

## Income Tax Incentives

### Accelerated Income Tax Depreciation Deduction for Health Care Businesses

Certified health care businesses located in Health Care Zones in Mississippi are eligible to receive the following incentives through the Mississippi Health Care Industry Zone Incentive Program:

- An accelerated, 10-year state income tax depreciation deduction; and
- A sales tax exemption for equipment and materials purchased from the date of the project's certification until three months after the facility is completed.

In addition, the program allows cities and counties, at their discretion, to grant a property tax "fee in lieu" for 10 years for any certified project with an investment of more than \$10 million or a 10-year ad valorem tax exemption. Certified companies can also qualify for other Mississippi incentive programs.

The incentive was designed to encourage health care-related businesses to locate or expand within a qualified Health Care Zone in the state, expanding access to high-quality medical care for Mississippi residents and increasing the number of health care jobs in the state. The incentive program is designed to benefit businesses engaged in:

- Medical supply
- Biologics
- Laboratory testing
- Medical product distribution
- Diagnostic imaging
- Biotechnology
- Pharmaceutical research and development
- Medical equipment or medicine production and related manufacturing or processing

Medical service providers, including nursing homes and assisted living facilities, may also benefit from this program.

An eligible health care-related business must commit to create at least 25 full-time jobs and/or invest at least \$10 million. In addition, a business must locate in a Health Care Zone, defined as:

- areas within a five-mile radius of a health care facility with acute care hospital beds in a region where there are three contiguous counties which have Certificates of Need for more than 375 acute care hospital beds; and/or
- areas located within five miles of a hospital that will be constructed before July 1, 2017, and that involves a minimal capital investment of \$250 million.

In addition, health care-related businesses that locate within a five-mile radius of William Carey University's Tradition campus in Harrison County or businesses that are located on land owned by or leased from the University of Mississippi Medical Center can qualify for Health Care Industry Zone incentives.

A company must be certified by MDA before the project is announced and prior to the start of construction and hiring. To apply, contact MDA's Financial Resources Division at 601.359.3552 or email [financial@mississippi.org](mailto:financial@mississippi.org).

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## **Ad Valorem Tax Credit**

Mississippi offers qualifying businesses an income tax credit equal to the amount of ad valorem (property) tax they pay on commodities, raw materials, works-in-progress, goods, products, wares or merchandise held for resale, including any ad valorem tax paid to a county, city, town, or school district in the state. The credit is available to manufacturers, processors, distributors, wholesalers and retailers. Only businesses that pay ad valorem taxes on inventory are eligible to receive the credit.

For the 2014 taxable year, the maximum tax credit for a qualifying business's inventory at its Mississippi location is \$10,000 or the amount of state income tax liability attributable to the income derived from that location, whichever is less. For the 2015 taxable year, the maximum tax credit for a qualifying business's inventory is \$15,000 or the amount of state income tax liability attributable to the income derived from that location, whichever is less. For the 2016 taxable year and each subsequent taxable year, the maximum tax credit allowed is the amount of ad valorem tax actually paid on the business's inventory at its Mississippi location or the amount of income tax liability attributable to the income derived from that location, whichever is less. If a business has operations at more than one location in the state, the credit limitation is applied to each specific location.

The Ad Valorem Tax Credit may be used in conjunction with other state tax credits. The credit cannot be used both as a credit and a deduction and can only be used to offset the eligible company's income tax liability. Any tax credit claimed but not used in any taxable year may be carried forward for five years.

The Ad Valorem Tax Credit is administered by the Mississippi Department of Revenue.

## **Airport Cargo Charges Tax Credit**

Mississippi offers eligible businesses that utilize airport facilities in Mississippi an income tax credit. In order to be eligible for the credit, a business must locate its U.S. headquarters in Mississippi, employ at least five new permanent full-time employees who work at the headquarters and must invest a minimum of \$2,000,000 in real or personal property in Mississippi.

