



## ECONOMY AT A GLANCE

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A Publication of the University Research Center, Mississippi Institutions of Higher Learning

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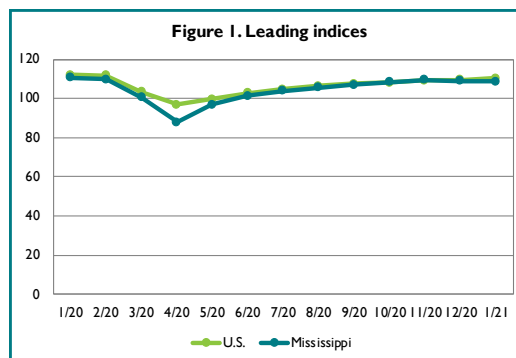
Figure 1 indicates the value of the Mississippi Leading Index (MLI) decreased 0.3 percent in January, its second consecutive decrease. The value of the MLI for the month was 1.7 percent lower compared to one year earlier.

Values of the Mississippi Coincident Index for January are unavailable until April due to annual revisions by the Philadelphia Federal Reserve. Figure 2 below indicates the value of the U.S. Coincident Economic Index rose 0.5 percent in January.

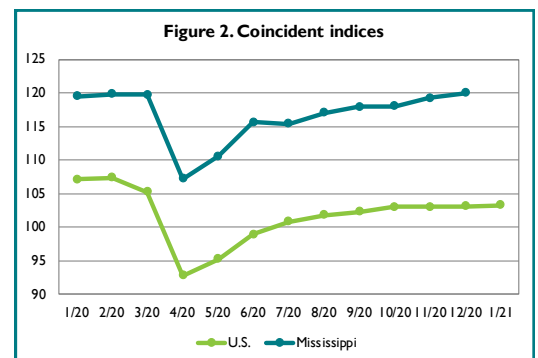
The U.S. Bureau of Economic Analysis (BEA) in its second estimate reported U.S. real GDP increased at a seasonally-adjusted, annualized rate of 4.1 percent in the fourth quarter of 2020, an increase of 0.1 percentage point from its initial estimate. The change for all of 2020 remained a contraction of 3.5 percent. Residential fixed investment, private inventory invest-

ment, and state and local government spending were revised up, which were partially offset by a downward revision to consumer spending.

The MLI and other data indicate the Mississippi and U.S. economies remained somewhat sluggish in January. COVID-19 infections peaked in many parts of the nation including Mississippi in January, however, and in the weeks since the numbers have fallen. Moreover, Congress and the President recently enacted a third virus-related stimulus bill measured at \$1.9 trillion, which is expected to boost the economies of states as well as the nation as a whole. Thus, while indicators such as unemployment claims in the state increased in January, these signals should begin to improve as the stimulus works its way through the economy and more of the population receives vaccinations.



Sources: University Research Center and The Conference Board



Sources: Federal Reserve Bank of Philadelphia and The Conference Board

**Notes:** The Mississippi Coincident Index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2007. The index is based on changes in nonfarm employment, the unemployment rate, average manufacturing work-week length, and wage and salary disbursements. The Mississippi Leading Index is constructed by the Mississippi University Research Center. The U.S. Indices are from The Conference Board. All series are indexed to a base year of 2007.

**MISSISSIPPI'S BUSINESS****MISSISSIPPI LEADING INDEX, JANUARY 2021**

The value of the **Mississippi Leading Index of Economic Indicators (MLI)** decreased in January for the second consecutive month as the value declined 0.3 percent. The value of the MLI for the month was down 1.7 percent compared to one year earlier. Over the last six months the value of the MLI increased 4.6 percent.

Four of the seven components of the MLI made negative contributions in January. The largest negative contribution came from income tax withholdings while the largest positive contribution came from U.S. retail sales. Each component is discussed below in order of smallest to largest contribution.

The value of **Mississippi income tax withholdings** (three-month moving average) sank 4.6 percent as Figure 4 indicates, the first decrease since August. Compared to one year earlier the value of withholdings was down 1.3 percent, the largest year-over-year decrease since June. The value of income tax withholdings in Mississippi rose 0.7 percent over the last six months.

For the second consecutive month, the number of seasonally-adjusted **initial unemployment claims** in Mississippi rose in January as Figure 5 indicates. The value climbed 22.7 percent for the month. The value for January was 440.6 percent higher compared to one year earlier, the largest year-over-year increase since July. Conversely, the number of seasonally-adjusted continued unemployment claims in Mississippi decreased 4.0 percent in January as seen in Figure 16 on page 6. The number of continued unemployment claims in Mississippi was 284.9 percent higher for the month compared to one year earlier. As seen in Figure 17 on page 6 the seasonally-adjusted unemployment rate in Mississippi decreased 0.2 percentage point in January to 6.4 percent following annual revisions by the U.S. Bureau of Labor Statistics. Compared to one year earlier the Mississippi unemployment rate in December was up 0.8 percentage point.

Figure 6 indicates the value of the **Mississippi Manufacturing Employment Intensity Index** decreased 1.6 percent in January, its second consecutive monthly decline. The value for the month was 8.3 percent lower compared to one year earlier. Manufacturing employment in Mississippi increased slightly in January, but this gain was more than offset by the decrease in the average weekly hours of production employees in the state, which led to the decrease in the value of the Index.

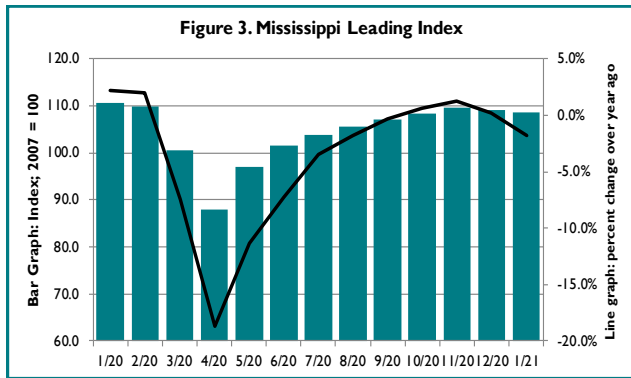
In January the value of **Mississippi residential building permits** (three-month moving average) edged lower by 0.4 percent as seen in Figure 7, the second consecutive monthly decrease. Compared to one year earlier the value for the month was up 17.8 percent. The number of units in the state in rose 2.1 percent in January, only the second increase in the last six months. Compared to one year earlier the number of units in the state for the month was 19.4 percent higher. Compared to the revised December rate the number of privately-owned housing units authorized by building permits in the U.S. was up 10.4 percent in January. The number of units in the U.S. in January was up 22.5 percent compared to one year ago.

The value of the **University of Michigan Index of Consumer Expectations** (three-month moving average) edged higher by 0.1 percent in January as seen in Figure 8. Compared to one year earlier the January value was down 19.2 percent. Consumer expectations remain mostly stagnant as COVID-19 infections persist and new strains of the virus continue to emerge in the U.S. Vaccine distribution issues may also be a concern. Short-term (one-year) inflation expectations increased for the second consecutive month in the most recent survey while long-term (five-year) expectations were unchanged.

