advantage Jobs incentive is a widely used incentive. Many firms/projects that are granted this incentive also receive one or more other incentives. In 2018 and 2019, at least six firms/projects received the Advantage Jobs incentive and one or more other economic development incentives. When a project receives more than one incentive, it is not possible to determine the impact of a single incentive. Furthermore, inconsistencies in the data lead us to question the accuracy of the estimates provided.

ANALYTICAL RESULTS

As a purely stand-alone incentive, this incentive results in a positive return on the State's investment.

There are two other Mississippi economic development incentives that are very similar to the Advantage Jobs incentive: the Existing Industry Withholding Rebate Program (57-100-3), and the Mississippi Major Economic Impact Authority (MMEIA) Withholding Rebate Program (57-99-3). The Existing Industry Withholding Rebate Program did not generate any foregone revenue in 2019 or 2020; however, in the near future it will begin to generate significant foregone revenue because it was awarded to the Continental Tire Project. DOR estimated the Mississippi Major Economic Impact Authority (MMEIA) Withholding Rebate Program resulted in $4,109,011 of foregone revenue. These three incentives should be revisited and possibly combined into a single incentive.

Mississippi Tourism Incentive Program, Mississippi Code of 1972, § 57-26-1

The Mississippi Tourism Incentive Program is designed to provide a rebate to new tourism-oriented projects within the State of Mississippi. The Mississippi Tourism Rebate Program allows a portion of the sales tax paid by visitors to the eligible tourism-oriented enterprise project to be paid to the applicant to reimburse eligible costs incurred during the construction of the project. An applicant may receive 80 percent of the eligible sales tax revenue collections from a project for up to 15 years or until the applicant has recouped 30 percent of the total project cost, whichever occurs first.

The Tourism Tax Rebate was first codified in 2006. However, all projects that have received rebate payments were approved under §57-26-1, which was approved and codified in 2007.

Mississippi Code § 57-26-5 amended this incentive such that MDA was prohibited from approving any application submitted after June 30, 2014 for a project that included any resort development. And, § 57-26-7 amended this incentive such that no certificate designating an entity as an approved participant and authorizing the approved participant to participate in the incentive program shall be issued from and after July 1, 2014, for tourism projects that are cultural retail attractions, or from and after July 1, 2020, for other tourism projects. Thus, no new projects will be eligible for this incentive after July 1, 2020 unless MDA certifies them prior to that date.

The principle concern associated with this incentive is that the perceived costs (the value of the tax rebate) is understated and perceived benefits (additions to State general fund revenue) are overstated. Many, if not most, of the projects that have qualified for this incentive have not drawn much spending by out-of-state customers. In general, economic development only occurs when new dollars flow into the State. Most of the patrons at these attractions are Mississippi residents and most of the purchases are made using dollars that were already here; dollars that were already going to be spent at another attraction or retailer anyway. Thus, the costs to the State must include not only the amount of the tax rebate to the incentive recipient, but also the tax revenue lost from the retailer where the purchaser would have otherwise shopped. And, since most of the purchases made at the incentivized attraction/retailer are being made by Mississippi residents making purchases they were likely already going to make at another in-state retailer, jobs and income created by the purchase don't represent net, new economic activity.

Based on information in the 2019 Mississippi Incentives Report, published by MDA, foregone revenue generated by the Tourism Tax Rebate in 2019 was estimated to be $8,496,956, up 9 percent from 2018 and 78 percent since 2017. Approximately 88 percent of the rebated amount went to just two projects in 2019. With rebates to as many as fifteen projects that are eligible and could begin to receive tourism tax rebates next year, growth in foregone revenue from this incentive is destined to increase.

ANALYTICAL RESULTS

The Mississippi Tourism Incentive Program generates a substantial negative return on the State's investment.

In the FY 2019 Mississippi Incentives Report, MDA listed nine projects in 2017 and 2018 that qualified for an estimated $57,175,000 in tax rebates if each project received the maximum rebate amount. Currently, none of these projects has received any rebates from the State. The total number of projects that have been approved but have not yet received any rebates is fifteen and the maximum amount of rebates they could receive is estimated to be $305,452,000. If the projects that are currently receiving incentive payments but have not exhausted their maximum allowable rebate are included, the total future State liability would be an estimated $394,481,845. Not all of these projects are likely to materialize, nor are all the ones that do materialize likely to receive their maximum amount of the incentive for which they qualified. But the sheer size of this potential general fund burden deserves some attention.

The Motion Picture Rebate Program, Mississippi Code of 1972, § 57-89-7

The Mississippi Motion Picture Incentive Program provides a cash rebate on eligible expenditures and payroll and provides sales and use tax reductions on eligible rentals/purchases. This program is available for nationally distributed motion pictures, television programs, DVDs, documentaries, short films, commercials or computer or video games, including animation and production utilizing new technology. To be considered a nationally distributed film, a project must be intended for theatrical, broadcast, festival screening, streaming video or internet delivery. There is a $50,000 minimum Mississippi investment per project, as well as a $10,000,000 per project rebate cap. There is a $20,000,000 annual rebate cap, as well. There is no minimum requirement for production days or percentage of production spending in Mississippi. A production is eligible for a 25 percent rebate of its base investment (local spending) in Mississippi. The base investment is determined by production expenditures in Mississippi. A production is eligible for a 30 percent cash rebate on payroll that is paid to resident cast and crew members whose wages are subject to Mississippi income tax withholding and for that portion of their salary for the project up to and including $5 million.

A production is eligible for a 25 percent cash rebate on payroll paid to non-resident cast and crew members whose wages are subject to Mississippi income tax withholding and for that portion of their salary for the project up to and including $5 million. A production company receives an additional rebate of 5 percent of the payroll paid for any employee who is an honorably discharged veteran of the United States Armed Forces. For purposes of this program, payroll means salary, wages, or other compensation including related benefits paid to employees upon which Mississippi income tax is due and has been withheld.

Six firms received this incentive in 2019. The total amount of rebates paid in 2019 was estimated to be $2,137,501. The counties in which these firms filmed were unavailable.

Due to the short-term nature of the direct jobs created, no measurable secondary jobs were generated. The net new economic activity associated with these productions generated approximately $947,462 in additional State general fund revenue resulting in a net loss to the State of about $1,190,039.

