GROSS STATE PRODUCT: THE STATE'S ECONOMIC BASE

Three taxes are the major source of general fund revenues. The sales tax accounted for 42% of total Tax Commission transfers to the general fund in 2006; the personal income tax, 31%; and the corporate income tax, 10%. These taxes can be compared to the state's economic base. As shown in the pie chart, the state's gross domestic product from the income side (or value-added) is broken into: wages & salaries, 45%; labor benefits, 12%; gross operating surplus (GOS), 35% (private industry, 33% and government, 2%); and certain taxes on production, 8% (not income taxes). See note below on GOS. In some countries, a tax on value-added is the primary revenue source.

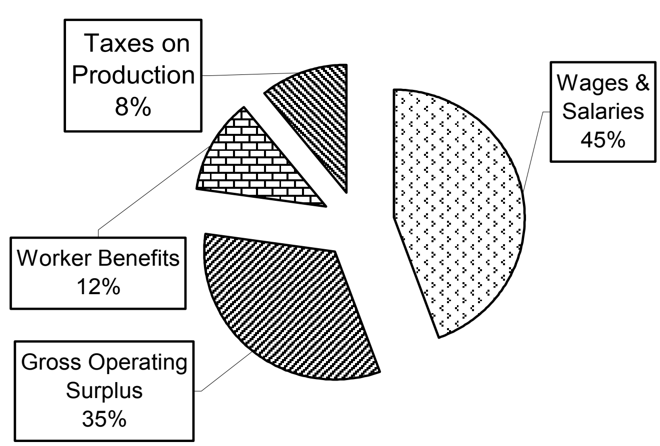
Even though some of the sales tax is paid by businesses and some of the personal income tax by small businesses (proprietorships), individuals provide considerably more of general fund revenues than do corporations and businesses directly -- more than their share in state income. Businesses deduct their costs of production in calculating their net income; the deductions allowed individuals for the cost of living are much less.

Exactly what is a fair tax burden for individuals versus businesses is not a question that requires resolution. Rather the question to be considered is the following – which individuals, and which businesses, are not paying a fair share in relation to the needs of the state?

Note. The gross operating surplus (GOS) includes pre-tax profits, capital consumption (depreciation), net interest payments and some taxes (not on income), but does not include the cost of inputs used in production. The definition of the Bureau of Economic Analysis (www.bea.gov) is that GOS consists of:

1.Business income of private domestic enterprises (corporate profits before tax with inventory valuation adjustment and without capital consumption adjustment, proprietors' income with inventory valuation adjustment and without capital consumption adjustment, rental income of persons without capital consumption adjustment); 2. Net interest and miscellaneous payments; 3. Business current transfer payments (net); 4. Capital consumption allowances; 5. Consumption of fixed capital of government, households, and institutions; 6. Current surplus (or deficit) of government enterprises. Gross operating surplus differs from the formerly used property-type income component because it includes all nontax liabilities except special assessments and it excludes subsidies.

MISSISSIPPI GROSS STATE PRODUCT: THE INCOME SIDE



SOURCE: U. S. Bureau of Economic Analysis.