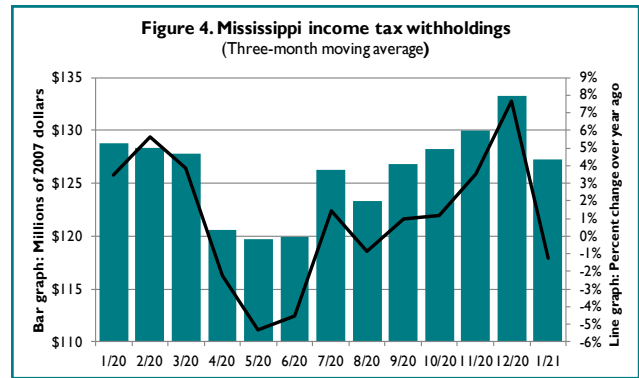
As seen in Figure 9 the value of the **ISM Index of U.S. Manufacturing Activity** rose 3.6 percent in February to its highest levels since August 2018. Compared to one year earlier the value for the month was 21.4 percent higher. The largest increase among all components was in Supplier Deliveries. The only component to decline was Inventories, which was also the only component below the 50.0 expansion threshold in February. The prices paid index climbed for the third consecutive month to its highest level in over a decade.

After three consecutive monthly declines, the value of **U.S. retail sales** surged 5.3 percent in January as seen in Figure 10. The value of sales in December was revised down further to a decrease of 1.0 percent. The value of sales in January was 7.4 percent higher compared to one year earlier, the largest year-over-year increase since September 2011. Sales increases were widespread as a second round of coronavirus federal assistance, including individual stimulus payments, went out in January. The largest increase among segments for the month occurred in electronics and appliances. Sales at gasoline stations was the only segment to post a smaller gain in January than in December.

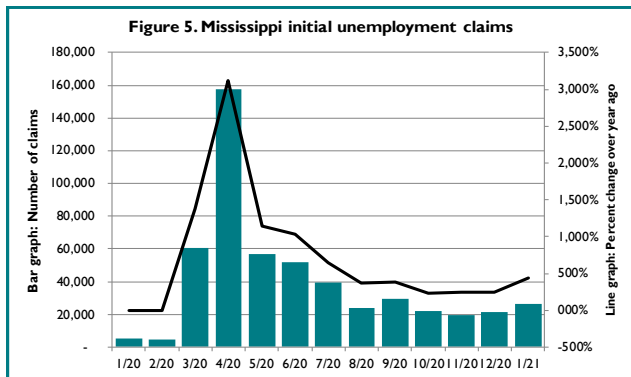
# MISSISSIPPI LEADING INDEX AND COMPONENTS, IN FIGURES



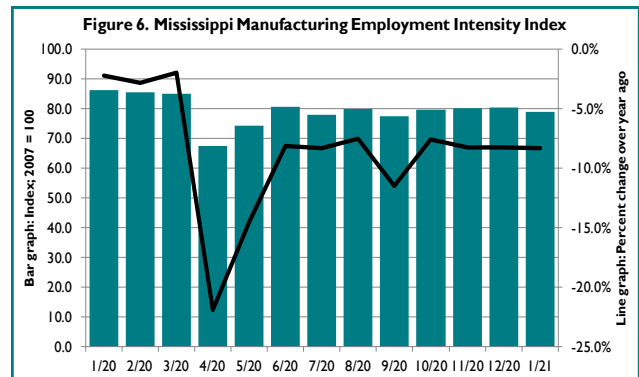
Source: University Research Center



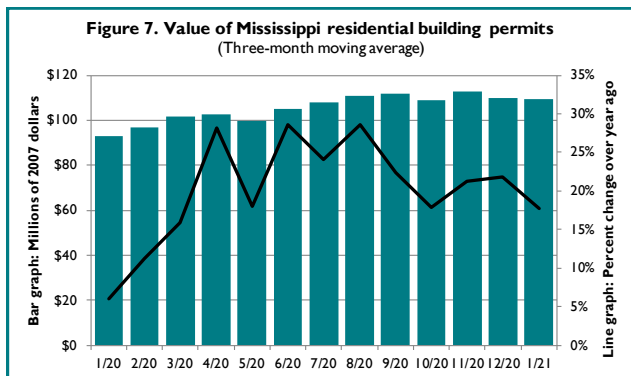
Source: Mississippi Department of Revenue; seasonally adjusted



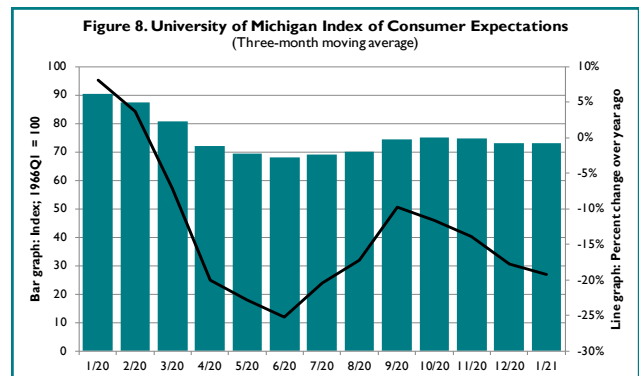
Source: U.S. Department of Labor; seasonally adjusted



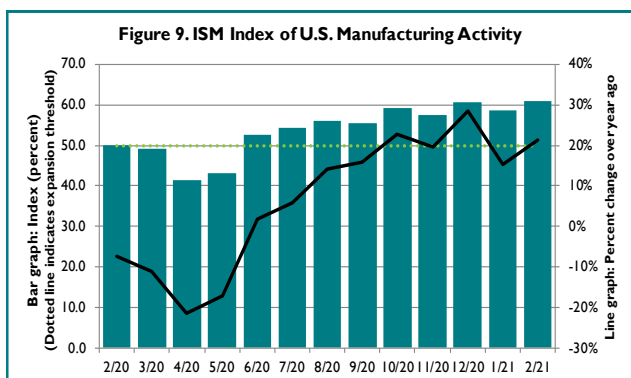
Source: URC using data from U.S. Bureau of Labor Statistics



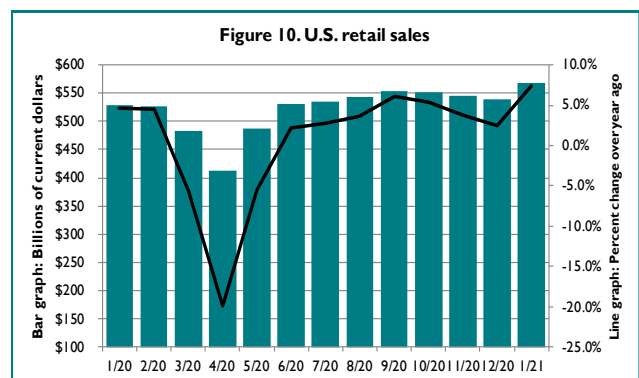
Source: U.S. Bureau of the Census; seasonally adjusted



Source: Thomson Reuters/University of Michigan Surveys of Consumers



Source: Institute for Supply Management



Source: U.S. Bureau of the Census

MISSISSIPPI'S BUSINESS

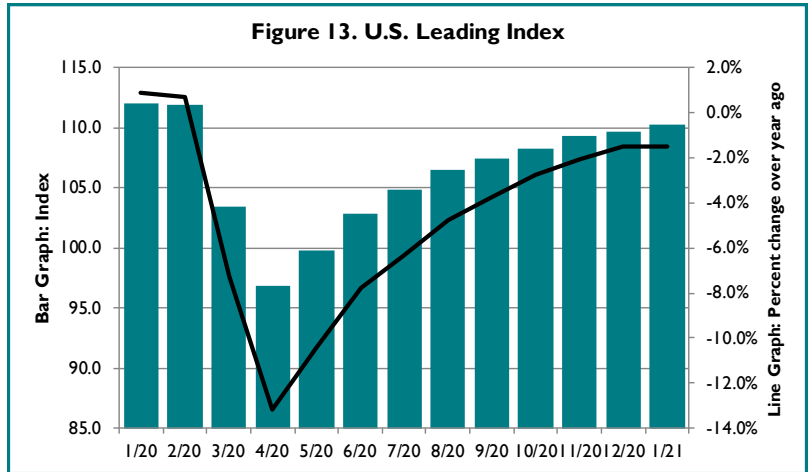
NATIONAL TRENDS

The Conference Board reported the value of the U.S. Leading Economic Index (LEI) increased 0.5 percent in January as seen in Figure 13. The gain was the ninth consecutive monthly increase. The value of the LEI for the month was down 1.5 percent compared to one year earlier. As in December seven of the ten components of the LEI made positive contributions in January. The largest contributor was building permits while once again the largest negative contributor for the month was average weekly initial claims for unemployment insurance. Over the last six months the value of the LEI rose 5.1 percent.