ANALYTICAL RESULTS

The Motion Picture Rebate Program generates a negative return on the State's investment.

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

A credit is allowed for increasing employment levels in certain types of business. For a credit to be allowed, the business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by rule and regulation by the Mississippi Development Authority as air transportation, and maintenance facilities, final destination or resort hotels having a minimum of 150 guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology-intensive facility or enterprises. The total of the Jobs Tax Credit, the Headquarters Credit, and the R&D Skills Credit cannot exceed 50% of the total income tax due.

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 three groups or classifications.

County Classification	Minimum Increase in Number of Jobs in a Given Year	Percentage of Payroll Per Job
Tier Three (Less Developed)	10 or More	10%
Tier Two (Moderately Developed)	15 or More	5%
Tier One (Developed)	20 or More	2.5%

This job tax credit is earned by a permanent business enterprise and members of the affiliated group operating certain projects that create at least 3,000 new full-time jobs and to integrated suppliers who create at least 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 five thousand dollars annually for each net new full-time employee for a period of twenty years. This credit can offset one hundred percent of the income tax due from the earnings of the project. Integrated suppliers are allowed a credit equal to one thousand dollars annually for each new net full-time employee for five years and cannot exceed 50% of the total income tax due. This credit is in lieu of those provided for in § 57-73-21.

In 2019, DOR projected 2020 Jobs Tax Credits would cost the State $1,725,000 in Jobs Tax Credits. No estimate of the actual number of jobs created was available. However, if each firm met the minimum required job creation threshold, the minimum job creation would have been 341 direct jobs and 617 total jobs. This level of job creation would have generated enough additional State general fund revenue to surpass the revenue foregone due to the tax credits issued.

ANALYTICAL RESULTS

As a stand-alone incentive, the Jobs Tax Credit generates a positive return on the State's investment.

The National Headquarters Credit - Mississippi Code of 1972, § 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 fifty percent of the total income tax due. The credit is limited to fifty percent 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.

No firms have received this incentive in a decade.

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

An income tax credit is available equal to the total debt service paid on industrial revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing, telecommunications, data processing, distribution or warehouse facilities within this state. The credit is limited to the lesser of eighty percent 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 $7.00 or more but less than $9.00 per hour; and (c) 6% if the gross wages are equivalent to $9.00 or more per hour. An income tax credit is allowed for each employee required to pay the assessment fee in an amount equal to the amount of job assessment fee imposed. Any excess credit shall not be refundable or carried forward to any other taxable year. The repeal date is October 1, 2022.

DOR projects that in 2020 foregone revenue associated with Mississippi Business Finance Corporation Revenue Bond Service Credit will be $8,200,000. This is the same amount that was projected for 2019. Projected costs of this incentive were $13,200,000 in 2018 and $11,100,000 in 2017.

There was insufficient data available to evaluate the costs/benefits of this incentive.

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

The Mississippi Economic Impact Authority Withholding Rebate Program allows qualified existing employers to receive incentive payments from the state equal to the lesser of 1% of taxable wages or the actual withholding paid to qualified employees. The incentive payments will be paid out of the employee's withholdings that are diverted into a special fund instead of being paid to the general fund. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns. The incentive payments may be made for a period of up to 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, thus, this incentive will soon sunset. DOR estimated that in 2019 rebate cost the State and estimated $79,218 and in 2020 will cost $0.

Since this a seldom used incentive and is scheduled to end this year, no analysis was conducted on this incentive.

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

The Mississippi Major Economic Impact Authority Withholding Rebate Program allows qualified companies and their affiliates to receive quarterly incentive payments from the state in an amount equal to the lesser of 3.5% of the wages and taxable benefits or the actual amount of tax withheld by the employer for the qualified jobs for a period not to exceed twenty-five years. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid to the general fund. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns. The incentive payments may be made for a period of up to twenty-five years.

DOR estimates that in 2020 forgone revenue associated with the Mississippi Major Economic Impact Authority Withholding Rebate Program will be $4,109,011. Their estimates for 2019 were $3,726,408, $3,881,551 for 2018 and $3,933,031 for 2017.

Except for the longer qualifying period (<u>25 years</u>), this incentive is virtually identical to the Advantage Jobs incentive.

ANALYTICAL RESULTS

As a stand-alone incentive it generates a positive return on the State's investment. If other incentives are awarded to the firm/project, as is often the case, it is not possible to determine whether the State's investment yields a positive outcome.

Existing Industry Withholding Rebate Program, Mississippi Code of 1972, § 57-100-3

The Existing Industry Withholding Rebate Program allows qualified existing employers to receive incentive payments from the state equal to the lesser of 3.5% of the taxable wages or the actual withholding paid of qualifying new employees. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid to the general fund. The incentive payments may be made for a period of up to 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 State costs of the Existing Industry Withholding Rebate Program were $0 from 2016 through 2019. DOR projects them to be $0 in 2020. In the near future this will change since the Continental Tire project was awarded this incentive.

ANALYTICAL RESULTS

As a stand-alone incentive it generates a positive return on the State's investment. If other incentives are awarded to the firm/project, as is often the case, it is not possible to know if the State's investment yields a positive outcome.

Fee-In-Lieu (of Franchise Tax), Mississippi Code of 1972, § 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. After passage of the Taxpayer Pay Raise Act of 2016, the impacts of this incentive began to diminish. By 2027, no franchise taxes will be collected, and this incentive will become irrelevant.

Insufficient information was available to evaluate this incentive.

The Healthcare Industry Zone incentive, Mississippi code of 1972, § 57-117-1

In 2012, Governor Bryant enacted the Healthcare Industry Zone Act to spur healthcare development within five miles of major acute care hospitals. Under the act, businesses like laboratory testing facilities, medical supply distributors and biotechnology research facilities that either make an investment of at least $10 million or create a minimum of twenty-five full time, permanent jobs within the healthcare zone are eligible for certain tax incentives.

During the 2013 session, the act was expanded to include healthcare investment in communities that developed a certified healthcare master plan in lieu of meeting the original law's acute care bed count.

If the qualified business has not created the requisite number of jobs required by this chapter, the health care industry zone certification may be revoked by MDA after five years have elapsed from the effective date of certification. A revocation under this section shall not act retroactively to remove any incentives granted by this chapter.

