

MISSISSIPPI BUSINESS FINANCE CORPORATION



Sales and Use Tax Exemption

Eligible purchases made under the Mississippi Business Finance Corporation (MBFC) “Incentive Program” may be wholly exempted from sales and use tax in Mississippi. Property acquired by a Company to complete a Project will be subject to at least three (3) different Mississippi sales and use tax rates:

1. All real property construction labor and component building materials (e.g., structural steel, metal siding, roofing materials, electrical and mechanical components, etc.) will be subject to a “contractor’s tax” equal to 3.5% of the entire construction contract price, including the value of labor and other costs contained within such contract to install such materials. Although this “contractor’s tax” is imposed directly on the contractor, the Company will bear the economic burden of that tax because the contractor will incorporate that tax cost into its bid.
2. Second, all tangible personal property, together with any installation costs thereof, will be taxed at the standard Mississippi sales or use tax rate of 7% (e.g., furniture, fixtures and equipment, etc.).
3. Third, manufacturing equipment is taxed at the standard Mississippi sales and use tax rate of 1.5%.

While contractor’s tax has no exemptions, generally, the savings are realized, as follows: the contractor’s tax of 3.5% on the total construction contract price is reduced by removing from the construction contract the materials/equipment that would otherwise be purchased under the construction contract.

- By way of example only, consider a \$20,000,000 construction contract that includes \$7,000,000 in labor and \$13,000,000 in materials. The typical contractor’s tax is approximately \$700,000 (3.5% of \$20,000,000); however, using the incentives under the MBFC Incentive Program, the contractor’s tax would only be approximately \$245,000 (3.5% of \$7,000,000), thus saving approximately \$445,000.

All manufacturing equipment and tangible personal property, together with any installation costs thereof, will be taxed at the standard Mississippi sales or use tax rate of 1.5% and 7% (e.g., furniture, fixtures and equipment, etc.). Utilizing the MBFC Incentive Program, the project would be exempt from the sales and use tax otherwise applicable to those purchases.

- By way of example only, consider \$5,000,000 in tangible personal property and \$20,000,000 in manufacturing equipment purchases. The typical sales tax is approximately \$650,000 (7% of \$5,000,000 and 1.5% of \$20,000,000); however, using the incentives under the MBFC Incentive Program, the sales tax would be exempt, thus saving approximately \$650,000.

To qualify for the sales and use tax exemption, the materials must be purchased by, billed to and paid for directly by the eligible business (Owner Direct Purchase). If the materials purchased are not part of the construction contract, they are not subject to contractor’s tax. Contractor’s tax will still apply to the labor portion of the construction contract.

For more information regarding MBFC’s Incentive Program, including eligibility requirements, eligible activities, and qualification process, contact MBFC at 601.355.6232.

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601.355.6232 <http://www.msbusinessfinance.com>