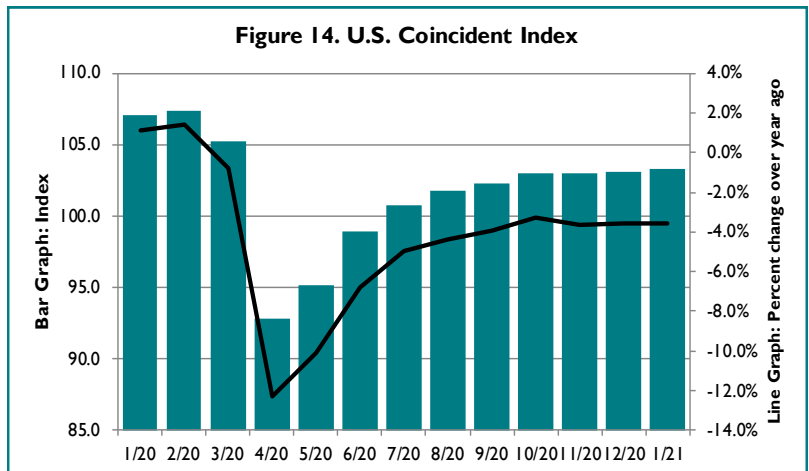
The value of the U.S. Coincident Economic Index (CEI) rose 0.2 percent in January according to The Conference Board as seen in Figure 14. The value of the CEI for the month was 3.5 percent lower compared to one year earlier. All four components of the CEI made positive contributions in January. Industrial production was again the largest contributor. Over the last six months the value of the CEI rose 2.5 percent.

As seen in Figure 15 the value of the National Federation of Independent Businesses (NFIB) Small Business Optimism Index decreased for the third consecutive month. The value slipped 0.9 percent as the Index declined to its lowest level since May. Compared to one year earlier, the value of the Index was down 8.9 percent for the month. Four of the ten components decreased for the month and four were unchanged. The largest decrease among components occurred in “expect economy to improve.” The two components that increased were “current job openings” and “expected credit conditions.”

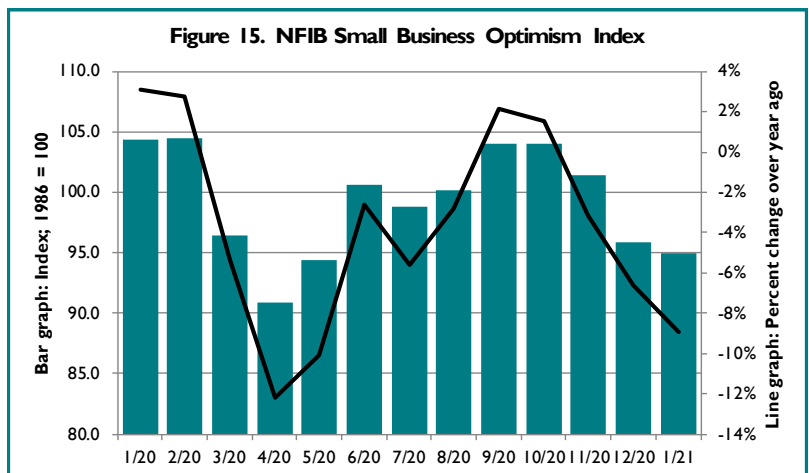
To no one’s surprise the Federal Reserve continues to maintain the federal funds rate near zero, where it has been for nearly a year. Federal Reserve Chair Jerome Powell has indicated the Federal Open Market Committee (FOMC) is likely to leave rates untouched until the Fed meets its goals for inflation and unemployment, which Powell stated in a recent interview “we’re still a long way from.” Since the Fed has broadened its criteria for increasing rates due to rising inflation, some observers have expressed uncertainty about when the FOMC might act if inflation picks up later in 2021.



Source: The Conference Board

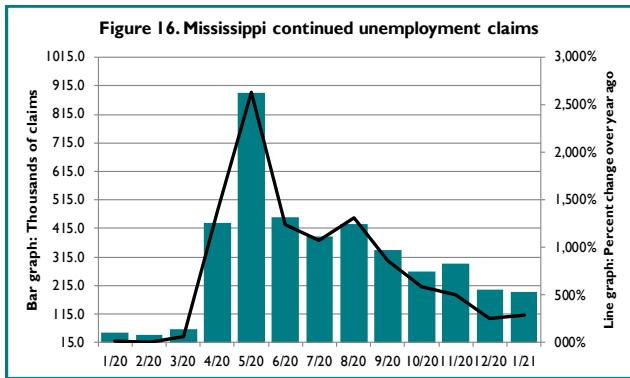


Source: The Conference Board

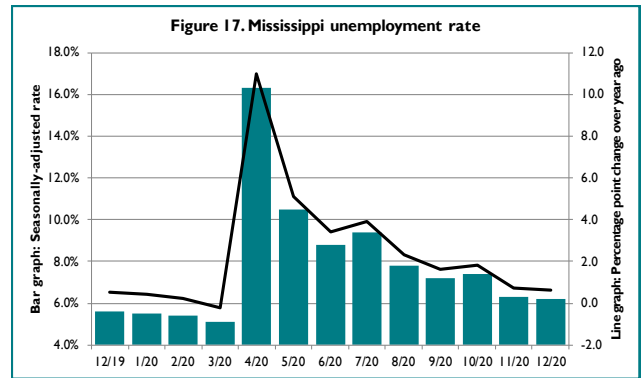


Source: National Federation of Independent Businesses

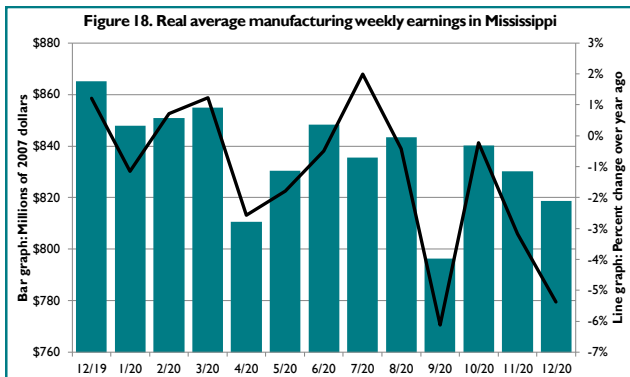
# MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