This incentive has been repealed effective July 1, 2022.

Insufficient information was available to evaluate this incentive.

CONCLUSIONS

Twenty economic development incentives were included in this report. Based on our analysis, nine incentives generated a positive return on the State's investment and two generated a negative return. Three incentives have not been awarded in recent years and one incentive was only lightly used and is scheduled to expire at the end of the current fiscal year. Five of the twenty incentives included in this report could not be analyzed due to insufficient information.

INFORMATION (DATA) PROBLEMS AND RECOMMENDATIONS

DATA ISSUES

1. Although data availability was better this year than in the first incentives report, some improvement is still needed. Incomplete information is being collected on several of the economic development incentives that this study was meant to address. When a firm applies for an incentive (grant, loan, or credit) the State agency responsible for that incentive needs to maintain data on the number of jobs created and wages associated with those jobs. Information on incentives that provide workforce training is a particular problem area. A mechanism needs to be developed to identify the increased productivity of workers and firms resulting from workforce training investments.
2. A database containing all of the economic development incentives and the firms that qualify for them needs to be developed. Knowing that a firm was awarded more than one incentive will enhance the accuracy of the analysis. It may be necessary to evaluate projects rather than individual incentives to overcome this dilemma.
3. Rather than conducting the analysis on all of the relevant economic development incentive every four years, a more comprehensive analysis could be conducted on a few incentives each year.

PROGRAMMATIC ISSUES

The goal or purpose of an incentive is important. If you can't determine the purpose of an incentive, you can't determine whether it is accomplishing anything worthwhile, needs to be modified, or has outlived its usefulness. Some of the incentives contain explicit goals in the authorizing legislation. Some could be inferred by the requirement necessary to qualify for the incentive. Some were so vague the goal or purpose could not be determined. It might be worthwhile to revisit the economic development incentives that don't contain an explicit goal or purpose and insert one. It's simply not possible to determine the programmatic success of an incentive if you can't identify what the incentive was meant to accomplish.

ADDITIONAL THOUGHTS ON THE CRAFTING AND UTILIZATION OF INCENTIVES

1. Mississippi may have too many economic development incentives. Minimizing the number of economic development incentives might reduce the likelihood of combining too many incentives in a single incentive package. The State should consider a freeze on creating new incentives, consolidating the ones that are similar and eliminating the ones that are not in the State's best interest.
2. Many incentives have no stated purpose. If it is not obvious what the incentive was meant to accomplish, measuring its programmatic performance is impossible. Generating a positive monetary return to the State may be immaterial if it does not have an explicit, worthwhile goal.
3. When the State offers a firm an economic development incentive to locate or expand its business in Mississippi, the assumption is made that "But for the incentive, the firm would not have located or expanded in the State." This assumption is rarely true. Economic development incentives rarely influence a firm's location decisions. Firms lobby the State for incentives because they know that incentives are easily obtained and that they will lower their costs.
4. Many projects receive multiple incentives. Some incentives may generate positive results for the State while many may generate little, if any, impact. When a firm receives two or more incentives, determining the impact of a single incentive is not possible.
5. The State's resources (grants, loans, tax rebates and other incentives) are too often awarded to projects that may not have been thoroughly subjected to a comprehensive, credible feasibility study. In an April 2018 study published by the Mississippi Office of the State Auditor, eleven failed projects associated with just five incentive programs were highlighted. Thorough, accurate feasibility studies might have prevented the State from incentivizing some these failed projects. Projects can be infeasible for many reasons. The failure of coal gasification (Kemper County) and synthetic biodiesel (KiOR) were predominantly due to the inability to scale-

up a cutting-edge production process to large-scale commercial production. Due diligence could have highlighted this risk. Another feasibility risk is inability to produce at a cost that is competitive in the market (now and in the foreseeable future). One case-in-point is solar panels (Stion, Twin Creeks). A comprehensive feasibility study might have forecast the glut of cheap solar panels coming from Chinese manufacturers.

6. Over the past ten years the economy has changed dramatically. The nature of work has changed and will continue to change at an increasing pace. There is a military adage that goes like this;" You don't win the next war by preparing for the last war." Mississippi is still preparing for the last war. Mississippi uses its incentives as though the old economy still existed. Mississippi must prepare for an economy where knowledge and skills matter more than anything else. Part of that process will include adapting the State's use of economic development incentives more toward a knowledge-based economy.

THE ANNUAL TAX EXPENDITURE REPORT

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 thirtieth of such annual reports.

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

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

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

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

In this document strict adherence to the language of the statutes is always the basis for developing tax expenditures. However, in keeping with implied legislative intent and in consideration of the intensity of debate concerning certain provisions in the tax laws, provisions in the law other than those which conform to the strictest definition of a tax expenditure have also been included. In each of these cases, the departure from strict interpretation is clearly noted. For instance, the sale of feed, seed, fertilizers, herbicides, and other materials used in farming is exempted in § 27-65-103 of the Mississippi Code of 1972 (Supp.) from the sales tax and as such could be considered a tax expenditure. However, § 27-65-7 of the 1972 Code states that retail sales do not include sales made to a wholesaler, jobber, manufacturer, or custom processor for resale or for further processing. Section 27-

65-7 appears to suggest that inputs into production processes are not items subject to the sales tax; it can be inferred from a practical, if not from a strictly legal, position that sales of feed, seed, fertilizers, herbicides, and other materials when sold to persons who are engaged in the business of producing agricultural products are not, indeed, part of the relevant tax base and that the exemption is not a true tax expenditure.

MEASURING TAX EXPENDITURES

The estimates in this report are based on the following: 2018 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.

