

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS

MISSISSIPPI

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

MISSISSIPPI’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOB	INCENTIVES
Raybern Foods	\$10.0	200	\$2.0
Suburban Plastics	\$0.3	60	\$1.1
FNC	\$20.0	310	\$6.5
Villa International	\$0.3	75	\$0.9
Mars Food	\$31.0	25	\$3.3
Ice Industries Grenada	\$1.8	50	\$0.9
Columbia Parachute	\$0.3	26	\$0.8
Great River Industries	\$4.0	25	\$1.1
Green Bay Converting	\$48.0	300	\$12.7
ISA TanTec	\$10.1	366	\$2.7
Delta Furniture	\$0.5	50	\$0.5
General Atomics	\$11.0	80	\$0.9

OVERVIEW OF MAJOR MISSISSIPPI INCENTIVE PROGRAMS

JOBS TAX CREDIT

The Jobs Income Tax Credit is a credit that is available to businesses that increase employment by a specified minimum amount, which is location dependent. It is not available to businesses that move from one location within the state to another location within the state without increasing employment.

The amount of the credit is based on the number of new jobs created and the county where the jobs are created. The less developed a county is, the fewer number of jobs needed to establish a minimum and the greater the percentage of payroll is for each created job. The credit is good for a period of five (5) years. The credit may be used in combination with any of the other credits made available for a project; however, the total of the Jobs Tax Credit is limited to 50% of the income tax liability attributable to the income derived from operations in the state for the respective year. Any credit claimed but not used in a taxable year may be carried forward for five (5) years.

Each year the MSTC ranks the counties in Mississippi as Tier Three (less developed), Tier Two (moderately developed), and Tier One (developed). The counties are evaluated and ranked based on the unemployment rate and per capita income of each county. They are then divided into the three previously mentioned groups with one-third of the counties in each group. This ranking is used to determine the minimum number of jobs a business must create in a given year before it qualifies for the credit and the amount of credit per job allowed. The ranking for a specific county can change from year to year based on this evaluation. The amount of Jobs Tax Credit per employee and the job levels for each county ranking are as follows:

COUNTY TIER RANKING		
COUNTY RANKING	MIN ANNUAL INCREASE IN JOBS	CREDIT PER JOB
Tier One	20	2.50%
Tier Two	15	5.00%
Tier Three	10	10.00%

The number of jobs must be created within one (1) year and is measured at the end of the fiscal year. Jobs cannot be accumulated over several years. The credit is available for each net new full-time job created as long as the minimum number has been achieved and maintained. The credit is for full-time positions only. A business cannot combine part-time jobs to add up to a full-time job. The credit is based on filled positions and the employees must be employed in the state and subject to Mississippi Withholding Tax.

The credit is not refundable. It can only be used to offset the income tax liability. Any excess credit amount can be carried forward for up to 5 years from the original year in which the excess credit could not be

Mississippi shows an average deal value of \$2.38 million with 115 new jobs created per deal

used. It is more advantageous to use the oldest year's unexpired credit first.

A business may begin taking the credit each fiscal year for 5 years beginning in years 2 through 6 after the creation of the jobs. The year the jobs are created is Year 1. The Jobs Tax Credit is earned at a given level of employment for one five (5) year period. If, after qualifying for one five (5) year period, the business increases the number of jobs substantially enough to qualify again for another five (5) year period, they may apply for a second five (5) year period. Each five (5) year period is accounted for separately.

RESEARCH AND DEVELOPMENT SKILLS TAX CREDITS

The Research and Development Skills Income Tax Credit is an incentive to locate full-time positions requiring research and development skills in the state. These positions have to be engaged in research and development activity. Qualification of jobs for this credit would require at a minimum, a Bachelors degree in a scientific or technical field of study from an accredited four (4) year college or university, employment in the employee's area of expertise and compensation at a professional level.

A credit of \$1,000 for each full-time position requiring research and/or development skills is available for a five (5) year period. There is no minimum number of positions that must be created to qualify for this credit. The credit is for full-time positions only. A business cannot combine part-time jobs to add up to a full-time job. The credit is based on filled positions and the employees must be employed in the state and subject to Mississippi Withholding Tax. The credit for employees employed for less than twelve (12) months will be allowed based on a pro-rated portion in the first and last years. The amount of the credit is pro-rated based on the number of

months the employee is employed in this state divided by twelve (12).

ADVANTAGE JOBS PROGRAM

Qualified employers may receive a rebate of a percentage of state payroll for up to 10 years provided wage, location and benefit requirements are met. The amount of the rebate is equal to 90% of the actual state income taxes withheld from employees.

