

## Joint Committee on Performance Evaluation and Expenditure Review

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*The following is an assistance memo prepared by the PEER Committee staff in response to a specific legislative request. It is not a report of the PEER Committee, nor does it represent the individual or collective views of the PEER Committee members. A legislative assistance memo is the PEER staff's best efforts to answer the questions posed within the time frame allowed and with the information sources available. Unless prior approval has been given, this memo will be distributed only to the requesting legislator(s) named below.*

TO: Representative Cecil Brown  
FROM: Max Arinder  
SUBJECT: Mississippi Corporate Income Tax  
DATE: January 18, 2011

As you requested, PEER staff sought information on a series of questions regarding corporate income tax rates in Mississippi.

### Responses to Specific Questions Regarding Corporate Income Tax Rates

Please note that the Department of Revenue did not provide responses to questions 2 and 4, citing provisions of federal Internal Revenue Code 6103 (d), which allows the use of federal tax information for tax administration purposes only.

1. *As measured by payroll withholding, of our state's 150 largest for-profit employers, how many paid zero state corporate income tax in calendar years 2006, 2007, 2008 and 2009?*

In 2006, the Department of Revenue only recorded information for the top 130 for-profit employers, but of these 130 employers, ninety-one did not pay state corporate income tax. In 2007, 2008, and 2009, 103 of the 150 largest for-profit employers paid zero state corporate income tax.

2. *Of these 150 companies that reported over \$5 million in total income to the Internal Revenue Service (IRS), how many paid zero state corporate income tax for calendar years 2006, 2007, 2008 and 2009? Please provide the same information for companies that reported over \$10 million and over \$25 million to the IRS. (For each income category and for each year above, please provide the actual number of companies in the income category and the actual number of companies that paid zero state corporate income tax. Also, please provide the total dollar amount of income reported in each category for each year on which no income tax was paid. For example in 2006, of the 500 companies*

*making over \$25 million, 40% or 200 companies paid no state income tax. In 2006, those 200 companies made more than \$600 million in total income and did not pay state corporate income tax.)*

The Mississippi Department of Revenue receives federal tax information under Internal Revenue Code 6103(d), which allows the use of information for tax administration purposes only. The IRC does not permit state tax agencies to furnish federal tax information to other state agencies, tax or non-tax, or to political subdivisions, for any purpose, including tax administration, absent explicit legislative authority. Therefore, the Department of Revenue was unable to provide any information based on amounts reported to the Internal Revenue Service.

3. *Of all corporations doing business in Mississippi, what percentage paid no state corporate income tax for calendar years 2006, 2007, 2008 and 2009?*

In calendar years 2006, 2007, and 2008, 80% of corporations doing business in Mississippi paid no state corporate income tax. In 2009, 81% of corporations paid zero state income tax.

Note that of the corporations paying zero state income tax, some corporations may have made no profit and thus owe no tax.

4. *Of all the corporations doing business in Mississippi that reported income to the IRS, what percentage paid no state corporate income tax for calendar years 2006, 2007, 2008 and 2009?*

Please refer to the answer to number 2 above.

5. *What percentage of total state income taxes was contributed by C Corporations and by limited liability entities (LLEs) for the 2006, 2007, 2008 and 2009 tax years?*

In 2006, C Corporations contributed 85% of state income taxes, and LLEs contributed 0.37% of state income taxes. In 2007, contributions were 81% and 0.38% respectively. In 2008, contributions were 91% and 0.37%, and in 2009, 79% of state income taxes were paid by C Corporations, and 0.28% were paid by LLEs. The remaining corporate collections were comprised of payments from composite returns filed by S Corporations and some insurance companies.

### **Additional Information Regarding Corporate Taxes**

Corporate income tax revenues may be reduced by a variety of Mississippi programs that offer incentives to companies, allowing them to apply credits to decrease their tax liability. The Jobs Tax Credit, Skills Training Tax Credit, and the Broadband Technology Tax Credit are examples of many programs that allow a business to take a credit of up to 50% of income tax liability in a given year. The Growth and Prosperity Program allows companies that create jobs in counties with high unemployment and poverty rates to have full exemption from all state income taxes.

State corporate income tax rates differ considerably from state to state. Some states, such as Nevada and South Dakota, have a 0% corporate income tax rate, while others such as Iowa and Pennsylvania have 9%+. Mississippi's 3%, 4%, and 5% rates are lower than many other states' rates; Mississippi ranks 13<sup>th</sup> among all states in an index of FY 2011 corporate tax rates. This ranking means that Mississippi has the 13<sup>th</sup> most favorable tax system for businesses. Other southern state rankings are as follows: Arkansas— 40<sup>th</sup>, Alabama— 24<sup>th</sup>, Louisiana— 19<sup>th</sup>, Tennessee— 11<sup>th</sup>, and Georgia— 8<sup>th</sup>.

Should you need further assistance, please feel free to contact Ted Booth or me at (601) 359-1226.