



# DOING BUSINESS IN MISSISSIPPI

FDI RESOURCE GUIDE

# DOING BUSINESS IN MISSISSIPPI

Mississippi has a business friendly environment, where we do what is necessary to help companies reduce speed to market, limit risk, and increase profitability. As a foreign company, it can be intimidating to enter a new market, but we are here to help.

This document provides guidance on doing business in the state of Mississippi.



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# 01 | GEOGRAPHY

Mississippi is located in the southeastern region of the United States, and is bordered by the states of Alabama, Tennessee, Arkansas, Louisiana, the Mississippi River, and the Gulf of Mexico.

Centrally located between the East and West coast, Mississippi provides easy access to major U.S. markets including, Mobile, New Orleans, Dallas, Atlanta, Nashville, Houston, St. Louis, and Memphis - the U.S. distribution hub.

Like most states in the U.S., Mississippi is divided into administrative subdivisions called counties. There are 82 counties in Mississippi, each comprised of multiple cities or municipalities. The state capital is the city of Jackson, located in Hinds County.

## Distance from Jackson, MS to Major U.S. Markets

City	Distance (km)
Atlanta, Georgia	613
Dallas, Texas	646
Houston, Texas	709
Chicago, Illinois	1,190
Detroit, Michigan	1,520



# 02 | INFRASTRUCTURE

## ROADS

The primary mode of transportation in Mississippi is the automobile. Because of this, the state has well maintained and efficient roadways, including 9 interstate highways, and 14 main U.S. highway routes. Most highways are divided, 4-lane roadways with limited traffic stops. Commuting distances of approximately 40 miles (64 km) are common throughout the state.

## RAIL

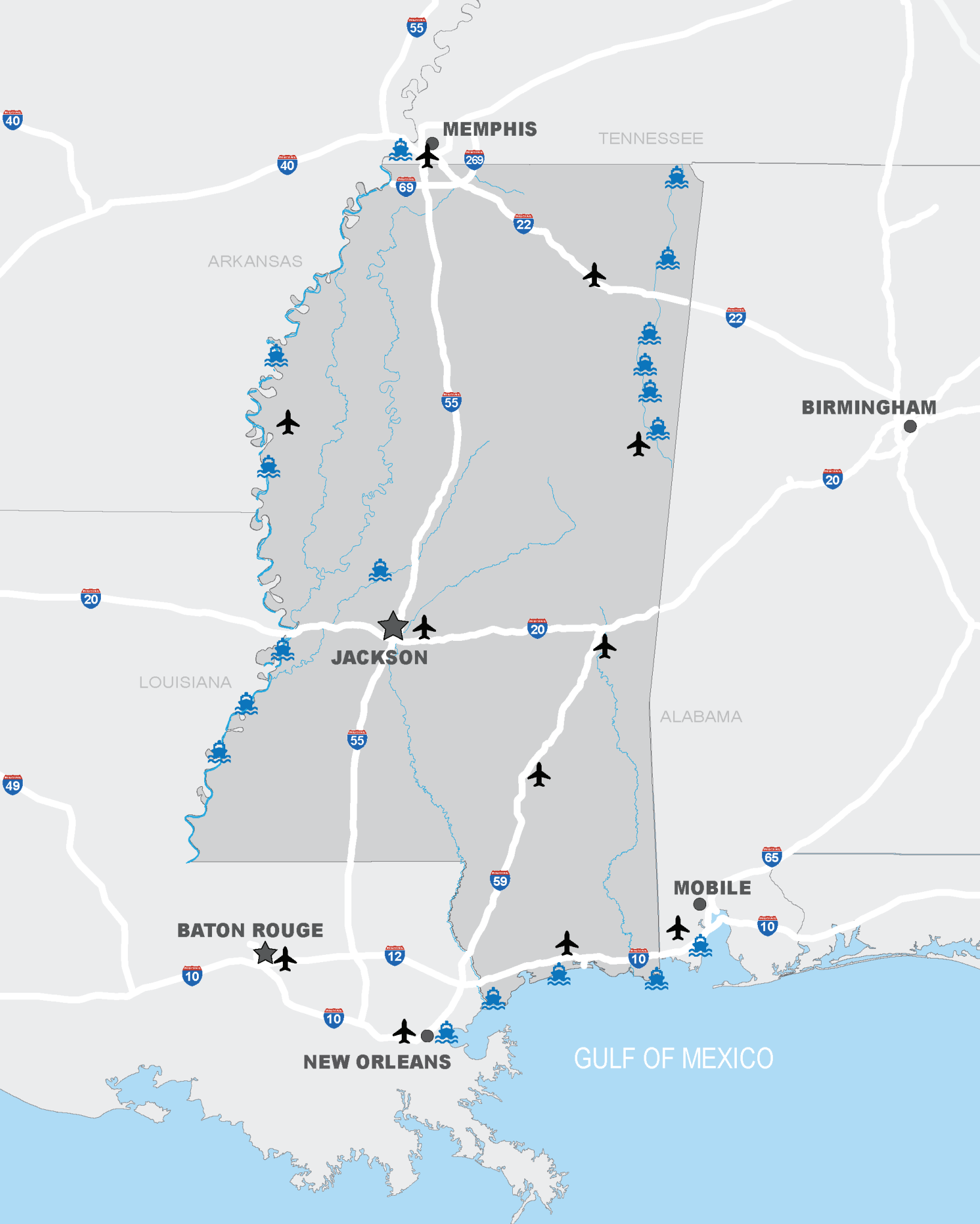
Thirty rail systems serve Mississippi with more than 2,500 miles of track. Comprehensive rail services include carload, trailer on flat car, container on flat car and mini-bridge shipments. The merger of the Canadian National and Illinois Central railroads and a long-term marketing alliance with the Kansas City Southern created an efficient new rail link all along the NAFTA corridor, greatly increasing rail service and access in Mississippi. The agreements link together almost 25,000 miles of track stretching from both coasts of Canada through the central United States to the Gulf Coast, Texas and Mexico.