The credit is equal to the charges on the import or export of cargo paid by the business for receiving into the airport, aircraft marshalling or handling fees and aircraft landing fees. This credit is not refundable and can only be used to offset 50 percent of the business's income tax liability after all other credits except for estimated tax payments have been used. Any excess credit amount can be carried forward for up to five years.

The Airport Cargo Charges Tax Credit is administered by the Mississippi Department of Revenue.

## **Broadband Technology Tax Credits**

Broadband Technology Tax Credits are credits designed to encourage the deployment of high-speed internet access throughout the state, with an emphasis on rural areas. Credits are earned based on a percentage of the cost of equipment used in the deployment of broadband technology in the state and can be applied toward telecommunications businesses' state franchise or income tax. To be eligible for the credit, items must be sold to, billed to and paid for by the company receiving the credit. Qualifying equipment used in the deployment of broadband

technologies includes asynchronous transfer mode switches, digital subscriber line access multiplexers, routers, servers, multiplexes, fiber optics and related equipment.

Annual credit amounts are calculated as a percentage of eligible expenditures, based on equipment location. Credits are available for 10 years. The credits can be claimed against income or franchise tax, but the total amount of credits taken over the 10-year period cannot exceed 100 percent of the cost of the equipment. The credit percentage amount allowed per year is based on the development ranking of the county:

<b>County Development Classification</b>	<b>Credit Amount</b>
Tier III (Less Developed)	15% of Costs
Tier II (Moderately Developed)	10% of Costs
Tier I (Developed)	5% of Costs

Credits can be used to offset up to 50 percent of the entity's income or franchise tax liability, and unused credits can be carried forward up to ten years.

Broadband Technology Tax Credits are awarded and administered by the Mississippi Department of Revenue.

### **Employer Provided Dependent Care Tax Credit**

Mississippi provides an income tax credit equal to half the expenses of providing dependent day care for employees to all types of businesses providing day care certified by the Mississippi Department of Health. The Child/Dependent Care Tax Credit is available to any business providing dependent day care (both for children and adults) for its employees during the employees' working hours or assisting community-provided day care. Expenses must be incurred in the operation of a program certified by the Mississippi Department of Health. The Child/Dependent Care Tax Credit may be used in combination with other credits and can be used to offset 100 percent of the business's income tax liability. The credit is not refundable. Any excess credit amount can be carried forward for up to five years.

The net cost of any contract executed by the employer for a third party to provide dependent care is considered a qualified expense. If the employer elects to provide dependent care directly, then expenses for staff, learning and recreational materials and equipment and costs associated with the construction and maintenance of a day care facility are considered qualified expenses. Additional eligible expenses include costs assumed by the employer which increase the quality, availability and affordability of dependent care in the community used by employees during the employees' work hours.

Employer Provided Dependent Care Tax Credits are awarded and administered by the Mississippi Department of Revenue.

### **Entertainment District Incentive**

An income tax incentive in the form of a five-year accelerated depreciation period is available for entertainment facility construction and renovation projects in a Mississippi entertainment district. The governing authorities of a local government may establish an entertainment district within its boundaries and designate the geographical areas in which it is established. Local authorities must submit an application requesting approval of the entertainment district to the Mississippi Department of Revenue (DOR) and must receive DOR approval before businesses may apply to

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participate in the Mississippi Entertainment District program and receive the accelerated depreciation benefit. For the purposes of this incentive, entertainment facility is defined as any structure that provides entertainment services and includes a theater, amphitheater, golf course, automobile racetrack, museum, zoo, arena, stadium or similar venue. Gaming establishments licensed under the Gaming Control Act are not eligible for this incentive.

To receive the incentive, a qualifying business must collect \$2.00 per ticket, pass or admission, in addition to the regular sales tax on amusement services.

The Entertainment District Incentive is awarded and administered by the Mississippi Department of Revenue.