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 2020 Tax Expenditure: $550,000

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:

County Classification	Minimum Number of New Jobs Created	Credit Per Job
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 2020 Tax Expenditure: $1,725,000

National Headquarters Credit - Mississippi Code of 1972 (Supp.), § 57-73-21

A credit of $500, $1,000, or $2,000 (dependent upon average annual wage) for each net new full-time employee is authorized for any company establishing or transferring its national or regional headquarters from within or outside the State of Mississippi and creating a minimum of 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 2020 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 2020 Tax Expenditure: $6,200

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 2020 Tax Expenditure: $260,000

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 2020 Tax Expenditure: $5,900,000

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 2020 Tax Expenditure: $0

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

An income tax credit is available equal to the total debt service paid on industrial revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing, telecommunications, data processing, distribution or warehouse facilities within 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 2020 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 2020 Tax Expenditure: $6,800,000

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

This is an income tax credit for manufacturers, distributors and wholesale or retail merchants for a certain amount of ad valorem taxes paid on commodities, goods, wares and merchandise held for resale. An income tax credit is also for individuals, firms or corporations for ad valorem taxes paid on rental equipment. The tax credit allowed may be claimed for each location where such commodities, raw material, works-in-process, products, goods, wares, merchandise and/or rental equipment are found and upon which the ad valorem taxes have been paid. Any tax credit claimed but not used in any taxable year may be carried forward for five 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 2020 Tax Expenditure: $21,600,000

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 2020 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, 2022.

Estimated FY 2020 Tax Expenditure: $151,000

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 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 2020 Tax Expenditure: $156,000

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 2020 Tax Expenditure: $2,300,000

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 2020 Tax Expenditure: $10,100

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

An income tax credit and insurance premium tax credit is allowed for taxpayers making investments that qualify for federal income new markets tax credit as defined in § 45D of the Internal Revenue Service Code. The amount of the credit shall be equal to the applicable percentage of the adjusted purchase price paid to the qualified community development entity for the qualified equity investment. The amount of the credit that may be utilized in any one 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 2020 Tax Expenditure: $2,800,000

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 2020 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 2020 Tax Expenditure: $1,100,000

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 2020 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 $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 2020 Tax Expenditure: $400,000

Business Contributions to Eligible Charitable Organizations Credit

A business credit is allowed for voluntary cash contributions made to eligible charitable organizations. The credit is limited to 50% of the total tax liability of the taxpayer and any credit claimed but not used in any taxable year may be carried forward for five consecutive years. Credits earned by a partnership, limited liability company, S corporation or other similar pass-through entity shall be allocated among all partners, members or shareholders respectively. The aggregate amount of tax credits that may be allocated during a calendar year shall not exceed $5,000,000.

Estimated FY 2020 Tax Expenditure: Information not available

Endowment Fund Charitable Credit

An income tax credit is allowed for qualified charitable contributions made to endowment funds held by community foundations in Mississippi. The credit is equal to 25% of qualified contributions made to endowment funds in any one calendar year. The minimum amount of a qualified contribution shall be $1,000 and the maximum amount shall be $200,000. The aggregate amount of tax credits authorized cannot exceed $500,000 in any one calendar year.

Estimated FY 2020 Tax Expenditure: Information not available

CORPORATE INCENTIVES

Redevelopment Project Incentive Fund - Mississippi Code of 1972 (Supp.), § 57-91-9

An incentive program to encourage economic development in areas where environmentally contaminated sites are located. Income and franchise taxes paid by enterprises located on approved sites shall be deposited 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 2020 Tax Expenditure: $134,672

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 2020 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 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 2020 Tax Expenditure: Information not available

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

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

Estimated FY 2020 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 2020 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 2020 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 2020 Tax Expenditure: Information not available

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 2020 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 2020 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 2020 Tax Expenditure: Information not available

CORPORATE FRANCHISE TAX EXPENDITURES

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

Exemptions

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

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

Estimated FY 2020 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 2020 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 2020 Tax Expenditure: $225,000

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 2020 Tax Expenditure: $6,200,000

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

A credit is allowed for a member insurer to offset against its premium, franchise, or income tax liability 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 2020 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 2020 Tax Expenditure: $25,722

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 2020 Tax Expenditure: $17,933,485

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 2020 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 2020 Tax Expenditure: $0

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 2020 Tax Expenditure: $4,109,011

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 2020 Tax Expenditure: $2,614,073

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 2020 Tax Expenditure: $418,750,000

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 2020 Tax Expenditure: $63,000,000

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 2020 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 2020 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 2020 Tax Expenditure: Information not available

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 2020 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 2020 Tax Expenditure: $358,000,000

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 2020 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 2020 Tax Expenditure: Information not available

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

Estimated FY 2020 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 2020 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 2020 Tax Expenditure: Information not available

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

Estimated FY 2020 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 2020 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 2020 Tax Expenditure: $865,000

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 2020 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 $6,000 or 100% annual compensation or earned income. For married filers, a separate deduction up to $6,000 is allowed for each spouse provided either spouse has sufficient annual compensation or earned income.

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

1) $64,000 for a single individual or head of household
2) $103,000 for a married couple filing a joint return
3) $10,000 for a married individual filing separately
4) Non-active participant with active participant spouse, phase-out begins at $193,000

If adjusted gross income exceeds one of the specified amounts, the maximum IRA deduction is phased out over the next $10,000 of adjusted income. Thus, no IRA deduction is allowed to a single person with adjusted gross income of $66,000 or more, a married couple filing a joint return with $110,000 or more, or a married individual filing separately with $10,000 or more. The reduction in the maximum IRA deduction is determined by 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 2020 Tax Expenditure: $3,700,000

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 $56,000 or 25% 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 25% of earnings subject to $56,000 limitation. The purpose of this provision is to comply with federal tax codes.

Estimated FY 2020 Tax Expenditure: $5,000,000

Interest Penalty on Early Withdrawal of Savings - IRC § 62(12). Mississippi Code of 1972 (Supp.), § 27-7-16

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

Estimated FY 2020 Tax Expenditure: $40,000

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 2020 Tax Expenditure: $210,000

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 2020 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 provisions of the IRC.

