

## CORPORATE INCOME TAX

In Mississippi, corporate income is subject to a state income tax. This tax is levied in §27-7-5 of the Mississippi Code. Unless a company is taxable in another state, this 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 net business income for the corporation. 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.

When calculating a wholesale manufacturing operation's apportionment ratio, an average three-factor formula is used, consisting of:

1. Ratio of property (book value) in Mississippi versus total property
2. Ratio of payroll in Mississippi compared to total payroll
3. Ratio of sales attributable to Mississippi compared to total sales.

Retail manufacturing operations are subject to a weighted two-factor formula consisting of:

1. Ratio of property (book value) in Mississippi versus total property
2. Ratio of payroll in Mississippi compared to total payroll

The result is then averaged with a sales factor

1. Ratio of property and payroll in Mississippi versus total property and payroll
2. Ratio of sales in Mississippi versus total sales.

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.

Mississippi Income Tax rates are:

First \$5,000 of taxable income	3%
Next \$5,000 of taxable income	4%
Remaining taxable income	5%

Other pertinent Mississippi corporate income tax facts:

- Mississippi allows a net operating loss to be carried back two years and forward for twenty years following the taxable year of such loss.
- Mississippi statutes do not allow deductions of federal income taxes.
- There are no county or municipal income tax levies in Mississippi.

### **Corporate Income Tax Example (Multi-State Operation)**

Assume the following facts:

1. Company is a wholesale manufacturer with two plants; one in Mississippi, and one in another state.
2. The Mississippi plant accounts for 45% of the property.
3. The Mississippi plant accounts for 35% of the sales.
4. The Mississippi plant accounts for 40% of the payroll.
5. The company's net business income is \$500,000.

The corporate income subject to Mississippi tax and the amount of tax payable would be calculated as follows:

Mississippi property to Total property Ratio	.45
Mississippi payroll to Total payroll Ratio	.40
Mississippi sales to Total sales Ratio	<u>.35</u>
Sum of Ratios	1.20

Apportionment Ratio:  $(1.20 / 3)$  .40

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Mississippi Apportioned Taxable Income  
(\$500,000 x .40) \$200,000

Total Mississippi Tax:  
3% of first \$5000 \$ 150  
4% of next \$5000 \$ 200  
5% of remainder (\$190,000) \$ 9,500

*Income tax payable to Mississippi* \$ 9,850

**Corporate Income Tax Incentives Available**

A number of corporate income tax credits are available in Mississippi. Listings of the more commonly used credits are briefly described here, but there are also some industry specific incentives that may also be applicable.

<i>Incentive</i>	<b>Description</b>															
<p><b><i>Jobs Tax Credit</i></b> (§ 57-73-21)</p>	<p>Jobs tax credits are available to certain types of businesses that create and sustain new jobs in Mississippi. The following businesses qualify for these credits:</p> <p>Manufacturers, Wholesalers, Processors, Research and Development, Distributors, Warehouse, 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, and Technology intensive facilities.</p> <p>Jobs tax credits are taken against Mississippi corporate income tax. This credit is calculated as a percentage of eligible payroll each year for five years, based on job location and salary paid. The credits are taken in years two through six after the new jobs are created.</p> <p>Counties in Mississippi are each placed into one of three Tiers based on the county's level of economic development (see rankings on the last page of this document.) Based on these tiers, the jobs credits are available as shown below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>County Classification</u></th> <th style="text-align: left;"><u>Jobs</u></th> <th style="text-align: left;"><u>Credit</u></th> </tr> </thead> <tbody> <tr> <td><b>Amount</b></td> <td></td> <td></td> </tr> <tr> <td>Tier III</td> <td>10 or more</td> <td>10% of Payroll</td> </tr> <tr> <td>Tier II</td> <td>15 or more</td> <td>5% of Payroll</td> </tr> <tr> <td>Tier I</td> <td>20 or more</td> <td>2.5% of Payroll</td> </tr> </tbody> </table> <p>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 location. Unused jobs tax credits can be carried forward up to five years.</p>	<u>County Classification</u>	<u>Jobs</u>	<u>Credit</u>	<b>Amount</b>			Tier III	10 or more	10% of Payroll	Tier II	15 or more	5% of Payroll	Tier I	20 or more	2.5% of Payroll
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<p><b>Rural Economic Development (RED) Tax Credit</b> (§ 27-7-22.3)</p>	<p>Rural Economic Development (RED) credits are taken against Mississippi corporate income tax. RED credits are used in conjunction with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC). The credits are based on the amount of bond-related debt service and can be used to offset up to 80% of the state corporate income tax liability attributable to the project each year for the life of the bonds. Unused RED credits may be carried forward for three years.</p> <p>Businesses that qualify for bonds include:</p> <ul style="list-style-type: none"> <li>• <b>Manufacturers;</b></li> </ul>															

