

## Sales and Use Tax Exemption for Construction or Expansion

A sales and use tax exemption is available for eligible businesses that construct a new facility or expand an existing facility in Mississippi. Eligible businesses include manufacturers and custom processors. Data and information processing companies and technology-intensive facilities also may qualify upon receiving a designation by the Mississippi Development Authority.

### **PROGRAM FACTS**

The amount of exemption allowed depends on the location of the facility. For eligible businesses locating or expanding in less developed counties, a full exemption from sales tax is provided. For businesses locating or expanding in all other areas of the state, a one-half exemption is available. The development ranking of the county is established annually by the Mississippi Department of Revenue.

County Classification	Exemption Amount
Tier III (less developed)	100% Exemption
Tier II (moderately developed)	50% Exemption
Tier I (developed)	50% Exemption

This exemption applies to the general 7 percent sales tax on component building materials and equipment purchased for the project, as well as to the 1.5 percent sales tax on manufacturing machinery. The exemption is available from the beginning of the project until three months after the start-up of the new or expanded facility and benefits businesses locating in less developed areas of the state.

For commercial construction in Mississippi, there is a contractor's tax assessed on the construction of commercial real property that is calculated as 3.5 percent of the contractor's gross receipts from the construction. Contractor's tax has no exemptions, and the contractor is allowed to purchase all component building materials exempt from sales tax. Under this exemption, however, component building materials can be purchased directly by the eligible business. If these materials are not part of the construction contract, they are not subject to contractor's tax, and sales tax is not due on materials purchased under this exemption if the eligible business is locating or expanding in a less developed area of the state. To qualify for the exemption, the materials must be purchased by, billed to, and paid for directly by the eligible business. Contractor's tax will still apply to the labor portion of the construction contract.

To qualify for this exemption, a business must apply to the Mississippi Department of Revenue prior to beginning the project. For more details, contact MDA's Financial Resources Division or see the Mississippi Tax Incentives, Exemptions, and Credits guidelines on the Mississippi Department of Revenue website at <https://www.dor.ms.gov/docs/2013IncentiveBook-pdffinal.pdf>.

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Contact the Mississippi Development Authority's Financial Resources Division  
at 601.359.3552 or [financial@mississippi.org](mailto:financial@mississippi.org) to learn more.