### **Export Port Charges Tax Credit**

The Export Port Charges Tax Credit is an incentive available to businesses that utilize port facilities at Mississippi state, county and municipal ports or harbors. The credit is equal to the charges on export cargo paid by the business for receiving into the port, handling to a vessel and wharfage. The credit is not refundable and can only be used to offset 50 percent of the business's income tax liability after all other credits have been used, except for estimated tax payments. Any excess credit amount can be carried forward for up to five years. The credit may be claimed only in the tax year in which the charges are actually paid.

The Export Port Charges Tax Credit is administered by the Mississippi Department of Revenue.

### **Import Port Charges Tax Credit**

Mississippi offers an income tax credit equal to the charges an eligible business pays for importing cargo (except for forest products) through port facilities at Mississippi state, county and municipal ports or harbors. The credit is equal to the charges on import cargo paid by the eligible business for receiving into the port, handling to a vessel and wharfage. To be eligible for this incentive, a business must have established its U.S. headquarters in Mississippi by July 1, 2004, and must have at least five permanent employees at its headquarters location. The business must have a minimum capital investment of \$2,000,000 in order to qualify for the credit.

The credit is not refundable and can only be used to offset 50 percent of the business's income tax liability after all other credits except for estimated tax payments have been taken. Any excess credit amount can be carried forward for up to five years.

The Import Port Charges Tax Credit is administered by the Mississippi Department of Revenue.

### **Income Tax Exemption for Aerospace Businesses**

Mississippi's Aerospace Initiative Incentives program provides tax incentives to companies that locate or expand in the state and manufacture or assemble components for the aerospace industry or provide research, development or training services for the sector.

These incentives include a 10-year exemption from income and franchise taxes, as well as a sales and use tax exemption for the start-up of the facility. In order to qualify, companies must invest a minimum of \$30 million and create at least 100 full-time jobs. To apply for the Aerospace Initiatives Incentives program, contact MDA's Financial Resources Division.

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## Income Tax Exemption for Businesses in Growth and Prosperity (GAP) Areas

The Growth and Prosperity (GAP) Program designates specific counties as GAP counties and provides income, franchise, sales and property tax incentives to companies that locate or expand in these areas of Mississippi. The program is designed to encourage development in economically challenged areas of the state. To be designated as a GAP county, a county must have an unemployment rate that is 200 percent of the state's annual unemployment rate or must have 30 percent or more of its population below the federal poverty rate.

The following enterprises that create 10 or more jobs are eligible to participate under the GAP Program:

- Manufacturers, processors and companies that assemble, store, warehouse, service, distribute or sell any product or good, including agricultural products;
- Research and development enterprises, including, but not limited to, scientific laboratories; or
- Other businesses or industries that will further the public purposes of the GAP Act as determined on a case-by-case basis by MDA and that create a minimum of 10 jobs.

Retail or gaming businesses or electrical generation facilities are not eligible to participate in the GAP Program.

Eligible entities that locate or expand in a GAP area receive a series of tax incentives for a period of up to 10 years:

- A full exemption on all state income and franchise taxes related to the new location or expansion.

In instances where an expansion is approved for companies already subject to Mississippi income and franchise tax, an apportionment formula will be used to determine the percentage of Mississippi income and/or capital that is exempt through the GAP Program. This formula utilizes a property factor and a double-weighted payroll factor based on GAP property and payroll divided by the total company property and payroll. Specific calculation guidelines can be obtained from the Mississippi Department of Revenue.

- A full sales and use tax exemption on all equipment and machinery purchased during the initial construction or expansion at an approved facility.

This exemption is valid from the date that the project begins until three months after start-up. This exemption applies to the general 7 percent sales tax on component building materials, equipment and other assets purchased for the project, as well as the 1.5 percent sales tax on manufacturing machinery.

For commercial construction in Mississippi, there is a contractor's tax assessed on the construction of commercial real property that 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. Under the GAP Program sales and use tax exemption, component building materials can be purchased directly by the GAP-certified business. If these materials are not part of the construction contract, they are not subject to contractor's tax, and sales tax is not due on materials purchased by the GAP company. To qualify for the exemption, the materials must be purchased by, billed to and paid for directly by the eligible GAP-certified business. Contractor's tax will still apply to the labor portion of the construction contract.