## AIRPORTS

Six commercial airports, two of which are international airports, are located in the state. New Orleans and Memphis International airports are easily accessible. Mississippi has a total of 76 publicly owned and 4 privately owned airports that provide facilities for aircraft used by individuals, industry and private operators.

## PORTS

The state is surrounded by three navigable waterways: the Mississippi River to the west, the Tennessee-Tombigbee Waterway to the east and the Gulf of Mexico to the south. These nearly 800 miles of commercially navigable waterways provide access to national and international markets. Two deep water ports are in the state & the Ports of New Orleans, Memphis, & Mobile are easily accessible.



**MEMPHIS**

TENNESSEE

ARKANSAS

**BIRMINGHAM**

**JACKSON**

LOUISIANA

ALABAMA

**BATON ROUGE**

**MOBILE**

**NEW ORLEANS**

GULF OF MEXICO

## 03 | LEGAL

Incorporation of a company in the United States is administered at the state level. In Mississippi, this involves filing a Certificate of Formation (LLC) or Articles of Incorporation (corporation) with the Secretary of State's office. Companies may find it helpful to contract with a U.S. based legal firm to assist with incorporation and the following items.

### ✓ Obtain a federal tax Employee ID Number

This is obtained from the U.S. Internal Revenue Service and is needed for opening bank account(s) & federal taxation.

### ✓ Register with the Mississippi Department of Revenue

This is needed for federal and state taxation, incentives & tax abatements.

### ✓ Register with the Mississippi Department of Employment Security

This is needed for paying unemployment insurance tax, registering for unemployment insurance, recruiting employees & job training assistance.





