

Mississippi Tax Summary

Mississippi's favorable tax structure contributes to the state's pro-business climate. There is no state property tax or local income tax in Mississippi, and corporate taxes in the state fall into four basic tax types:

- corporate income tax
- corporate franchise tax
- sales and use tax
- local property tax

Corporate Income Tax

In Mississippi, corporate income is subject to a state income tax. Currently, Mississippi income tax rates are:

- 3% - on the first \$5,000 of taxable income
- 4% - on the next \$5,000 of taxable income
- 5% - on remaining taxable income

Legislation passed in 2016 gradually eliminates the tax on the first \$5,000 of taxable income, starting in 2018. By 2022, no tax will be levied on the first \$5,000 of taxable income.

Unless a company is taxable in another state, Mississippi corporate income tax is based on the company's net taxable income. Income tax for multi-state corporations is calculated by determining a Mississippi-to-total-company ratio that is applied to the company's net business income. For retailers, wholesalers, service providers and many other business operations, income is apportioned based on a ratio of sales in Mississippi versus sales for the total entity. For manufacturers, income tax is apportioned using a three-factored approach based on property, payroll and sales in Mississippi versus everywhere. After the apportioned net taxable income is calculated, additional non-business income attributable to Mississippi is added to the calculated amount to arrive at the Mississippi net taxable income.

Corporate Franchise Tax

Currently, most corporations engaged in business in Mississippi are subject to franchise tax, a tax assessed on a company's capital value. The current franchise tax rate is \$2.50 per \$1,000 of capital invested in Mississippi.

However, legislation enacted in 2016 *phases out* Mississippi's corporate franchise tax. Starting in 2019, the franchise tax rate will be reduced each year by \$0.25 per \$1,000 of capital invested. By 2028, the franchise tax rate will be fully phased out, and from 2028 onward, businesses will pay only \$25.00 in franchise tax each year instead.

For as long as the franchise tax is in place in Mississippi, the capital value for the corporation is calculated based on capital stock (both issued and outstanding) and paid-in capital, surplus and retained earnings, including deferred taxes, deferred gains, deferred income, contingent liabilities and other true reserves. For multi-state corporations, capital is pro-rated and applied to the corporation's total capital value to calculate the amount of capital to be apportioned to Mississippi. The apportioned capital is then multiplied by the franchise tax rate to determine the Mississippi franchise tax liability.

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

Sales and Use Tax

All tangible personal property sold within the state is considered taxable unless specifically exempted or assigned a reduced rate by state law. Similarly, companies doing business in Mississippi that bring tangible personal property into the state are required to pay use tax on that property. Some services, such as software sales and service, repairs of tangible personal property and renting or leasing tangible personal property, are also subject to sales tax in Mississippi. The regular retail sales and use tax rate on goods and services is 7 percent.

Sales and Use Tax Rates:

General retail sales tax rate on goods and services:	7 percent
Manufacturing equipment and machinery:	1.5 percent
Electricity and fuel used in the manufacturing process:	exempt from sales tax
Manufacturers' raw materials:	exempt from sales tax
Non-production manufacturing equipment and machinery:	7 percent
Water and sewer for commercial or industrial use:	7 percent

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

Property Tax

Counties and municipalities levy a property tax on real and tangible personal property in Mississippi. Generally, property is assessed at 15 percent of true value. This assessed value is then multiplied by the tax rate, or millage rate, to determine a business's annual tax liability. Each city and/or county sets its millage rate. Mississippi does not have a state property tax.

Other Business Tax-Related Items:

- **Personal Income Tax Withholding** - Mississippi levies a tax on individual income in the state. Income tax is assessed at the same rate for individuals as it is for business entities. State law requires that employers withhold Mississippi personal income tax from their employees and remit these withholdings directly to the Mississippi Department of Revenue. This tax is a deduction from the employee's wages and does not require a contribution from the employer.
- **State Unemployment Insurance Tax** - Employers in Mississippi must pay state unemployment insurance tax. The total unemployment compensation tax rate for a start-up business in Mississippi is 1.16 percent the first year of liability, 1.26 percent the second year of liability and 1.36 percent the third and subsequent years of liability until the employer is eligible for a modified rate. These rates include the workforce investment and training contribution rate that might be applicable for the rate year. If a company acquires a business that is already liable for unemployment taxes in Mississippi, the company may be immediately eligible for a modified tax rate.

A modified rate is based upon the ratio of benefits charged to an employers' account to taxable wages paid by the employer (benefits charged divided by taxable wages paid), plus the general experience ratio of the whole state unemployment program. The general experience ratio consists of items such as charges to employers who have closed their businesses, charges to employers who are bankrupt, excess charges to employers whose tax rate exceeds the maximum tax rate and a solvency factor to ensure the unemployment trust fund remains able to

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sustain the payment of unemployment benefits. The tax rate varies between 0.2 percent and 5.4 percent and depends on a number of factors; however, no employer eligible for a modified rate will have a tax rate of less than the general experience ratio for the year. To learn more about unemployment compensation tax in Mississippi, visit the Mississippi Department of Employment Security website at www.mdes.ms.gov or call 601.321.6000.

- **Workers Compensation Insurance** – Mississippi law requires that all employers with at least five full-time employees provide workers' compensation insurance coverage. Workers' compensation is essentially a no-fault insurance plan mandated by State law, supervised by the state Workers' Compensation Commission and paid for entirely by employers. An employer covered by the law is required to secure the payment of workers' compensation benefits to its employees by purchasing workers' compensation insurance from an insurance company or by obtaining approval from the commission to self-insure. The cost of the plan depends on several factors, including a business's payroll and the type of industry. To learn more about workers compensation insurance in Mississippi, visit the Workers' Compensation Commission website at www.mwcc.state.ms.us or call 866.473.6922.

Actual state tax requirements can vary widely depending upon a business's corporate structure and activities. The information above is intended to provide a high-level overview of taxes in Mississippi. For more detailed information about taxes and the state's tax structure, visit the Mississippi Department of Revenue (DOR) website at www.dor.ms.gov or contact DOR at 601.923.7000.

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