GROWTH AND PROSPERITY PROGRAM (GAP)

The Growth and Prosperity Program (GAP) is an incentive program designed to encourage development in economically challenged areas of the state. This program designates specific counties as GAP counties and provides income, franchise, sales, and property tax incentives to companies that locate or expand in these areas of the state. To receive a GAP designation, the county must have an unemployment rate that is 200% of the state's annual unemployment rate, or must have 30% or more of its population below the federal poverty rate.

Eligible entities that locate or expand in a GAP area receive a series of tax incentives for a period of up to ten-(10) years. Taxes that are included in this full exemption are:

- Sales and use taxes on all equipment and machinery purchased during the initial construction or expansion at an approved facility. This exemption is valid from the date that the project begins until three months after start-up.
- This exemption applies to the general 7% sales tax on component building materials, equipment, and other assets purchased for the project as well as the 1.5% 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.
- 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% 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.

Eligible counties are: Tunica, Coahoma, Quitman, Bolivar, Sunflower, Leflore, Washington, Humphreys, Holmes, Issaquena, Sharkey, Yazoo, Claiborne, Jefferson, Wilkinson, Oktibbeha and Noxubee
Counties with Eligible districts are: Lowndes – District 4, Attala – District 4, Franklin – Districts 1 and 2, Adams – District 4, and Amite – Districts 2 and 3.

HEADQUARTERS TAX CREDIT

National or Regional Headquarters Tax Credits are credits equal to between \$500 and \$2,000 per position that can be applied to state income tax to reduce an eligible entity's corporate income tax liability. These credits are awarded to encourage companies to establish a headquarters in Mississippi and have their executive officers and other high-level employees based in the state. These credits are also awarded to companies that already have headquarters in Mississippi and create additional jobs at their headquarters operations in the state.

In transferring or establishing a national or regional headquarters in Mississippi or in expanding existing headquarters operations in the state, a company must create a minimum of 20 qualified jobs within a one-year period to be eligible for the National or Regional Headquarters Tax Credit.

An entity can utilize these credits in addition to Jobs Tax Credits, and the combination of the two tax credits can be used to offset up to 50 percent of the entity's state income tax liability. Any unused credits can be carried forward up to five years.

SKILLS TRAINING INCOME TAX CREDITS

The Skills Training Income Tax Credit is an incentive for a business to offer training to their Mississippi employees. For expenses to qualify for the Skills Training Credit, the training program must be offered by, or be approved by, the community or junior college in the district where the business is located, but the training does not have to be held on the community or junior college campus to qualify for the credit. The training offered must enhance skills related to the job that the employee is performing, improve job performance, or relate to a career path that is anticipated for the employee. Life enrichment type training does not qualify. Pre-employment training that involves skills training may be eligible for the credit, but it must be directly related to the employment of these individuals.

The Skills Training Tax Credit can be used in combination with any other credit. The credit equals fifty percent (50%) of the amount of expenses the business incurs in that training. The credit is allowed up to 50% of the income tax liability attributable to the income derived from the operations in Mississippi for that year. The amount of training credit cannot exceed \$2,500 per Mississippi employee per year. The credit is not refundable. It can only be used against the income tax liability. Any excess credit amount can be carried forward for up to 5 years from the original year in which the excess credit could not be used. It is more advantageous to use the oldest year's unexpired credit first.

OTHER MISSISSIPPI INCENTIVE PROGRAMS

- Mississippi Motion Picture Production Incentive Program
- Development Infrastructure Grant Program (DIP)
- Job Protection Grant Program
- Energy Efficiency Revolving Loan Program
- Broadband Technology Tax Credit
- Manufacturing Investment Tax Credit
- Mississippi Health Care Industry Zone Incentive Program
- Mississippi Data Center Incentives
- Industrial Property Tax Exemption
- Mississippi Aerospace Initiative Incentives Program
- Mississippi Clean Energy Initiative Program
- Property Tax Exemption for Industrial Revenue Bond Financing
- Property Tax Exemption on In-State Inventory
- Property Tax Exemption for Broadband Technology
- Sales & Use Tax Exemption for Industrial Revenue Bond Financing
- Sales & Use Tax Exemption for Construction or Expansion

For more information, contact:

Alexander Frei

Co-Head, Business Incentives Practice for the Americas
Global Business Consulting
T +1 (312) 470 1836
alex.frei@cushwake.com

Aaron Hirschl

Consulting Analyst
Global Business Consulting
T +1 (312) 470 2373
aaron.hirschl@cushwake.com