Estimated FY 2020 Tax Expenditure: $9,854,000

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 2020 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 2020 Tax Expenditure: $37,000

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 2020 Tax Expenditure: $6,600,000

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 2020 Tax Expenditure: $26,000

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 2020 Tax Expenditure: Information not available

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 2020 Tax Expenditure: $28,000

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 2020 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 2020 Tax Expenditure: $1,635,000

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 2020 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 2020 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 2020 Expenditure: $2,100,000

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 Mississippi Natural Heritage Program or which are along streams nominated to the Mississippi Scenic Streams Stewardship program.
   Estimated FY 2020 Expenditure: $10,000

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 2017 or thereafter.
   Estimated FY 2020 Expenditure: $275,000

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 2020 Expenditure: $1,200,000

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 2020 Expenditure: $10,600,000

6. Finance Company Privilege Tax - § 27-21-9
   A credit for the amount of privilege taxes paid is allowed and shall not be greater than the total amount of income tax due.
   Estimated FY 2020 Expenditure: $420,000

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 2020 Expenditure: $410,000

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 2020 Tax Expenditure: $153,000,000

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

Taxpayers are allowed a deduction for expenses incurred for medical treatment, medicines, health care, health insurance, and transportation which are essential to medical care. The deduction is equal to that portion of all qualified medical expenses exceeding 10% 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 2020 Expenditure: $46,500,000

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 2020 Tax Expenditure: $69,000,000

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 $750,000 ($350,000 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 2020 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 2020 Tax Expenditure: Information not available

Charitable Contributions - IRC § 63(f) and 170(c); Mississippi Code of 1972 (Supp.), § 27-7-17(1)(h)

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 2020 Tax Expenditure: $97,000,000

Casualty and Theft Losses - IRC § 165(c)(3); Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

Casualty and theft losses are only allowable for losses attributable to federally declared disaster areas. 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 2020 Tax Expenditure: $1,100,000

Employee Expenses and Miscellaneous Deductions Subject to 2% Limitation - IRC § 162 and 212; Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

Employee expenses and miscellaneous deductions subject to the 2% limitation are suspended for tax years 2018 through 2025. These expenses include but are not limited to:

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 2020 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 2020 Tax Expenditure: $9,300,000

SALES AND USE TAX EXPENDITURES

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

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

EXCEPTIONS

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

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

	Estimated FY 2020 Tax Expenditure
Retail sales of farm tractors, farm implements & logging equipment taxed at 1.5%	$43,494,884
Aircraft, trucks, semi-trailers and mobile homes taxed at 3%	$24,648,077
Autos, light trucks: (10,000 lbs. or less) taxed at 5%	$113,981,883
Manufacturing machinery and certain port facility equipment taxed at 1.5%	$89,835,731
Materials used in railroad tracks taxed at 3%	$1,031,905
Sales to electric power associations taxed at 1%	$10,806,996

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 2020 Tax Expenditure: $15,771,566

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 2020 Tax Expenditure: $147,391,131

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 2020 Tax Expenditure: $48,086,059

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 2020 Tax Expenditure: $1,547,571

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 2020 Tax Expenditure: $1,487,198

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 2020 Tax Expenditure: $24,830,993

Industrial exemptions - Mississippi Code of 1972 (Supp.), § 27-65-101

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

	Estimated FY 2020 Tax Expenditure
Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers	*$2,446,675*
Raw materials used in manufacturing	$145,838,025
Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels	*$2,446,675*
Sales to commercial fishermen of specified commercial fishing boats	$2,469,225
Gross income from repairs to vessels engaged in foreign trade or interstate transport	$6,865,450
Rolling stock used in interstate commerce	*$3,669,500*
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	$71,443
Income from storage/handling of perishable goods by public storage warehouses	Insignificant

Industrial Exemptions – (continued)	Estimated FY 2020 Tax Expenditure
Natural gas used in oil production	$3,058,600
Gross collections from self-service commercial laundering, drying, and cleaning equipment	$1,853,200
Economic Development Reform Act incentives	$7,452,755
Growth and Prosperity Act incentives	Not Available
Pollution control equipment	Not Available
Sales of broadband technology equipment	*$10,250,000*
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
National and Regional Headquarters	Not Available
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:

	Estimated FY 2020 Tax Expenditure
Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc.	$63,341,700
Sales of agricultural produce to be further processed	$109,067,175
Retail sales of mules, horses, and other livestock	Insignificant
Sales of antibiotics, hormones, drugs, medicines, etc.	$1,622,550

Governmental exemptions - Mississippi Code of 1972 (Supp.), § 27-65-105

Sales of normally taxable goods are exempt from sales tax when sales are made to the U.S. government, to the state of Mississippi, to public schools, to the Mississippi Band of Choctaw Indians, or to governmental or volunteer fire departments.

	Estimated FY 2020 Tax Expenditure
Sales to U.S. Government or State of Mississippi	$218,134,350
Sales to public schools	*$30,584,975*
Sales of school textbooks	*$10,739,325*
Sales to the Mississippi Band of Choctaw Indians	$244,975
Sales of firefighting equipment to governmental or volunteer fire departments	$185,525

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:

Miscellaneous Exemptions – (continued)	Estimated FY 2020 Tax Expenditure
Sales to nonprofit hospitals and infirmaries	*$96,400,225*
Sales of newspapers, periodicals, and subscription magazines	$6,535,000
Sales of coffins and caskets	*$2,446,675*
Sales of goods for immediate export	Insignificant
Sales to nonprofit orphanages, old men's or old ladies' homes	*$305,450*
Sales to YMCA, YWCA, or Boys or Girls Clubs	$1,724,050
Sales to nonprofit private schools	*$12,238,500*
Gross proceeds of retail sales and the use or consumption of drugs and medicines	$177,083,100
Retail sales of vehicles and semi-trailers exported within 48 hours	$2,569,675
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	Insignificant
Sales of alcohol-blended fuel using Mississippi distilled alcohol	Insignificant
Sales to the Institute for Technology Development	$694,950
Sales of food & drink through full-service vending (taxed at 8% of the wholesale purchase price)	$5,262,805
Gross proceeds of sales of motor fuel	$426,454,094
Sales of food purchased with food stamps or instruments provided by the Women, Infants and Children's (WIC) Program	$69,177,420
Sales of cookies by the Girl Scouts of America	Insignificant
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	Insignificant
Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies	Insignificant
Retail sales of specified articles of clothing and school supplies purchased during the 'Annual Back to School Sales Tax Holiday'	$4,440,129
Gross proceeds of sales made for the sole purpose of raising funds for a school (k-12)	$6,829,063
Sales to Mississippi Blood Services	Insignificant
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	Insignificant
Sales to The United Way of the Pine Belt Region, Inc.	Insignificant
Sales to Mississippi Children's Museum	Insignificant
Sales to Jackson Zoological Park	Insignificant
Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation	Insignificant
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	Insignificant
Sales to Keep Mississippi Beautiful, Inc.	Insignificant
Sales to Friends of Children's Hospital	Insignificant
Sales to Pinecrest Weekend Snackpacks for Kids, Corinth MS	Insignificant
Hearing aids prescribed by a licensed physician, audiologist, or hearing aid specialist	$8,875,313

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 2020 Tax Expenditure: $19,200,000

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 2020 Tax Expenditure: $900,000

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 2020 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 2020 Tax Expenditure: $17,215,000

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 2020 Tax Expenditure: $990,000

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 2020 Tax Expenditure: $30,800,000

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 2020 Tax Expenditure: $2,050,000

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 2020 Tax Expenditure: $570,000

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 2020 Tax Expenditure: $4,115,000

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 2020 Tax Expenditure: $7,500,000

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-d)

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.
d) Transfers of legal ownership of motor vehicles between siblings 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.

