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Income/Franchise Taxes

New Markets Tax Credit. Mississippi's equivalent of the federal "new markets" tax credit may be applied against either the Mississippi income tax or the Mississippi insurance premium tax. Mississippi also imposes an additional insurance premium tax called a "retaliatory tax" if the laws of another state would tax Mississippi insurers doing business in that state at a higher rate than Mississippi imposes on insurers. A bill was passed to clarify that the Mississippi equivalent of the federal new markets credit will also apply to reduce the insurance premium retaliatory tax. (House Bill 1577, effective March 26, 2009).

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Bonus Depreciation for Entertainment Facilities. A bill was passed to create the Mississippi Entertainment District Act, which authorizes cities and counties to establish entertainment districts within their boundaries subject to the approval of the State Tax Commission. Business constructing entertainment facilities within such law districts may elect to depreciate the cost of such facility over a period of 5 years. Entertainment facility is defined to include golf courses, theatres, arenas, race tracks and museums. Any business electing to use the 5-year bonus depreciation for such facility must collect a two dollar ticket fee in addition to the regular price of admission. The ticket fee must be paid to the State Tax Commission and becomes part of the state's general fund. (House Bill 1623, effective July 1, 2009).

Annual Reconciliation for Insurance Premium Tax. Insurance companies doing business in Mississippi must remit periodic payments of insurance premium tax to the State Tax Commission. They are also required to file an annual reconciliation statement of insurance premium taxes paid during the previous calendar year. The deadline for filing the annual reconciliation has been changed from February 20 to March 1. (Senate Bill 2620, effective March 16, 2009)

Investment Tax Credit for Biomass Facilities. A Mississippi income tax credit will be allowed in an amount equal to 5% of the cost of facilities that produce electricity through firing or co-firing biomass material. To be eligible for the credit, the facility must create 20 new full time jobs and involve a minimum capital investment of \$50 Million. The create can not offset more than 50% of the owner's Mississippi income tax liability in a given tax year. Any part of the credit that is not used in the initial year may be carried forward for five consecutive tax years. (Senate Bill 3278, effective April 7, 2009).

Transactional Taxes

Exemption for Certain Sales of Home Medical Equipment/Supplies. Mississippi law has long provided a sales tax exemption for sales of home medical equipment and home medical supplies purchased using Medicare or Medicaid funds. However, if the patient was required to pay any part of the purchase price for such items, that part of the transaction was subject to sales tax. The sales tax exemption has been broadened so that if Medicare or Medicaid pays any part of the purchase price for home medical equipment or home supplies, the entire purchase price for those items is exempt from sales tax. (House Bill 193, effective July 1, 2009).

Sales Tax Holiday for Back to School Purchases. Joining a growing number of states with similar exemptions, Mississippi now provides a sales tax exemption for clothing and footwear purchased during the last week in July. The exemption only applies if the article of clothing or shoes sell for less than \$100. The sales tax exemption does not apply to backpacks, briefcases, handbags, jewelry or other accessories. (House Bill 348, effective March 31, 2009).

Reduced Rate Applies to Sales of Carbon Monoxide for Oil Recovery. Under Mississippi law, most retail sales of tangible personal property are subject to sales tax at a rate of 7%. A reduced 1.5% rate applies to certain industrial transactions. The 1.5% industrial rate will now apply to sales of naturally occurring carbon monoxide that will be injected in the earth for petroleum extraction. (House Bill 1459, effective July 1, 2009).

Sales of Digitally Transmitted Products Now Taxable. Mississippi law has been unclear about whether sales tax is imposed on sales of products transmitted digitally over the internet and downloaded by purchasers in Mississippi. New Mississippi Code Section 27-65-26 clarifies the law and imposes sales tax on sales of digitally transmitted and downloaded products, including music, videos and books. (House Bill 1461, effective July 1, 2009).

Reduced Rates for Farm Implements and Logging Equipment. Mississippi sales tax law has long imposed sales tax at a 1% rate on sales of farm tractors and sales tax at a 3% rate on sales of farm implements and logging equipment. Parts and services to repair such equipment have been taxed at the normal 7% rate. Sales of all such equipment and fees for parts and services to repair that equipment will now be subject to sales tax at a 1.5% rate. (Senate Bill 2606, effective July 1, 2009).

Certain Cities May Vote to Increase Sales Tax Rate by 1%. Mississippi cities having a population in excess of 150,000 may vote to increase the sales tax rate by up to 1% on sales of items that would otherwise be taxed at 7%. The rate increase requires approval by 60% of those voting. The funds collected from the increased sales tax rate may only be used to provide or enhance basic services such as enhanced fire and police protection and emergency road, water, and sewer repair. (Senate Bill 3268, effective as determined by the Voting Rights Act of 1965).

Property Taxes

Ad Valorem Exemption for Electricity Generation Facilities. Certain electricity generating facilities constructed in Mississippi after April 6, 2009 will qualify for an ad

valorem tax exemption equal to 50% of the assessed value of the facility. To qualify, the cost of the facility must be at least \$1 Billion. (House Bill 1639, effective April 6, 2009).

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