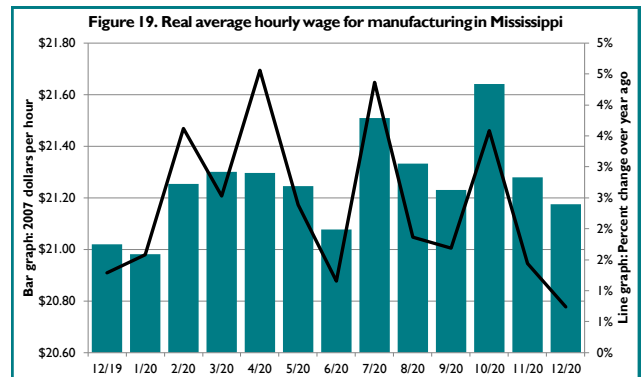
Source: U.S. Department of Labor; seasonally adjusted



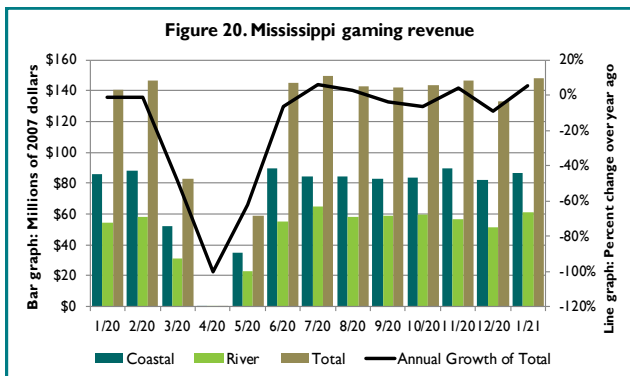
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



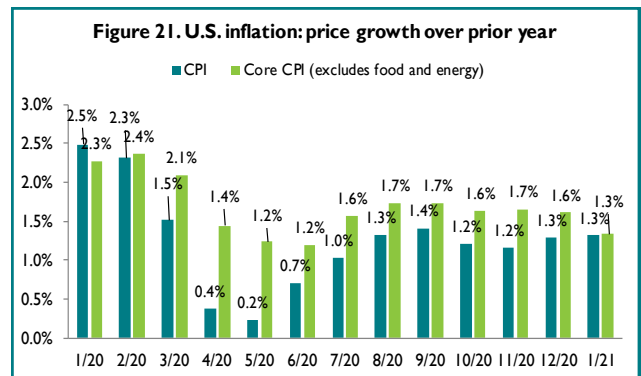
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



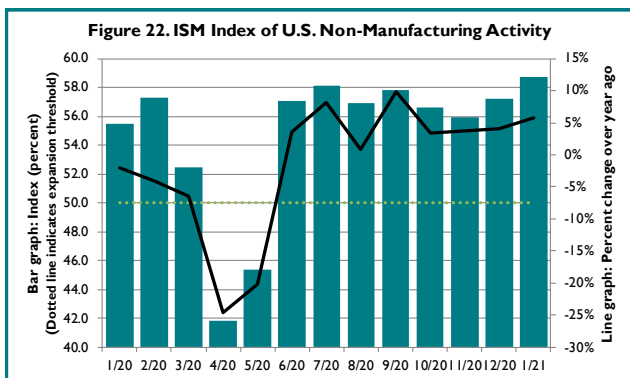
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



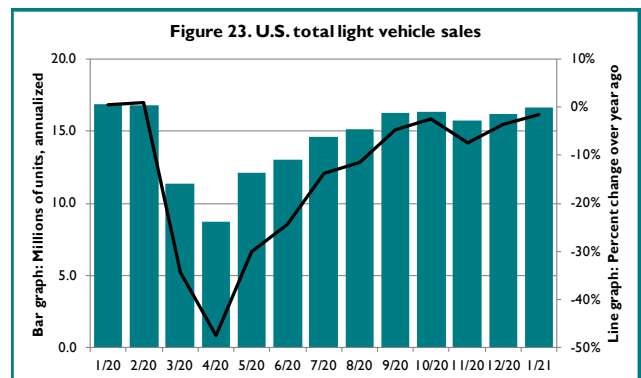
Source: Mississippi Department of Revenue; seasonally adjusted



Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: Bureau of Economic Analysis; seasonally adjusted at annual rates

## MISSISSIPPI'S BUSINESS

TABLE I. SELECTED ECONOMIC INDICATORS

Indicator	January 2020	December 2020	January 2020	Percent change from December 2020 January 2021		
<b>U.S. Leading Economic Index</b> 2007 = 100. Source: The Conference Board	110.3	109.7	112.0	▲0.5%	▼1.5%	Economic Indices
<b>U.S. Coincident Economic Index</b> 2007 = 100. Source: The Conference Board	103.3	103.1	107.1	▲0.2%	▼3.5%	
<b>Mississippi Leading Index</b> 2007 = 100. Source: University Research Center	108.7	109.0	110.6	▼0.3%	▼1.7%	
<b>Mississippi Coincident Index</b> 2007 =100. Source: Federal Reserve Bank of Philadelphia	N/A	119.2	119.5	N/A	N/A	
<b>Mississippi initial unemployment claims</b> Seasonally adjusted. Source: U.S. Department of Labor	26,585	21,667	4,918	▲22.7%	▲440.6%	Components of the Mississippi Leading Index
<b>Value of Mississippi residential building permits</b> Three-month moving average; seasonally adjusted; millions of 2007 dollars. Source: Bureau of the Census	109.6	110.1	93.1	▼0.4%	▲17.8%	
<b>Mississippi income tax withholdings</b> Three-month moving average; seasonally adjusted; millions of 2007 dollars. Source: Mississippi Department of Revenue	127.2	133.3	128.8	▼4.6%	▼1.3%	
<b>Mississippi Manufacturing Employment Intensity Index</b> 2007 =100. Source: URC using data from U.S. Bureau of Labor Statistics	79.1	80.4	86.2	▼1.6%	▼8.3%	
<b>University of Michigan Index of Consumer Expectations</b> Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	73.1	73.0	90.5	▲0.1%	▼19.2%	
<b>ISM Index of U.S. Manufacturing Activity</b> Advanced one month. Source: Institute for Supply Management	60.8	58.7	50.1	▲3.6%	▲21.4%	
<b>U.S. retail sales</b> Current dollars, in billions. Source: Bureau of the Census	568.2	539.7	528.9	▲5.3%	▲7.4%	
<b>U.S. Consumer Price Index (CPI)</b>	126.5	126.3	124.8	▲0.2%	▲1.3%	
<b>U.S. Core CPI (excludes food and energy)</b> 2007 = 100. Source: URC using data from Bureau of Labor Statistics	128.1	128.2	126.5	▲0.0%	▲1.3%	
<b>Mississippi unemployment rate</b> Percentage point change. Seasonally-adjusted. Source: U.S. Bureau of Labor Statistics	6.4%	6.6%	5.6%	▼0.2	▲0.8	Miscellaneous Indicators
<b>Mississippi continued unemployment claims</b> Seasonally adjusted. Source: U.S. Department of Labor	192,670	200,654	50,060	▼4.0%	▲284.9%	
<b>ISM Index of U.S. Non-Manufacturing Activity</b> Advanced one month. Source: Institute for Supply Management	55.3	58.7	57.3	▼5.8%	▼3.5%	
<b>U.S. mortgage rates</b> Percentage point change. Seasonally adjusted; 30-year conventional. Source: Federal Home Loan Mortgage Corporation	2.70%	2.64%	3.56%	▲0.06	▼0.86	
<b>Mississippi average hourly wage for manufacturing</b> Seasonally adjusted; 2007 dollars. Source: U.S. Bureau of Labor Statistics	21.32	21.37	21.02	▼0.3%	▲1.4%	
<b>Mississippi average weekly earnings for manufacturing</b> Seasonally adjusted; 2007 dollars. Source: U.S. Bureau of Labor Statistics	814.29	834.17	853.26	▼2.4%	▼4.6%	
<b>NFIB Small Business Optimism Index</b> 1986 = 100. Source: National Federation of Independent Businesses	95.0	95.9	104.3	▼0.9%	▼8.9%	
<b>U.S. total light vehicle sales</b> Millions of units seasonally adjusted at annual rates. Source: U.S. Bureau of Economic Analysis	15.67	16.62	16.78	▼5.7%	▼6.6%	
<b>Gaming revenue</b>	148.21	133.52	140.3	▲11.0%	▲5.6%	
<b>Coastal counties</b>	86.84	82.07	86.0	▲5.8%	▲1.0%	
<b>River counties</b> Seasonally adjusted; millions of 2007 dollars. Source: Mississippi Department of Revenue	61.37	51.45	54.3	▲19.3%	▲12.9%	