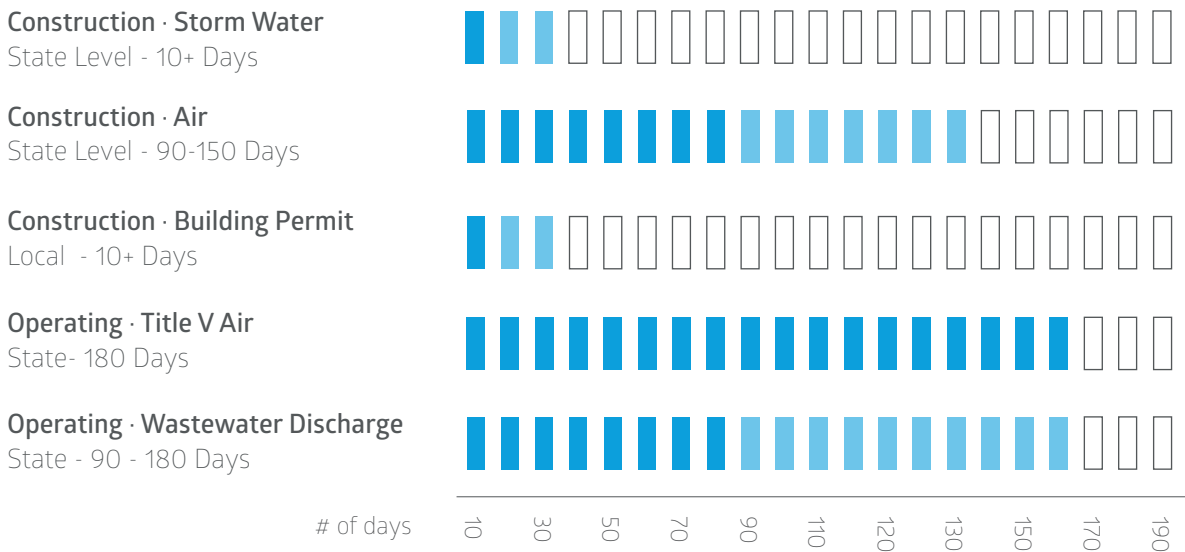
# 04 | PERMITTING

The Mississippi Department of Environmental Quality (MDEQ) issues both state and federal level operating and environmental permits, saving your company time and reducing risk.

There are no application fees for MDEQ permits. Federally mandated Title V fees are required at the time operation begins.

If constructing a new building or remodeling an existing building, Mississippi also requires various building permits. City and county governments set building regulations and issue permits; therefore, permit requirements and costs vary by location, but are not considered a burden.

## Common Permits Required



\* This is not a comprehensive list of permits required. Permits vary depending on the type of operation.

# 05 | TAXATION

Corporate taxes in Mississippi fall into five basic tax types.



## CORPORATE INCOME

In Mississippi, corporate income is subject to a state income tax. Corporate Income Tax is an assessment levied by the government on the profits of a company.



## FRANCHISE

Currently, most corporations engaged in business in Mississippi are subject to franchise tax, a tax assessed on a company's capital value.



## LOCAL PROPERTY

Counties and municipalities levy a property tax on real and tangible personal property in Mississippi.



## SALES AND USE

All tangible personal property sold within the state is considered taxable unless specifically exempted or assigned a reduced rate by state law. Similarly, companies doing business in Mississippi that bring tangible personal property into the state are required to pay use tax on that property.



## UNEMPLOYMENT INSURANCE

Mississippi requires employers to pay state unemployment insurance tax each year. This tax is part of a national program that provides temporary payments to individuals unemployed through no fault of their own.



## GERMANY

Feuer Powertrain, a manufacturer of crankshafts for the automotive industry, chose Tunica, Mississippi to build their first ever production facility in North America .

# CORPORATE INCOME TAX

There is no local income tax in Mississippi; therefore, only state income tax is collected. Unless a company is taxable in another state, Mississippi corporate income tax is based on the company's net taxable income.

Income Tax Rates	<b>3%</b>	<b>4%</b>	<b>5%</b>
	on the first \$5,000 of taxable income	on the next \$5,000 of taxable income	on the remaining taxable income

For multi-state corporations, income tax is calculated by determining the amount of Mississippi-to-total-company ratio in terms of net business income.

For manufacturers, income tax is apportioned using a three-factored approach based on property, payroll and sales in Mississippi versus everywhere. After the apportioned net taxable income is calculated, additional non-business income attributable to Mississippi is added to the calculated amount to arrive at the Mississippi net taxable income. Eligible projects may receive a 10 year abatement on this tax.



Legislation passed in 2016 gradually eliminates the tax on the first \$5,000 of taxable income, starting in 2018. By 2022, no tax will be levied on the first \$5,000 of taxable income.