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	<ul style="list-style-type: none"> <li>• Telecommunications companies, Data information and processing facilities, and distribution and warehouse facilities with 50 employees, or 20 employees and a minimum capital investment of \$5,000,000;</li> <li>• National or Regional Headquarters with 35 jobs and a minimum capital investment of \$2,000,000; and</li> <li>• Research and Development or technology intensive enterprises with a minimum of 10 employees earning at least 150% of the average state wage and having a minimum capital investment of \$2,000,000.</li> </ul> <p>In instances where a company already has a presence in Mississippi and plans to expand its facility, a formula is used to determine what percentage of the income can be offset from the credits generated by debt service. The percentage is calculated using a three-factor ratio, with the new-to-existing jobs percentage double weighted against the new-to-existing assets percentage.</p>
<p><b>Existing Manufacturer Tax Credit (§ 27-7-22.30)</b></p>	<p>Income tax credits for existing manufacturers that have operated in Mississippi for at least two years are available if an existing manufacturer invests at least \$1,000,000 in additional buildings and/or equipment. The company is eligible for an income tax credit of 5% of the approved investment.</p> <p>This credit is allowed for the year that the investment occurs, and can be carried forward for up to five years, with the maximum tax credit allowed on any project being \$1,000,000.</p>
<p><b>Growth and Prosperity Program (GAP) (§57-80-9)</b></p>	<p>A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from income tax for up to ten years. See details of this incentive under “Other Incentives.”</p>
<p><b>Research and Development Jobs Credit (§ 57-73-21)</b></p>	<p>An income tax credit of \$1,000 per full-time job is available to certain types of businesses that create and sustain new jobs requiring research and development skills. The following businesses qualify for this credit:</p> <p>Manufacturers, Wholesalers, Processors, Research and Development Distributors, Warehouse, 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, and Technology intensive facilities.</p> <p>This credit can be in addition to the jobs credit, is allowed throughout the state, and is available for five years. Unused credits can be carried forward for up to five years.</p> <p>Qualified positions must require a Bachelor’s degree in a scientific or technical field and be compensated at a professional level. Examples of professions qualifying for the research and development credit are engineers and chemists. The Mississippi State Tax Commission will determine the eligibility of all positions requesting qualification.</p>
<p><b>National or Regional Headquarters Jobs Credit (§ 57-73-21)</b></p>	<p>Multi-state businesses that establish or transfer a national or regional headquarters in Mississippi are eligible for income tax credits for five years, provided that they create and maintain a minimum of 35 headquarters jobs, as determined by the Mississippi State Tax Commission.</p>

<i>Incentive</i>	<b>Description</b>
	<p>This incentive is not available for national or regional sales offices.</p> <p>The base credit is \$500 per full-time employee, but the credit amount may increase if the salary of the position exceeds annual average state wages. For each position with a salary that is 125% or more of the annual average state wage, the credit is increased to \$1,000 per employee per year. For each position with a salary that is 200% of the annual average state wage, a maximum credit of \$2,000 per employee per year is allowed.</p> <p>This credit is limited to 50% of the Mississippi income tax liability and is available for five years, provided that the number of headquarters jobs created remains at 35 or higher. The number of jobs must be created within one year. Unused credits can be carried forward for up to five years.</p>
<p><b>Skills Training Tax Credit (§ 57-73-25)</b></p>	<p>An income tax credit of 50% of the actual costs of employer-sponsored training is available to certain types of businesses that provide skills training to Mississippi employees.</p> <p>The training must be offered or approved by the community college in the district where the business is located. Qualifying businesses are:</p> <p>Manufacturers, Wholesalers, Processors, Research and Development Distributors, Warehouse, 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, and Technology intensive facilities.</p> <p>This credit is limited to 50% of the Mississippi income tax liability and can be carried forward up to five years from the year that costs were incurred.</p>
<p><b>Child/Dependent Care Tax Credit (§ 57-73-23)</b></p>	<p>An income tax credit of 50% of the actual costs of employer-sponsored dependent day care is available to all types of businesses, provided that the child or dependent care is certified by the Mississippi Department of Health. This credit is limited to 50% of the Mississippi income tax liability and unused credits can be carried forward up to five years.</p> <p>The net cost of any contract executed by the employer for a third party to provide dependent day care is a qualified expense. If the employer elects to provide dependent care directly, the qualified expenses include expenses for staff, learning and recreational materials and equipment, and costs associated with constructing and maintaining the daycare facility. These expenses are net of any reimbursement.</p> <p>To qualify, the dependent care must:</p> <ul style="list-style-type: none"> <li>• Provide childcare for no less than six children 12 years of age or younger;</li> <li>• Provide child and/or elder care for 5 or fewer individuals approved by the Department of Health for participation in the US Department of Agriculture child and adult nutrition program;</li> <li>• Provide care to children over 12 years of age but less than 18 years of age;</li> <li>• Provide care to adult relatives of employees; or</li> <li>• Provide care to children or adult dependents with physical, emotional, or mental disabilities.</li> </ul>

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<i>Incentive</i>	<b>Description</b>
<b>Other Income Tax Credits</b>	Additionally, credits that are more industry specific exist, such as the Ad Valorem Tax Credit, Alternative Energy Tax Credit, Export Port Charges Tax Credit, Import Port Charges Tax Credit, Broadband Technology Tax Credit, and the Motion Picture Production Tax Incentive. Contact the Mississippi Development Authority for more information.

*Note: The combination of Jobs Tax Credits, Research and Development Credits, Skills Training Tax Credits, and Child/Dependent Care Tax Credits, are limited to 50% of the Mississippi corporate income tax liability. This credit is in addition to the RED tax credits allowed, which are limited to 80% of corporate income tax liability. The sum of these credits can total up to 100% of the Mississippi corporate income tax liability. Unused credits may be carried forward as specified by the credit. After credit is taken for these credits, the Existing Manufacturer Tax Credit may be taken for up to 50% of the remainder of the income tax liability.*