## MISSISSIPPI EMPLOYMENT TRENDS

In March the U.S. Bureau of Labor Statistics (BLS) completed its annual benchmark revisions to regional and state employment data. As in previous years these revisions resulted in a considerable decrease in employment numbers in Mississippi for the previous year. BLS reports total nonfarm employment in the state decreased 4.3 percent in 2020, a loss of 49,900 jobs and a downward revision of over 14,000 jobs for the year. In January employment in the state fell by 400 jobs according to BLS. Compared to one year earlier employment in Mississippi was 3.2 percent lower, a decrease of 36,900 jobs.

Twenty states added jobs, two states lost jobs, and in twenty-eight states and the District of Columbia employment did not change in January according to BLS. Minnesota added 51,800 jobs for the month, the most among all states, and the state also had the largest percentage increase in employment of 1.9 percent. California lost 69,900 jobs in January and South Carolina lost 12,900 jobs, the larger percentage decline for the month of 0.6 percent.

Employment was down in forty-eight states and the District of Columbia in January compared to one year earlier and was essentially unchanged in Idaho and Utah. The largest decrease in employment over the last twelve

months again occurred in California, which lost 1,752,800 jobs. Once again the largest percentage decrease in employment among all states in January compared to one year earlier occurred in Hawaii, where employment was down 18.2 percent.

Most sectors in the state added a small number of jobs in January. The largest gain occurred in Manufacturing, which increased by 700 jobs for the month. The largest percentage increase in employment in the state was in Educational Services, which rose by 4.5 percent, an addition of 500 jobs for the month. Professional and Business Services lost 1,300 jobs in January, a 1.2 percent decrease in employment, both of which were the largest declines among all sectors in the state.

Following the annual revisions by BLS the only sector in Mississippi to add jobs over the past twelve months was Trade, Transportation, and Utilities. Employment in the sector rose by 1,700 jobs, an increase of 0.7 percent. The largest decrease in employment among all sectors in the state over the last twelve months occurred in Accommodation and Food Services, which lost 13,400 jobs, a 10.4 percent decline. Employment in Mining and Logging was down 13.8 percent compared to one year earlier, the largest percentage decrease among all sectors.

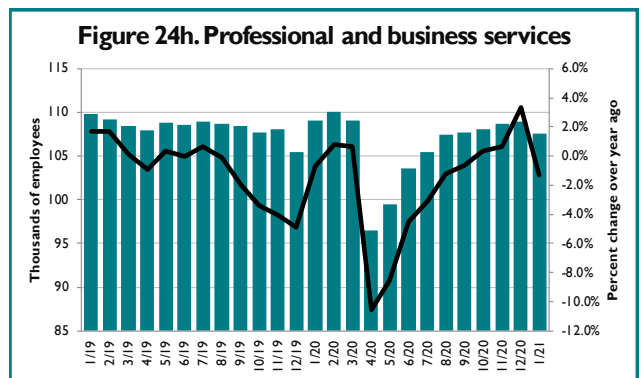
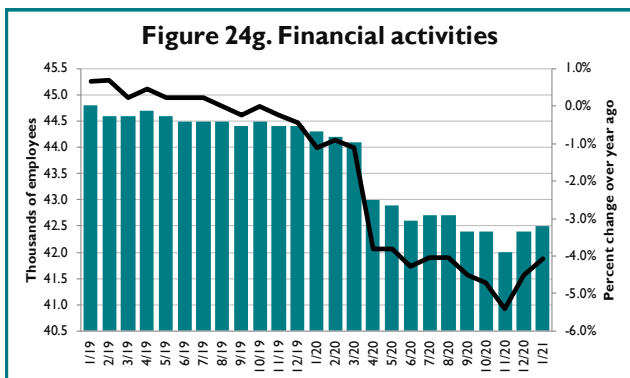
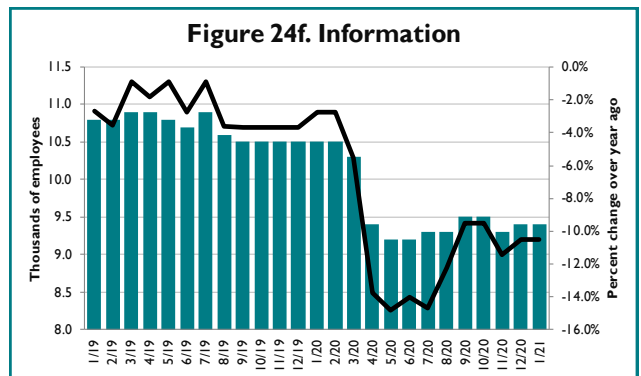
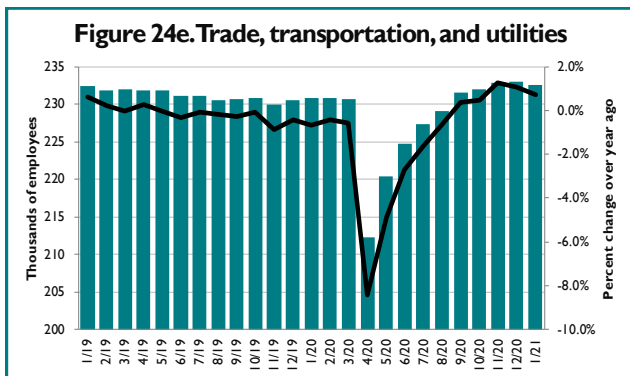
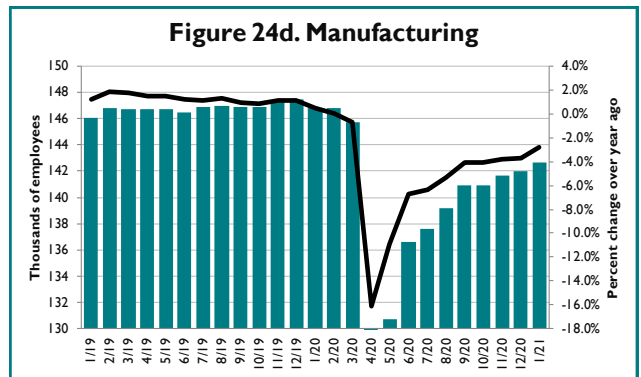
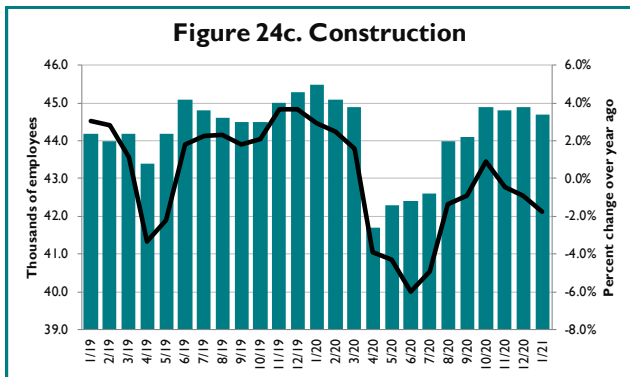
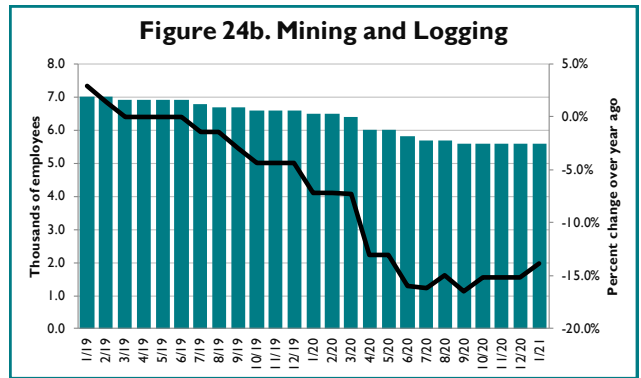
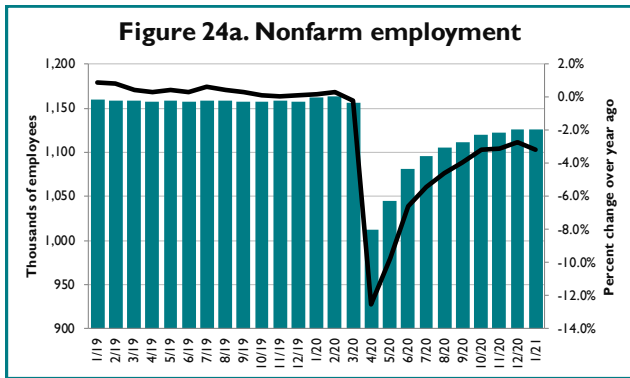
**Table 2. Change in Mississippi employment by industry, January 2021**