Estimated FY 2020 Tax Expenditure: $2,847,592

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 $l.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.

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 2020 Tax Expenditure: Information not available

SUMMARY OF TAX EXPENDITURES

CORPORATE INCOME TAX	Estimated FY 2020 Tax Expenditure
Credits:	
Credit for finance company privilege tax paid for same tax year	$550,000
Jobs Tax Credit	$1,725,000
National Headquarters Credit	-0-
Research and Development Job Skills Credit	$6,200
Dependent Care Credit	$260,000
Gambling License Fees Credit	$5,900,000
Financial Institution Credit	-0-
Mississippi Business Finance Corporation Revenue Bond Service Credit	$8,200,000
Manufacturing Investment Tax Credit	$6,800,000
Ad Valorem Inventory Tax Credit	$21,600,000
Brownfield Sites Credit	-0-
Export Charges Credit	$151,000
Import Charges Credit	$156,000
Broadband Technology Credit (Corporate Income)	$2,300,000
Reforestation Tax Credit	$10,100
New Markets Credit	$2,800,000
Biomass Energy Credit	-0-
Historic Structure Rehabilitation Credit	$1,100,000
Insurance Guaranty Credit	-0-
Prekindergarten Credit	$400,000
Business Contributions to Eligible Charitable Organizations Credit	Not Available
Endowment Fund Charitable Credit	Not Available
Incentives:	
Redevelopment Project Incentive Fund (Corporate Income)	$134,672
Deductions:	
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

CORPORATE FRANCHISE TAX	
Exemptions:	
Growth and Prosperity Area Exemption	Not Available
"Fee-In-Lieu"	Not Available

Credits:	
Bank Share Tax Credit	$225,000
Broadband Technology Credit (Corporate Franchise)	$6,200,000
Insurance Guaranty Credit	-0-
Incentives:	
Redevelopment Project Incentive Fund (Corporate Franchise)	$25,722

WITHHOLDING TAX

Incentive Payments:	
Mississippi Advantage Jobs Incentive Program	$17,933,485
Existing Industry Withholding Rebate Program	-0-
Mississippi Economic Impact Authority Withholding Rebate Program (MEIA)	-0-
Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA)	$4,109,011
Motion Picture Production Rebate Program	$2,614,073

INDIVIDUAL INCOME TAX

Exemptions:	
Personal Exemptions	$418,750,000
Exemptions for Dependents	$63,000,000
Other Exemptions	$362,200,000
Medical Savings Accounts	Not Available
Health Savings Accounts	$865,000
Prisoners of War, Missing in Action	Not Available
Adjustments:	
Individual Retirement Accounts	$3,700,000
Keogh Plans	$5,000,000
Interest penalty on early withdrawal of savings	$40,000
Unreimbursed moving expense	$210,000
Contributions or payments to a Mississippi college savings plan (MACS & MPACT)	$1,100,000
Self-employed medical insurance	$9,854,000
Catastrophe Savings Account	$37,000
Self-employment tax deduction	$6,600,000
First-time Home Buyer Savings Account Adjustment	$25,500
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	$1,635,000
Charitable Contribution Credit	Not Available
Foster Care Credit	Not Available
Other credits	$15,015,000
Deductions:	
Standard Deduction	$153,000,000

Itemized Deductions:	
Medical and dental expenses	$46,500,000
Real estate taxes	$69,000,000
Home mortgage interest	$60,000,000
Investment interest	Not Available
Charitable contributions	$97,000,000
Casualty and theft losses	$1,100,000
Employee expenses and miscellaneous deductions subject to 2% limitation	-0-
Miscellaneous deductions not subject to 2% limitation	$9,300,000
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%	$43,494,884
Aircraft, trucks, semi-trailers and mobile homes taxed at 3%	$24,648,077
Autos, light trucks: (10,000 lbs. or less) taxed at 5%	$113,981,883
Manufacturing machinery and certain port facility equipment taxed at 1.5%	$89,835,731
Materials used in railroad tracks taxed at 3%	$1,031,905
Sales to electric power associations taxed at 1%	$10,806,996
Discount for timely filing 2%	$15,771,566
Sale of Utilities:	
To residential consumers: 0%	$147,391,131
To manufacturers: 0%	$48,086,059
To nonprofit water associations: 0%	$1,547,571
To farmers: 0%	$1,487,198
Sales of home medical equipment and supplies	$24,830,993
Industrial Exemptions:	
Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers	*$2,446,675*
Raw materials used in manufacturing	$145,838,025
Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels	*$2,446,675*
Sales to commercial fishermen of specified commercial fishing boats	$2,469,225
Gross income from repairs to vessels engaged in foreign trade or interstate transport	$6,865,450
Rolling stock used in interstate commerce	*$3,669,500*
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	Insignificant
Income from storage/handling of perishable goods by public storage warehouses	Insignificant
Natural gas used in oil production	$3,058,600
Gross collections from self-service commercial laundering, drying, and cleaning equipment	$1,853,200
Economic Development Reform Act Incentives	$7,452,775
Growth and Prosperity Act Incentives	Not Available
Pollution control equipment	Not Available

