

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, as defined in §27-65-17 of the Mississippi Code. Similarly, companies doing business in Mississippi that bring tangible personal property into Mississippi are required to pay use tax on that property.

Some services are also subject to sales tax in Mississippi, as listed in §27-65-23 of the Mississippi Code. Examples of taxable services are:

- Software sales and service
- Repairs of tangible personal property
- Renting or leasing tangible personal property

The regular retail sales and use tax rate is 7%, but the law does allow for a reduced rate for manufacturing machinery, equipment, and industrial purposes of 1.5%. Sales tax on automobiles in Mississippi is 5%, with truck-tractors and semi-trailers taxed at 3%. Sand and Gravel is taxable at retail, unless purchased by a wholesaler or contractor, at which time the product is taxed at 5 cents per ton.

In instances where a business may be subject to the manufacturing rate, the Mississippi State Tax Commission requires that the business apply for a direct pay permit. This permit allows the permit holder to purchase goods exempt from sales tax and pay the use tax directly to the state on the company's use tax return. This allows the company to apply the correct rate to purchases based on the usage of the product. Temporary direct pay permits are also issued to businesses that have qualified for sales and use tax incentives.

For commercial construction of real property, there is a 3.5% contractor's tax that is assessed to the contractor on the gross receipts of the project, as levied in §27-65-21 of the Mississippi Code. The contractor is allowed to purchase his component building materials exempt from sales tax, but these purchases are included in the gross receipts subject to contractor's tax. (While this will not be shown as a separate line item on contract invoices, the contractor's tax on these purchases will be built into the total contract amount.) Any items included in the contract that are subject to contractor's tax are not subject to sales or use tax.

In instances where a turnkey contract is preferred, the contractor's tax will apply to all items that become part of the real property being constructed (either 3.5% or 1.5%.) For personal property, the contractor may apply to the State Tax Commission for a job specific direct pay permit that allows the contractor to purchase freestanding tangible personal property exempt from sales tax. The contractor will then sell these items to the business entity exempt from sales tax due to the business's direct pay permit. However, the business will still owe the sales or use tax based on the equipment being purchased. This equipment will be subject to the same sales tax rate that would have applied if purchased directly (either 1.5% or 7%.)

Mississippi sales tax must be charged and collected as follows:

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| 1. Sales of tangible personal property to the final consumer | 7% |
| 2. Sales to a manufacturer that has a direct pay permit | 0% |
| 3. Sales to a wholesaler, out-of-state party, or a retailer with a resale permit for items purchased for resale | 0% |
| 4. Sales to exempt customers with an Exemption Letter | 0% |
| 5. Commercial Construction | 3.5% |

Manufacturer's tax liability is slightly more complex. The manufacturer is liable for tax on purchases at the following rates:

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| 1. Raw materials | 0% |
| 2. Catalysts, chemicals, and gases used directly in the process | 0% |
| 3. Packaging, containers, and pallets that are sold with the finished goods. | 0% |
| 4. Pollution control equipment, if qualified | 0% |
| 5. Machinery and parts used in the manufacturing process | 1.5% |
| 6. Industrial electricity, gas, and fuels | 1.5% |

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- 7. Fuel used in the production of electric power for sale 0%
- 8. Industrial water 7%
- 9. Telephone services 7%
- 10. Equipment, furniture, supplies, rentals, and machinery
not used directly in the manufacturing process 7%

Sales and Use Tax Incentives Available

<i>Incentive</i>	Description
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<p><i>Sales and Use Tax Exemption for Construction or Expansion</i></p> <p>(§27-65-101 and §57-73-21)</p>	<p>A partial or full exemption of sales/use taxes is available to businesses that wish to construct or expand certain types of businesses in Mississippi. Businesses that qualify include manufacturing facilities, processing facilities, technology intensive enterprises, and data or information processing enterprises.</p> <p>The sales and use tax exemption for construction and expansion is allowed on eligible machinery and equipment purchases related to a new or expanded facility. These purchases are subject to a one-half or full exemption, depending upon construction location. This exemption is available from the beginning of construction or expansion up until three months after initial start-up. This exemption applies to manufacturing and retail rate taxes, but does not cover tagged vehicles, ongoing expenses, or supply items.</p> <p>Counties in Mississippi are each placed into one of three Tiers based on their level of economic development (see rankings on the last page of this document.) Based on these tiers, the exemption amount allowed is listed below:</p> <table border="1" data-bbox="316 1029 1128 1270"> <thead> <tr> <th><u>County Classification</u></th> <th><u>Exemption Amount</u></th> </tr> </thead> <tbody> <tr> <td>Tier III (less developed)</td> <td>100%</td> </tr> <tr> <td>Tier II (moderately developed)</td> <td>50%</td> </tr> <tr> <td>Tier I (more developed)</td> <td>50%</td> </tr> </tbody> </table> <p>Component building materials purchased directly by the eligible company are not subject to the contractor's tax and can be exempted from sales/use tax in Tier III counties. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor's tax. For Tier I and II counties, there is no tax incentive available related to component building materials.</p> <p>Additionally, a reduced retail rate of 1.5% on the sales of machinery and parts to be used exclusively and directly for industrial purposes is available to businesses that provide technology intensive jobs within Mississippi. To receive this special rate, companies must employ at least 10 new full-time scientists, engineers, and/or computer specialists that have an average wage equaling at least 150% of the state average. Industries eligible for the industrial rate are: Manufacturers of plastics, chemicals, automobiles, aircraft, computers, or electronics, Research and development facilities, Computer</p>	<u>County Classification</u>	<u>Exemption Amount</u>	Tier III (less developed)	100%	Tier II (moderately developed)	50%	Tier I (more developed)	50%
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Tier III (less developed)	100%								
Tier II (moderately developed)	50%								
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<i>Incentive</i>	Description
	design or related facilities, Software publishing facilities, and other technology intensive enterprises as determined by the Mississippi Development Authority.
Sales and Use Exemption for Bond Financing (§27-65-111 and §57-61-14)	<p>Any eligible purchases made with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC) can be exempted from the sales/use tax in Mississippi.</p> <p>Bond proceeds may be used to purchase machinery, equipment, and component building materials exempt from sales and use tax. This exemption applies to retail rate taxes, but does not cover tagged vehicles, ongoing expenses, or supply items.</p> <p>Component building materials purchased directly by the eligible company using industrial revenue bonds issued by MBFC are not subject to the contractor's tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor's tax.</p>
Growth and Prosperity Program (GAP) (§57-80-9)	<p>A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from sales and use taxes until production begins. See details of this incentive under "Other Incentives."</p>
National or Regional Headquarters Incentive (§27-65-101)	<p>Out-of-state businesses that establish or transfer a national or regional headquarters to Mississippi are eligible for sales and use tax credits, provided that a minimum of 35 headquarters jobs are created and maintained for five years. The Mississippi State Tax Commission makes all determinations of whether jobs qualify as headquarters positions.</p> <p>This incentive is not available for national or regional sales offices.</p> <p>A full exemption of sales and use tax is available on machinery and equipment purchases. The exemption is valid from the beginning date that purchases are made through three months after initial start up.</p> <p>Component building materials purchased directly by the eligible company are not subject to the contractor's tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid</p>

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	<p>for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor's tax.</p> <p>This exemption does not cover tagged vehicles, ongoing expenses, or supply items.</p>
Other Sales and Use Tax Incentives	<p>Incentives that are more industry specific exist, such as the Broadband Technology Exemption, and the Motion Picture Production Exemption. Contact the Mississippi Development Authority for more information on these industry specific incentives.</p>