	Relative share of total <sup>a</sup>	January	December	January	Change from		Change from	
		2021	2020	2020	December 2020	Level	January 2020	Level
					Level	Percent	Level	Percent
Total Nonfarm	100.0%	1,125,500	1,125,900	1,162,400	▼400	◄0.0%	▼36,900	▼3.2%
Mining and Logging	0.5%	5,600	5,600	6,500	◄0	◄0.0%	▼900	▼13.8%
Construction	4.0%	44,700	44,900	45,500	▼200	▼0.4%	▼800	▼1.8%
Manufacturing	12.6%	142,700	142,000	146,800	▲700	▲0.5%	▼4,100	▼2.8%
Trade, Transportation & Utilities	20.5%	232,600	233,000	230,900	▼400	▼0.2%	▲1,700	▲0.7%
Retail Trade	11.9%	133,500	134,100	135,200	▼600	▼0.4%	▼1,700	▼1.3%
Information	0.9%	9,400	9,400	10,500	◄0	◄0.0%	▼1,100	▼10.5%
Financial Activities	3.9%	42,500	42,400	44,300	▲100	▲0.2%	▼1,800	▼4.1%
Services	36.3%	411,400	412,000	434,700	▼600	▼0.1%	▼23,300	▼5.4%
Professional & Business Services	9.6%	107,600	108,900	109,000	▼1,300	▼1.2%	▼1,400	▼1.3%
Educational Services	1.0%	11,500	11,000	11,700	▲500	▲4.5%	▼200	▼1.7%
Health Care and Social Assistance	11.6%	128,200	128,000	135,200	▲200	▲0.2%	▼7,000	▼5.2%
Arts and Entertainment	0.7%	9,000	8,800	9,800	▲200	▲2.3%	▼800	▼8.2%
Accommodation and Food Services	9.9%	115,000	115,000	128,400	◄0	◄0.0%	▼13,400	▼10.4%
Other Services	3.5%	40,100	40,300	40,600	▼200	▼0.5%	▼500	▼1.2%
Government	21.2%	236,600	236,600	243,200	◄0	◄0.0%	▼6,600	▼2.7%

<sup>a</sup>Relative shares are for the most recent twelve-month average. Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

