

CORPORATE FRANCHISE TAX

Most corporations engaged in business in Mississippi are subject to franchise tax, as levied in §27-13-5 and §27-13-7 of the Mississippi Code. Franchise tax is a tax that is assessed on the company's capital value. The capital value for the corporation is calculated based on:

- Capital stock issued and outstanding
- Paid-in Capital, Surplus, and Retained Earnings, including deferred taxes, deferred gains, deferred income, contingent liabilities, and other true reserves.

If a corporation's assessed value of real and tangible property in Mississippi is greater than the capital value, the assessed value is used as the Mississippi capital value.

For multi-state corporations, capital is pro-rated based on the following formula:

$$\frac{\text{Book value of MS real and tangible personal property} + \text{MS Gross Receipts}}{\text{Book value of total real and tangible personal property} + \text{total Gross Receipts}}$$

This ratio is then 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. This franchise tax rate is \$2.50 per \$1,000 of Mississippi capital.

Corporate Franchise Tax Example (Multi-State Operation)

Assume the following facts:

1. The company owns \$2,400,000 of real and tangible personal property (book value.)
2. \$1,080,000 real and tangible personal property is located in Mississippi.
3. Total corporate receipts are \$4,800,000.
4. Mississippi receipts are \$1,900,000.
5. The total capital stock, surplus and undivided profits, and true reserves for the corporation amount to \$2,000,000.

The capital value subject to Mississippi franchise tax and the amount of tax payable would be calculated as follows:

Book value of Mississippi property	\$1,080,000
Mississippi gross receipts	<u>1,900,000</u>
(Formula numerator)	\$2,980,000
Book value of total corporate property	\$2,400,000
Total corporate gross receipts	<u>4,800,000</u>
(Formula denominator)	\$7,200,000
Franchise tax apportionment ratio (2,980,000 / 7,200,000)	.414
Capital apportioned to Mississippi (\$2,000,000 x .414)	\$ 828,000
Mississippi Franchise Tax	<u>\$ 2,070</u>
(\$828,000 / \$1000) x \$2.50	

Corporate Franchise Tax Incentives Available

<i>Incentive</i>	Description
Growth and Prosperity Program (GAP) (§57-80-9)	A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from franchise tax for up to ten years. See details of this incentive under “Other Incentives.”
<i>Other Franchise Tax Credits</i>	Additionally, credits that are more industry specific exist, such as the In-Lieu Fee for Major Economic Projects, and the Broadband Technology Tax. Contact the Mississippi Development Authority for more information.