

BB REVIEW

State and Local Tax Report for Mississippi December 2005

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NEW TAX CREDITS AND EXEMPTIONS FOR BUSINESSES

Effective January 1, 2005, there is a new job tax credit applicable to the income tax of manufacturers/producers of alternative energy. Businesses eligible for the new credit must (1) be engaged in the manufacture or production of alternative energy in Mississippi; and (2) derive at least 50% of the finished product from resources located within the state. In addition, eligible taxpaying business must create a minimum of 25 or more new, full-time jobs over the 20 years following the date the credit begins. The annual credit is equal to \$1,000.00 for each net, new, full-time employee the company hires during that period.

As of July 1, 2005, local governments are authorized to grant property tax exemptions to data and information processing enterprises which meet the minimum criteria established by the Mississippi Development Authority ("MDA").

Within the State of Mississippi, sales to technology-intensive enterprises of machinery and machine parts intended solely for plant use and industrial purposes are subject a newly lowered sales tax rate of 1.5%. In addition to various other requirements, eligible enterprise must be a facility that manufactures plastics, chemicals, automobiles, aircraft, computers or electronics; or a research and development facility; or a computer design or related facility; or a software publishing facility; or another technology-intensive enterprise as determined by the MDA.

RELIEF RELATED TO HURRICANE KATRINA

As of January 1, 2005, the definition of the "gross income" of a Mississippi business does not include (1) amounts received as qualified disaster relief payments; or (2) amounts received as "qualified Hurricane Katrina distributions."

For a period of 90 days following the date of the declaration Hurricane Katrina as a federal disaster, the tax collector of any affected, Mississippi county may waive normal delinquency penalties for all privilege license taxes and motor vehicle ad valorem taxes when (1) a taxpayer has been unable to timely acquire a privilege license or a car tag; or (2) when the tax collector has been unable to timely issue the license or car tag.

MISSISSIPPI STATE TAX COMMISSION REGULATIONS

The Mississippi State Tax Commission (the "Commission") has adopted Administrative Rule 1 covering procedures for obtaining information from the Commission. Rule 1 also incorporates the new statutory uniform administrative and judicial appeal procedures that took effect July 1, 2005.

The Commission has adopted Mississippi Sales and Use Tax Rule 85. The rule exempts from sales and use taxes all self-service and coin-operated car washes where the customer washes his or her own vehicle or where the vehicle is washed by automatic washing equipment.

Retroactive to July 1, 2004, Mississippi Sales and Use Tax Rule 43 has been amended to provide a special 1.5% tax rate on the sale of certain manufacturing machinery used in the production of motion pictures. Machinery that qualifies for the lower rate includes audio, camera, editing, lighting, projection, sound and relevant computer equipment. In addition, certain items used in the production of motion pictures are exempt from any sales taxes at the point of sale.

Effective June 23, 2005, Mississippi Sales and Use Tax Rule 8 was amended to allow contractors to obtain a direct pay permit under certain circumstances. The circumstances include (1) for the purpose of reselling free-standing, tangible personal property to an exempt entity in performance of a construction

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project; and (2) for jobs where the contractor is purchasing manufacturing machinery or other equipment for resale to an entity that is financing the project with bond proceeds or which holds a valid statutory exemption.

Mississippi Sales and Use Tax Rule 1 has been amended. Under the amended rule, in order for an manufacturers to receive a reduced sales tax rate of 1.5% on utility purchases, the purchasing company must either (1) present the utility provider with a valid, direct pay permit; or (2) contact the Commission for a letter authorizing the purchaser's eligibility to purchase at the reduced rate.