MISSISSIPPI'S BUSINESS

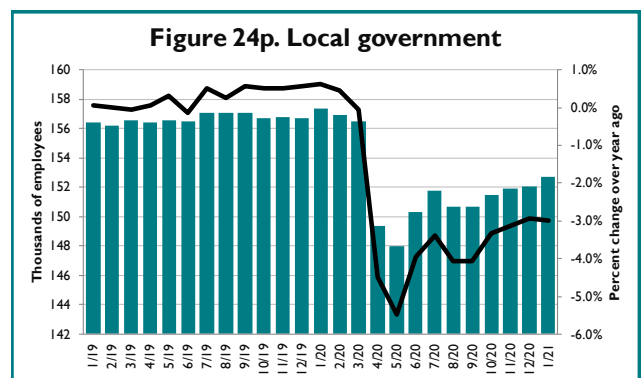
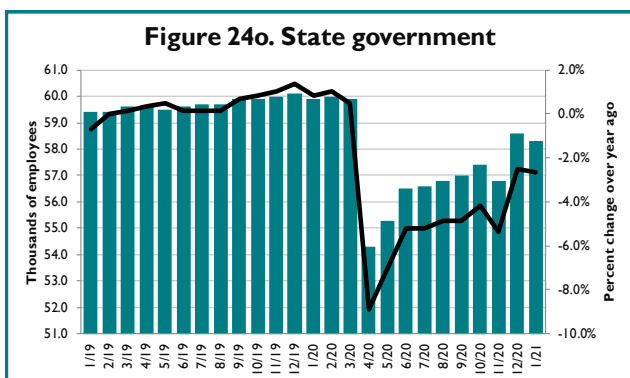
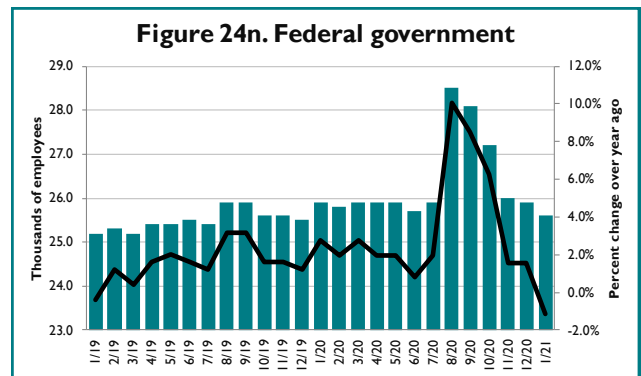
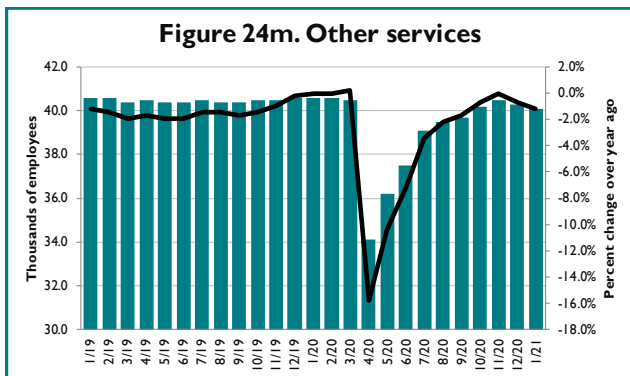
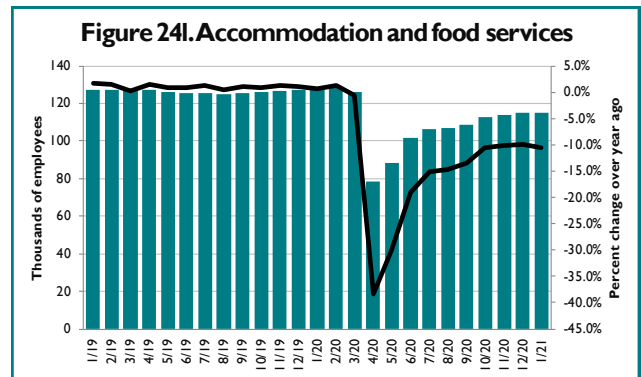
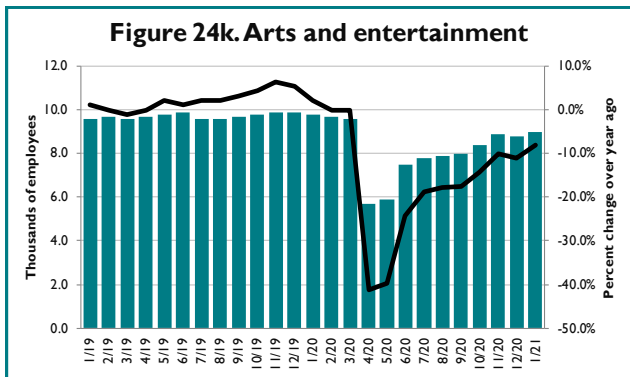
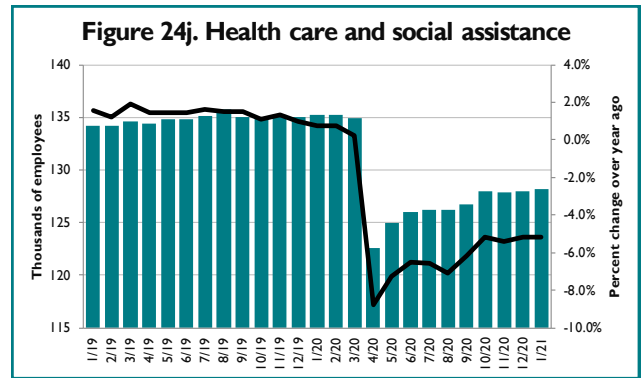
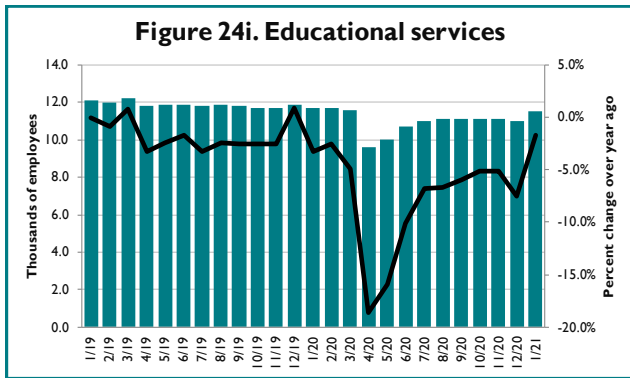
MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



Source: U.S. Bureau of Labor Statistics (all figures); seasonally adjusted



# MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES (CONTINUED)



Source: U.S. Bureau of Labor Statistics (all figures); seasonally adjusted

## MISSISSIPPI'S BUSINESS

### ANALYSIS OF ELIMINATING THE INCOME TAX IN MISSISSIPPI

One of the most significant discussions in Mississippi in 2021 involves potential changes to the state's individual income tax and the statewide sales tax. URC recently released a detailed report that explores some of these issues in greater depth and the full report, entitled *Fiscal and Economic Implications of Changes to the Sales Tax and Individual Income Tax in Mississippi*, is available at: [http://www.mississippi.edu/urc/downloads/inc\\_and\\_sales\\_taxes\\_final\\_210224.pdf](http://www.mississippi.edu/urc/downloads/inc_and_sales_taxes_final_210224.pdf). This article summarizes some of the key findings of the report.

The sales tax and the individual income tax are the two primary sources of general fund revenue in Mississippi. Together they accounted for just over two thirds of annual revenues in fiscal year 2019. Both sources and their shares of total revenues are similar to the average across all states, which in 2019 was 1.2 percentage points higher at 68.8 percent.

The current statewide sales tax rate in Mississippi is 7.00 percent and a few municipalities levy an additional sales tax within their jurisdictions up to a maximum of 1.00 percent. According to the Tax Foundation the effective average statewide sales tax rate in Mississippi incorporating local sales tax rates is 7.07 percent. The state is also one of forty-five states along with the District of Columbia that levy a statewide sales tax as of 2019. The Tax Foundation, which weights local rates by population to compute an average local rate, reports that when state and local sales taxes are combined, Mississippi's effective sales tax rate of 7.07 percent ranks twenty-second among all states. According to the organization the states that border Mississippi have four of the highest effective combined sales tax rates in the nation. Tennessee has the highest combined state and local sales tax rate in the country of 9.55 percent, followed closely by those for Arkansas and Louisiana, which are essentially the same at 9.53 percent and 9.52 percent, respectively. The combined rate of 9.22 percent in Alabama ranks only two places lower at fifth among all states.

The individual income tax in Mississippi currently consists of three brackets: a 3 percent rate, a 4 percent rate and a 5 percent rate. The 3 percent rate, which is a tax on the first \$5,000 of annual income, is in the process of being phased out. Beginning with tax year 2022 the state will only collect revenue from the 4 percent and 5 percent income tax brackets. The 4 percent tax bracket is a tax on the second \$5,000 of income earned, effectively annual income between \$5,000 and \$10,000. The 5 percent bracket applies to all income earned over \$10,000. Mississippi is one of forty-three states and the District of Columbia that impose an individual income tax and among these states, New Hampshire and Tennessee only levy taxes on dividend and interest income. Tennessee is phasing out its income tax on interest and dividends and tax year 2020 will be the final year this tax is imposed.

In order to provide a more straightforward comparison of sales and income taxes across states, some organizations have calculated measures of the total sales tax burden for an individual in a particular state. In 2020 the personal finance web site WalletHub.com computed an overall measure of tax burden by state for the most recent tax year. This measure calculates the share of total personal income residents of a state pay in total sales and excise taxes. According to WalletHub's measure, Mississippi's sales tax burden is 4.63 percent, which ranks seventh among all states. A 2019 study by the Idaho State Tax Commission using data from fiscal year 2017 ranked the taxes of states according to tax burden in proportion to personal income. According to this analysis the average actual sales tax in Mississippi in fiscal year 2017 as a share of personal income was 3.26 percent and ranked ninth among all states and the District of Columbia. As with sales tax WalletHub computed an overall measure of tax burden by state for the most recent tax year. This measure calculates the share of total personal income residents of a state pay toward individual income tax. Under WalletHub's measure, Mississippi's individual income tax burden is 1.65 percent, which ranks thirty-sixth among all states. The Idaho State Tax commission used its same methodology to rank states according to individual income tax burden. The individual income tax in Mississippi under this methodology ranked thirty-seventh among all states and the District of Columbia in fiscal year 2017 based on total personal income, with an average actual tax rate of 1.70 percent.