- A property tax exemption on taxes levied on land, building, equipment and certain inventory at an approved facility in an approved GAP-designated area. This exemption does not include school taxes and that portion of

the property tax utilized to pay for fire and police protection. If the company is eligible for a Free Port Warehouse exemption, it must be applied for separately.

***GAP-ELIGIBLE COUNTIES:***

Adams, Bolivar, Claiborne, Coahoma, Holmes, Humphreys, Issaquena, Leflore, Marion, Noxubee, Pike, Quitman, Sharkey, Sunflower, Tallahatchie, Tunica, Washington, Wilkinson and Yazoo

***COUNTIES WITH GAP-ELIGIBLE DISTRICTS:***

Amite – Districts 2 and 3, Attala – District 4, and Franklin – Districts 1 and 2

Companies interested in GAP incentives must apply to and be certified by the Mississippi Development Authority, and an agreement must be entered into by the company prior to receiving these benefits. All tax incentives are administered by the Mississippi Department of Revenue and the County Tax Assessor.

**Income Tax Exemption for Clean Energy Businesses**

Mississippi’s Clean Energy Initiative Incentives program provides tax incentives to companies that manufacture systems or components used to generate clean, renewable or alternative energy, which includes nuclear, solar and wind power and hydrogenation.

The program provides qualifying companies with a 10-year exemption from state income and franchise taxes, as well as a sales tax exemption to establish a plant or expand an existing production facility. To qualify, businesses must commit to invest a minimum of \$50 million and create 250 full-time jobs.

To apply, contact MDA’s Financial Resources Division.

**Jobs Tax Credit**

Jobs Tax Credits are credits that can be applied to state income tax to reduce an employer’s income tax liability. These credits are earned by certain types of businesses that create and sustain new jobs in Mississippi. Manufacturers, wholesalers, processors, research and development facilities, distributors and warehouses qualify for this credit.

In addition, the following businesses qualify upon receiving a designation by the Mississippi Development Authority:

- air and transportation maintenance facilities
- telecommunications companies
- data and information processing companies
- computer software development enterprises
- recreational facilities that impact tourism
- resort hotels having a minimum of 150 rooms
- movie industry studios
- technology-intensive facilities

Jobs Tax Credits are calculated as a percentage of eligible payroll each year for five years, based on the business’s location and wages subject to state income tax. The credits are taken in years two through six after the new jobs are

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created and can be used to offset up to fifty percent of a business's income tax liability. Unused Jobs Tax Credits can be carried forward up to five years.

To be eligible for this credit, the employer must create and maintain an annual average employment of the minimum number of jobs required based on the development ranking of the county:

<b>County Ranking</b>	<b>Minimum Number of New Jobs Created</b>	<b>Credit Per Job</b>
Tier I (Developed)	20	2.5% of Payroll
Tier II (Moderately Developed)	15	5% of Payroll
Tier III (Less Developed)	10	10% of Payroll

### ***JOB TRAINING OPTION***

Legislation approved by the Mississippi Legislature in 2013 allows companies that expand or locate in the state to either take the existing Jobs Tax Credit or monetize that credit to use for job training. When companies that are eligible for the Jobs Tax Credit opt to monetize the credit, MDA provides job training grants to a community or junior college, public university or local workforce investment area in the state to pay costs incurred in training or retraining employees. Grants may cover 75 percent of the costs of training or retraining employees, not to exceed \$1,000 per job in Tier I counties, \$1,500 per job in Tier II counties and \$2,000 per job in Tier III counties.

Companies must elect to utilize a job training grant before creating any eligible jobs, and a company must choose between the Jobs Tax Credit or the job training grant option. To learn more about Jobs Tax Credits or the Job Training Grant, contact MDA's Financial Resources Division. Jobs Tax Credits are administered by the Mississippi Department of Revenue.