Sales of broadband technology equipment	*$10,250,000*
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
National and Regional Headquarters	Not Available
Clean Energy Initiative Incentives Program	Not Available
Aerospace Initiative Incentives Program	Not Available
<u>Agricultural Exemptions:</u>	
Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc.	$65,341,700
Sales of agricultural produce to be further processed	$109,067,175
Retail sales of mules, horses, and other livestock	Insignificant
Sales of antibiotics, hormones, drugs, medicines, etc.	$1,662,550
<u>Governmental Exemptions:</u>	
Sales to U.S. Government or State of Mississippi	$218,134,350
Sales to public schools	*$30,584,975*
Sales of school textbooks	*$10,739,325*
Sales to Mississippi Band of Choctaw Indians	Insignificant
Sales of firefighting equipment to governmental or volunteer fire depts.	Insignificant
<u>Miscellaneous Exemptions:</u>	
Sales to nonprofit hospitals and infirmaries	*$96,400,225*
Sales of newspapers, periodicals, and subscription magazines	$6,535,000
Sales of coffins and caskets	*$2,446,675*
Sales of goods for immediate export	Insignificant
Sales to nonprofit orphanages, old men's or old ladies' homes	Insignificant
Sales to YMCA, YWCA, or Boys or Girls Clubs	$1,724,050
Sales to nonprofit private schools	*$12,238,500*
Gross proceeds of retail sales and the use or consumption of drugs and medicines	$177,083,100
Retail sales of motor vehicles and Semi-trailers exported within 48 hours	$2,569,675
Sales to Salvation Army or Muscular Dystrophy Association, Inc.	Insignificant
Sales of alcohol-blended fuel using Mississippi distilled alcohol	Insignificant
Sales to the Institute for Technology Development	Insignificant
Sales of food and drink through full-service vending (taxed at 8% of the wholesale purchase price)	$5,262,805
Gross proceeds of sales of motor fuel	$426,454,094
Sales of food purchased with food stamps or WIC instruments	$69,177,420
Sales of cookies by Girl Scouts of America	Insignificant
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	Insignificant
Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies	Insignificant
Retail sales of specified articles of clothing/footwear when purchased during the 'Annual Clothing Sales Tax Holiday'	$4,440,129
Gross proceeds of sales made for the sole purpose of raising funds for a school (k-12)	$6,829,063
Sales to Mississippi Blood Services	Insignificant
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	Insignificant
Sales to The United Way of the Pine Belt Region, Inc.	Insignificant
Sales to Mississippi Children's Museum	Insignificant
Sales to Jackson Zoological Park	Insignificant
Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation	Insignificant
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	Insignificant
Sales to Keep Mississippi Beautiful, Inc.	Insignificant
Sales to Friends of Children's Hospital	Insignificant
Sales to Pinecrest Weekend Snackpacks for Kids, Corinth MS	Insignificant
Hearing aids prescribed by a licensed physician, audiologist, or hearing aid specialist	$8,875,313

Severance Tax

Exemptions:	
Enhanced Recovery	$19,200,000
Horizontally Drilled	$900,000

Insurance Premium Tax

Exemptions	Not Available
Credits:	
Income Taxes Paid	$17,215,000
Retaliatory Tax Deduction	$990,000
Reductions for Qualifying Mississippi Investments	$30,800,000
Guaranty Association Credit	$2,050,000
Coast Area Credit	$570,000
New Markets Credit	$4,115,000
Mississippi Small Business Investment Credit	$7,500,000

Casual Auto Sales Tax

Exemptions	$2,847,592

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.

	Estimated FY 2020 Tax Expenditure
Credit for finance company privilege tax paid for same tax year	$550,000
Jobs Tax Credit	$1,725,000
National Headquarters Credit	-0-
Research and Development Job Skills Credit	$6,200
Dependent Care Credit	$260,000
Job Training or Retraining Credit	-0-
Gambling License Fees Credit	$5,900,000
Financial Institution Credit	-0-
Mississippi Business Finance Corporation Revenue Bond Service Credit	$8,200,000
Manufacturing Investment Tax Credit	$6,800,000
Ad Valorem Inventory Credit	$21,600,000
Brownfield Sites Credit	-0-
Export Charges Credit	$151,000
Import Charges Credit	$156,000
Broadband Technology Credit (Corporate Income)	$2,300,000
Reforestation Tax Credit (Corporate Income)	$10,100
New Markets Tax Credit	$2,800,000
Bank Share Tax Credit	$225,000
Mississippi Advantage Jobs Incentive Program	$17,933,485
Existing Industry Withholding Rebate Program	-0-
Mississippi Economic Impact Authority Withholding Rebate Program (MEIA)	-0-
Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA)	$4,109,011
Personal exemptions	$418,750,000
Exemption for dependents	$63,000,000
Other individual income tax exemptions	$358,200,000
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	$1,635,000
Business ad valorem tax credit	$10,600,000
Finance company privilege tax	$420,000
Standard deduction	$153,000,000
Sale of utilities to residential consumers	$147,391,131
Sale of utilities to nonprofit water associations	$1,547,571
Sales to nonprofit hospitals and infirmaries	*$96,400,225*
Sales of coffins and caskets	*$2,446,675*

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

Tax Expenditures Which Redistribute the Tax Burden – (continued)	Estimated FY 2020 Tax Expenditure
Sales to nonprofit orphanages, old men's or old ladies' homes	Insignificant
Gross proceeds of retail sales and the use or consumption of drugs and medicines	$177,083,100
Sales of food purchased with food stamps or WIC instruments	$69,177,420
Retail sales of specified articles of clothing/footwear and school supplies when purchased during the 'Annual Back to School Sales Tax Holiday'	$4,440,129
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	$990,000

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 2020 Tax Expenditure
Biomass Energy Credit	-0-
Historical Structure Rehabilitation Credit (Corporate Income)	$1,100,000
Prekindergarten Credit	$400,000
Broadband Technology Credit (Corporate Franchise)	$6,200,000
Motion Picture Production Rebate Program	$2,614,083
Mississippi Natural Heritage Program and Scenic Streams Stewardship Program	-0-
Credit for certain qualified adoption expenses	$275,000
Historical Structure Rehabilitation Credit (Individual Income)	$1,200,000
Reforestation Credit (Individual Income)	$410,000
Discount for timely filing	$15,771,566
Sales of home medical equipment and supplies	$24,830,993
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	$1,724,050
Sales to nonprofit private schools	*$12,238,500*
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	Insignificant
Sales of cookies by Girl Scouts of America	Insignificant
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	$6,829,063
Sales to Mississippi Blood Services	Insignificant