## ANALYSIS OF ELIMINATING THE INCOME TAX IN MISSISSIPPI, CONTINUED

URC also conducted an evaluation of potential changes to the tax structure using a dynamic fiscal and economic impact model known as Tax-PI. Produced by Regional Economic Models, Inc., and calibrated specifically to the economic and fiscal environment in Mississippi, Tax-PI captures direct effects and indirect and induced effects. The *direct* effect is the change the user specifically enters into the model while the *indirect* and *induced* effects are those forecast by the model that occur as a result of the direct effect. URC modeled within Tax-PI a phase out of the 4 and 5 percent individual income tax brackets over ten years using the total revenues collected from these brackets in 2019 as a starting point. The model essentially reduced the revenue collected by the 4 percent bracket by 20 percent each year from 2022 to 2026, and then reduced the revenue collected from the 5 percent bracket by 20 percent each year from 2027 to 2031. Thus, within the model beginning in 2032 no individual income tax revenues are collected. The results of the simulation find that by 2035 tax revenues collected by the state decrease by \$1,745,000,000 per year in inflation-adjusted dollars, slightly more than the total revenues collected from the 4 and 5 percent brackets in 2019. The slightly larger amount is due to the indirect effects from the elimination of the income tax brackets. The decrease in revenues of \$1,745,000,000 per year would continue in subsequent years assuming no other policy changes. The direct change in revenue and the total change in revenue for each year of the period are listed in Table 3.

Some of the economic impacts found within the Tax-PI model that result from the elimination of the 4 and 5 percent tax brackets are listed in Table 4. State government reduces spending because of the reduction in revenues from the elimination of the income tax, which eventually leads to a reduction in public sector jobs. Initially these decreases in public sector jobs are partially offset by the jobs that are added in the private sector. These job gains result from the increase in private sector spending that occurs because of the increase in individual taxpayer income. However, over time the decrease in state spending on goods and services leads to a reduction of employment in both the public and private sectors. The first column of Table 4 lists the annual change in total nonfarm employment in the state from 2022 to 2035, which is negative each year. The decreases are relatively small each year through 2026, which is the last year in which all of the 5 percent income tax bracket is levied. As the 5 percent bracket is phased out, however, the decreases in total employment become larger each year through 2035. The decrease in employment in 2035 is 11,735 jobs, a decline that would continue in following years assuming no other policy changes.

The annual changes in real GDP from the elimination of the 4 and 5 percent individual income tax brackets from 2022 to 2035 found within the Tax-PI model are listed in the second column of Table 4. These annual changes are relatively modest from 2022 through 2026. The decrease in output in 2026, the last year all of the 4 percent tax bracket is levied is \$46,000,000. As the 5 percent tax bracket is phased out, however, the increases become considerably larger each

**Table 3. Tax-PI model estimates of cumulative annual changes in revenues collected by Mississippi from elimination of 4 and 5 percent individual income tax brackets.**

Year	Decrease due to income tax reduction*	Total change in revenue*
2022	-\$18,000,000	-\$17,000,000
2023	-\$53,000,000	-\$52,000,000
2024	-\$88,000,000	-\$87,000,000
2025	-\$124,000,000	-\$122,000,000
2026	-\$159,000,000	-\$157,000,000
2027	-\$332,000,000	-\$329,000,000
2028	-\$642,000,000	-\$636,000,000
2029	-\$952,000,000	-\$945,000,000
2030	-\$1,262,000,000	-\$1,254,000,000
2031	-\$1,573,000,000	-\$1,566,000,000
2032	-\$1,728,000,000	-\$1,726,000,000
2033	-\$1,728,000,000	-\$1,732,000,000
2034	-\$1,728,000,000	-\$1,738,000,000
2035	-\$1,728,000,000	-\$1,745,000,000

\* 2012 dollars. Rounded totals. Source: Mississippi Department of Revenue. URC calculations.

## MISSISSIPPI'S BUSINESS

### ANALYSIS OF ELIMINATING THE INCOME TAX IN MISSISSIPPI, CONTINUED

year beginning in 2027. By 2035 the total change in real GDP is a decrease of \$709,000,000, which equals about 0.7 percent of real GDP for Mississippi in 2019. Real GDP will continue to decrease in years after 2035, assuming no other tax changes. Thus, a relatively small decline in the state's real GDP occurs within the Tax-PI model following the elimination of the individual income tax.

Because much of state government spending is employment-centered, once individual income tax revenue is transferred to the private sector, fewer people are hired. Moreover, on average private sector employees earn less than state government employees. According to the Quarterly Census of Employment and Wages released by the U.S. Bureau of Labor Statistics, in 2019 annual wages per employee across all industries in the private sector in Mississippi were \$39,897, compared to annual wages per employee of \$49,429 across all areas of state government. In addition, since state government spends most of the revenues it collects on employment, most of the revenues stay within Mississippi. However, in the private sector more spending occurs in other states and therefore "leaks" outside of the Mississippi economy. Taxpayers also save some portion of their income, and for these reasons, the total output for the state's economy is slightly less following the elimination of the individual income tax.

The estimated annual changes in the population of Mississippi from 2022 to 2035 that follow from the phase out of the 4 and 5 percent income tax brackets found within the Tax-PI model are listed in the last column of Table 4. While the population decreases each year, these declines are relatively small through 2027. The total decrease in population becomes somewhat larger in 2028 and by 2035 the total reduction in population reaches 33,382 residents, about 1.1 percent of the population of Mississippi in 2019. As with other measures, these declines in population will continue in years after 2035 assuming no policy changes. The overall decrease in employment in the state, which leads to a decrease in personal income, results in the loss of population following the elimination of the 4 and 5 percent brackets.

In conclusion, URC's analysis using the Tax-PI model finds phasing out the individual income tax in Mississippi leads to a decrease in revenue collected by the state each year from 2022 to 2035. Total revenue collected will decrease by about \$1,745,000,000 in 2035 and each year afterwards, slightly more than the revenue collected from the 4 and 5 percent tax brackets in 2019. The results from the Tax-PI model also determine that real GDP, total employment, and population for Mississippi will all decline slightly each year from 2022 to 2035. Readers interested in more details on the analysis, as well as other scenarios, should review the complete report.

**Table 4. Tax-PI model estimates of annual changes in real GDP, employment, and population of Mississippi from elimination of 4 and 5 percent individual income tax brackets.**

Year	Employment	Real GDP <sup>†</sup>	Population
2022	-156	-\$8,000,000	-163
2023	-310	-\$15,000,000	-457
2024	-479	-\$24,000,000	-859
2025	-678	-\$34,000,000	-1,357
2026	-892	-\$46,000,000	-1,935
2027	-2,324	-\$118,000,000	-3,734
2028	-3,833	-\$194,000,000	-6,542
2029	-5,382	-\$276,000,000	-10,140
2030	-7,149	-\$375,000,000	-14,453
2031	-9,026	-\$484,000,000	-19,360
2032	-9,682	-\$536,000,000	-23,571
2033	-10,417	-\$597,000,000	-27,252
2034	-11,118	-\$655,000,000	-30,503
2035	-11,735	-\$709,000,000	-33,382

\* 2012 dollars. Rounded totals.