### **Manufacturing Investment Tax Credit**

Existing manufacturers that have operated in Mississippi for two or more years may be eligible for investment tax credits that can be applied to their state income tax liability. To qualify, an existing manufacturer must invest \$1,000,000 or more in buildings and/or equipment used in the manufacturing operation. The investment credit is calculated as 5 percent of the eligible investment for a project. The credit is calculated as 5 percent of the eligible project investment and is allowed for the year that the investment occurs. The tax credit allowed on any project cannot exceed \$1,000,000.

Credits can be used to offset up to 50 percent of the business's income tax liability after all other credits have been taken, and unused investment tax credits can be carried forward up to five years.

Manufacturing Investment Tax Credits are awarded and administered by the Mississippi Department of Revenue.

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## **Mississippi Equity Investment (New Markets) Tax Credit**

A credit to Mississippi income or insurance premium tax is available for eligible investments made by Community Development Entities (CDEs) in designated low income census tracts in the state as defined by the U.S. Census Bureau. These credits are state credits that act as companion credits to the federal New Markets Tax Credits (NMTC) Program.

Mississippi allows a state credit equal to 24 percent of the Qualified Equity Investment (QEI) in addition to the credits awarded through the federal program. Equity Investment Credits are calculated as 8 percent of the QEI and are available as of the Mississippi Credit Allowance Date and annually for two additional years. Credits are based on a Mississippi investment being maintained for a minimum of seven years, as required under the federal program. If all state and federal program requirements are not met, all credits may be recaptured by the Mississippi Department of Revenue. Annual program reporting requirements must be maintained as well.

The maximum investment eligible for credits on any project cannot exceed \$10,000,000. The total Mississippi Equity Investment Credits that can be awarded is capped at \$15,000,000 per year. The amount of credit that may be utilized in any one year is limited to the total tax liability of the taxpayer for the applicable tax. Unused investment tax credits can be carried forward up to seven years.

Mississippi Equity Investment Tax Credits must be awarded and certified by the Mississippi Development Authority prior to funding. Usage of credits is administered by the Mississippi Department of Revenue.

## **National or Regional Headquarters Tax Credit**

National or Regional Headquarters Tax Credits are credits equal to between \$500 and \$2,000 per position that can be applied to state income tax to reduce an eligible entity's corporate income tax liability. These credits are awarded to encourage companies to establish a headquarters in Mississippi and have their executive officers and other high-level employees based in the state. These credits are also awarded to companies that already have headquarters in Mississippi and create additional jobs at their headquarters operations in the state.

In transferring or establishing a national or regional headquarters in Mississippi or in expanding existing headquarters operations in the state, a company must create a minimum of 20 qualified jobs within a one-year period to be eligible for the National or Regional Headquarters Tax Credit. For the purposes of the tax credit, a national or regional headquarters is defined as an office or location of a multi-state business where managerial, professional, technical and administrative personnel are domiciled and employed. Centralized functions such as financial, legal, technical and personnel activities must be performed by the qualifying employees. The classification of personnel as headquarters employees is dependent upon their duties in direct relationship to the functions of the entity and not solely on their physical presence at the location.

The credit is awarded in the amount of \$500 per full-time employee per year for a five-year period. The annual credit amount is increased to \$1,000 for each position that pays 125 percent of the average annual state wage and to \$2,000 for each position that pays 200 percent of the average annual state wage. To receive the tax credits for the entire five-period, a minimum of 20 full-time jobs must be maintained. A business can utilize these credits in addition to Jobs Tax Credits, and the combination of the two tax credits can be used to offset up to 50 percent of the entity's state income tax liability. Any unused credits can be carried forward up to five years. National or Regional Headquarters Tax Credits are awarded and administered by the Mississippi Department of Revenue.

