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. 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

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

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

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.

Contact the Mississippi Development Authority’s Financial Resources Division at 601.359.3552 or financial@mississippi.org to learn more.
Sales and Use Tax Rates:

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>General retail sales tax rate on goods and services:</td>
<td>7 percent</td>
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<tr>
<td>Manufacturing equipment and machinery:</td>
<td>1.5 percent</td>
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<tr>
<td>Electricity and fuel used in the manufacturing process:</td>
<td>exempt from sales tax</td>
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<tr>
<td>Manufacturers raw materials:</td>
<td>exempt from sales tax</td>
</tr>
<tr>
<td>Non-production manufacturing equipment and machinery:</td>
<td>7 percent</td>
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<tr>
<td>Water and sewer for commercial or industrial use:</td>
<td>7 percent</td>
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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 Compensation Tax** - Mississippi levies an unemployment compensation tax on the first $14,000 of wages paid to each employee each calendar year. In Mississippi, the total tax rate for a start-up business is 1.16 percent for the first year of liability, 1.26 percent for the second year of liability and 1.36 percent for the third and subsequent years of liability until the employer is eligible for a modified tax rate. 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.

Modified rates for existing Mississippi employers are comprised of two components, the individual experience ratio and the general ratio. All employers are required to pay taxes at a rate of at least the general experience ratio, and employers who have been charged for benefits paid during the computation period are charged an additional amount based on a ratio of benefits charged to taxable wages paid. The tax rate varies between 0.2 percent and 5.4 percent and depends on a number of factors. To learn more about unemployment compensation tax in Mississippi, visit the Mississippi Department of Employment Security website at [www.mdes.ms.gov](http://www.mdes.ms.gov) or call 601.321.6000.

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](http://www.dor.ms.gov) or contact DOR at 601.923.7000.