

Sales and Use Tax Exemption for Bond Financing

Eligible purchases made with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC) may be exempted from sales and use tax in Mississippi.

For commercial construction in Mississippi, there is a contractor's tax assessed on the construction of commercial real property. Contractor's tax is calculated as 3.5 percent of the contractor's gross receipts from the construction. Contractor's tax has no exemptions, and the contractor is allowed to purchase all component building materials exempt from sales tax.

However, sales tax is not due on component building materials purchased with industrial revenue bond proceeds. If a business utilizing industrial revenue bonds issued by MBFC directly purchases component building materials and other items of tangible personal property using bond proceeds, the business may be exempted from paying sales and use tax on those materials.

To qualify for the sales and use tax exemption, the materials must be purchased by, billed to and paid for directly by the eligible business using bond proceeds. If the materials purchased are not part of the construction contract, they are not subject to contractor's tax. Contractor's tax will still apply to the labor portion of the construction contract.

For more information related to the state's industrial revenue bond process, visit the Mississippi Business Finance Corporation's website at www.msbusinessfinance.com or contact MBFC at 601.355.6232. To learn more about the sales and use tax exemption for bond financing, see the Mississippi Tax Incentives, Exemptions, and Credits guidelines on the Mississippi Department of Revenue website at www.dor.ms.gov/.

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Contact the Mississippi Development Authority's Financial Resources Division
at 601.359.3552 or financial@mississippi.org to learn more.