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

Tax Expenditures a direct budgetary objective – (continued)	Estimated FY 2020 Tax Expenditure
Sales of non-perishable food to food banks, food pantries, and food lines	Insignificant
Sales to the United Way of the Pine Belt Region, Inc.	Insignificant
Sales to Mississippi Children's Museum	Insignificant
Sales to Jackson Zoological Park	Insignificant
Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation	Insignificant
Sales to UMMC Research and Development Foundation	Insignificant
Sales to Keep Mississippi Beautiful, Inc.	Insignificant
Sales to Friends of Children's Hospital	Insignificant
Sales to Pinecrest Weekend Snackpacks for Kids, Corinth, MS	Insignificant
Hearing aids prescribed by a licensed physician, audiologist, or hearing specialist	$8,875,313
Enhanced Recovery	$19,200,000
Horizontally Drilled	$900,000
Insurance Premium Tax Credits including the following:	
Income taxes paid	$17,215,000
Reduction for qualifying Mississippi investments	$30,800,000
Guaranty Association credit	$2,050,000
Coast Area Credit	$570,000
New Markets Credit	$4,115,000
Mississippi Small Business Investment Credit	$7,500,000

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 2020 Tax Expenditure
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	$5,900,000
Retail sales of farm tractors, farm implements & logging equipment	$43,494,884
Aircraft, trucks, semi-trailers and mobile homes	$24,648,077
Autos and light trucks (10,000 lbs. or less)	$113,981,883
Manufacturing machinery and certain port facility equipment	$89,835,731
Materials used in railroad tracks	$1,031,905
Sales to electric power associations	$10,806,996
Sales of utilities to manufacturers	$48,086,059
Sales of utilities to farmers	$1,547,571
Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers	*$2,446,675*
Raw materials used in manufacturing	$145,838,025
Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels	*$2,446,675*
Sales to commercial fishermen of specified commercial fishing boats	$2,469,225

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 – (continued)	Estimated FY 2020 Tax Expenditure
Gross income from repairs to vessels engaged in foreign trade/interstate transport	$6,865,450
Rolling stock used in interstate commerce	*$3,669,500*
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	Insignificant
Income from storage/handling of perishable goods by public storage warehouses	Insignificant
Natural gas used in oil production	$3,058,600
Gross collections from self-service commercial laundering/drying/cleaning equipment	$1,853,200
Economic Development Reform Act Incentives	$7,452,775
Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc.	$65,341,700
Sales of agricultural produce to be further processed	$109,067,175
Retail sales of mules, horses, and other livestock	Insignificant
(Agricultural) sales of antibiotics, hormones, drugs, medicines, etc.	$1,662,550
Sales to U.S. Government or State of Mississippi	$218,134,350
Sales to public schools	*$30,584,975*
Sales of school textbooks	*$10,739,325*
Sales to Mississippi Band of Choctaw Indians	Insignificant
Sales of firefighting equipment to governmental or volunteer fire depts.	Insignificant
Retail sales of vehicles and semi-trailers exported within 48 hours	$2,569,675
Sales of food and drink through full-service vending	$5,262,805
Gross proceeds of sales of motor fuel	$426,454,094
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	$2,847,592

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.

	Estimated FY 2020 Tax Expenditure
Medical Savings Account	Not Available
Health Savings Account	$865,000
Individual Retirement Accounts	$3,700,000
Keogh Plans	$5,000,000
Interest penalty on early withdrawal of savings	$40,000
Unreimbursed moving expense	$210,000
Self-employed medical insurance	$9,854,000
Catastrophe Savings Account	$37,000
Credit for income tax paid to another state	$62,500,000
Medical and dental expenses	$46,500,000
Real estate taxes	$69,000,000
Home mortgage interest	$60,000,000
Investment interest	Not Available
Charitable contributions (Individual Income)	$97,000,000

Tax Expenditures which conform with federal law – (continued)	Estimated FY 2020 Tax Expenditure
Casualty and theft losses	$1,100,000
Employee expenses and miscellaneous deductions subject to 2% limitation	-0-
Miscellaneous deductions not subject to 2% limitation	$9,300,000

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 2020 Tax Expenditure
Redevelopment Project Incentive Fund (Corporate Income)	$134,672
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)	$25,722
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

APPENDIX: 2019 LEGISLATION

House Bill 1065 – Effective January 1, 2019
Authorizes an Income Tax credit for each full-time employee of businesses primarily engaged in providing inland water transportation of cargo on lakes, rivers and intracoastal waterways. The credit is equal to $2,000 for each full-time job for a period of five years and is limited to the total state income tax liability of the water transportation enterprise. Any credit claimed but not used in any taxable year may be carried forward for five consecutive years. The maximum aggregate amount of tax credits that may be claimed in a taxable year shall not exceed $2,000,000.

House Bill 1613 – Effective January 1, 2019
Enacts the Children's Promise Act that authorizes an income tax credit for businesses that donate cash contributions to eligible charitable organizations. The credit is limited to 50% of the total tax liability of the taxpayer and any credit claimed but not used in any taxable year may be carried forward for five consecutive years. The aggregate amount of tax credits allocated during a calendar year shall not exceed $5,000,000. This bill also updated the individual Charitable Contribution tax credit and Foster Care Charitable tax credit by revising the definitions for "qualifying charitable organization", "qualifying foster care charitable organization" and "services" to allow more qualified organizations and services performed by charitable organizations to be included.

Senate Bill 2210 – Effective January 1, 2019
Enacted the "Endow Mississippi Program" to promote philanthropic investments in local community development programs by providing an income tax credit equal to 25% of qualified charitable contributions made to endowment funds held by community foundations in Mississippi. The minimum amount of a qualified contribution shall be $1,000 and the maximum amount shall be $200,000. The aggregate amount of tax credits authorized cannot exceed $500,000 in any one calendar year.

Senate Bill 2229 – Effective July 1, 2019. Approved by the Governor March 22, 2019
This bill amends Miss. Code Ann. Section 27-65-201 to provide an additional exemption from casual sales tax on motor vehicles. The bill provides that transfers of legal ownership between siblings is exempt from taxation, unless the transferor is a licensed motor vehicle dealer and the transfer of the motor vehicle is made in the regular course of business.

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