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### **National or Regional Headquarters Relocation Tax Credit**

Mississippi's National or Regional Headquarters Relocation Tax Credit offers companies transferring or relocating their national or regional headquarters to the state an income tax credit equal to their actual relocation costs.

In transferring or establishing a national or regional headquarters in Mississippi, a company must create a minimum of 20 qualified jobs and must meet the Department of Revenue's definition of a national or regional headquarters operation to be eligible for the relocation tax credit. The headquarters operation must be an office or location of a multi-state business where managerial, professional, technical and administrative personnel are domiciled and employed, and centralized functions such as financial, legal, technical and personnel activities must be performed there. In addition, the location must be responsible for planning, directing and controlling all aspects of the organization's operations, whether for the United States, in the case of national headquarters, or for a region of the United States, for regional headquarters.

The amount of the relocation credit is the actual amount of qualified relocation expenses, which include non-depreciable expenses that are necessary to relocate headquarters employees to Mississippi, such as travel expenses incurred by employees and their families to and from Mississippi as they search for homes in the state and employees' moving expenses. The credit is applied to the tax year in which the relocation costs are paid, and a business can utilize the credit with other tax credits, such as the Jobs Tax Credit, the National or Regional Headquarters Tax Credit, or the Research and Development Skills Tax Credit. A business may offset up to 50 percent of its state income tax liability using one or more of these available credits. Any unused credits can be carried forward up to five years. The maximum cumulative amount of tax credits that may be claimed by all taxpayers claiming the National or Regional Headquarters Relocation Tax Credit in any one fiscal year cannot exceed \$1 million.

National or Regional Headquarters Relocation Tax Credits are awarded and administered by the Mississippi Department of Revenue.

### **Research and Development Skills Tax Credit**

Research and Development Skills Tax Credits are credits that can be used to reduce an eligible entity's income tax liability. Credits are equal to \$1,000 per employee per year for a five-year period and are available for any position requiring research or development skills. There is no minimum number of positions that must be created to qualify for this credit.

To qualify for the Research and Development Skills Tax Credit, the position must be engaged in research and development activities. Qualification of jobs for this credit must require, at 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 employee's area of expertise, and compensation at a professional level. The credit is awarded in the amount of \$1,000 per full-time employee per year for a five-year period. These credits can be used in conjunction with Jobs Tax Credits, and the combination can be used to offset up to 50 percent of a business's state income tax liability. Any unused credits can be carried forward up to five years.

Research and Development Skills Tax Credits are awarded and administered by the Mississippi Department of Revenue.

### **Rural Economic Development Bond Tax Credit**

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Rural Economic Development (RED) Credits are credits that can be used to reduce Mississippi corporate income tax. These credits are available to companies using industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC) and are based on the amount of bond-related debt service paid on MBFC-issued industrial revenue bonds.

Businesses that qualify for RED Credits include:

- Manufacturers
- Telecommunications companies, data information and processing facilities, and distribution and warehouse facilities that have at least 50 employees or at least 20 employees and a minimum capital investment of \$5,000,000
- National or regional headquarters with 35 jobs and a minimum capital investment of \$2,000,000
- Research and development or technology-intensive enterprises with a minimum of 10 employees earning at least 150 percent of the average state wage and a minimum capital investment of \$2,000,000

A credit equal to the debt service on qualified industrial revenue bonds is available to eligible businesses. These RED credits can be used to offset up to 80 percent of the business's state corporate income tax liability each year for the life of the bonds. Unused RED credits may be carried forward for three years.

Businesses interested in receiving RED credits and utilizing Industrial Revenue bonds should contact the Mississippi Business Finance Corporation at 601.355.6232. To learn more, visit [www.msbusinessfinance.com](http://www.msbusinessfinance.com).

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For further details about any of these income tax incentives, contact MDA's Financial Resources Division or visit the Mississippi Tax Incentives, Exemptions, and Credits guidelines on the Mississippi Department of Revenue website at <http://www.dor.ms.gov/Individual/Documents/2015%20Incentive%20Book-%20Final.pdf>.

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