Legislation was passed in 2016 that will fully phase out Mississippi's corporate franchise tax by 2028. From 2028 onward, businesses will pay only \$25.00 in franchise tax each year.



Legislation was passed in 2018 that further reduces property taxes for eligible investments.

## FRANCHISE TAX

A tax assessed on the company's capital value apportioned to the Mississippi location(s). The capital value is calculated based on capital stock, paid-in capital, surplus and retained earnings including deferred taxes, deferred gains, deferred income, contingent liabilities and other true reserves. The franchise tax rate is \$2.50 per \$1,000 of capital invested in Mississippi.

Franchise Tax Rate | **\$1.75 PER \$1,000**  
of capital invested in Mississippi

Beginning in 2018, the tax rate dropped by \$0.25, and will continue to each year until the tax is eliminated in 2028. From 2028 onward, businesses will pay only \$25.00 in franchise tax each year.

## LOCAL PROPERTY TAX

There is no state property tax in Mississippi. Property tax on real and tangible personal property is collected at the local level. Each city and/or county sets its taxation rate. To calculate estimated property tax, multiply the assessed value of the property by the taxation rate. Eligible projects may receive full or partial exemptions of this tax.

Property Assessed at | **15%**  
of true value

## SALES AND USE TAX

All tangible personal property sold within the state, or brought into the state for use is considered taxable unless specifically exempted or assigned a reduced rate by state law. To calculate the amount of tax owed, multiply the rate by the price of the good or service. Eligible projects may receive full or partial exemptions of this tax.

Sales and Use Tax Rates	Standard goods and services	7%
	Manufacturing equipment and machinery	1.5%
	Electricity and fuel used in the manufacturing process	EXEMPT
	Manufacturers' raw materials	EXEMPT
	Non-production manufacturing equipment and machinery	7%
	Water and sewer for commercial or industrial use	7%
	Telecommunications	7%
	Pollution Control Equipment	Exempt

## UNEMPLOYMENT INSURANCE TAX

Mississippi levies an unemployment compensation tax on the first \$14,000 of wages paid to each employee each calendar year. This tax is part of a national program that provides temporary payments to individuals unemployed through no fault of their own.

The total unemployment compensation tax rate for a start-up business in Mississippi is 1.00 percent the first year of liability, 1.10 percent the second year of liability and 1.20 percent the third and subsequent years of liability until the employer is eligible for a modified rate. If a company acquires a business that is already liable for unemployment taxes in Mississippi, the company may be immediately eligible for a modified tax rate.

Unemployment Compensation Tax Rate	<b>1.00%</b> first year of liability	<b>1.10%</b> second year of liability	<b>1.20%</b> third and subsequent years of liability
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# 06 | Operating Costs

In 2019, CNBC ranked Mississippi the state with the 6th Lowest Cost of Doing Business in the U.S. Competitive, yet affordable wages combined with a business-friendly tax climate create an extremely low-cost operating environment.

**RANKED # 6**  
LOWEST COST OF  
LIVING IN THE U.S.  
*(CNBC, 2019)*

## Average Employer Cost Per Hour Worked - Private Industry

	<u>Cost Per Hour</u>	<u>Percent of Total Compensation</u>
Total Compensation	\$31.51	100%
Wages & Salaries	\$22.49	71%
Total Benefits <small>(Including but not limited to: paid leave, supplemental pay, healthcare insurance, retirement, workers' comp, social security)</small>	\$9.02	29%

*Source: Bureau of Labor Statistics (region includes: Mississippi, Alabama, Kentucky, and Tennessee), September 2019.*

## Commonly Required Insurance Coverage

- ✓ **Commercial Liability Insurance** - Provides defense and damages if employees or products cause bodily injury or property damage to a third party.
- ✓ **Property Insurance** - Protects against events such as fire, theft, vandalism, smoke damage, etc.
- ✓ **Workers Compensation Insurance** - Provides insurance to employees who are injured on the job, and is required by Mississippi law. The cost of the plan depends on several factors including payroll and the type of industry.

# 07 | Data

Governor	Tate Reeves (R)
Capital 	Jackson, MS
Number of Counties	82
Land Area	46,923 miles
Coastline	44 miles
Time Zone	Central



**2,986,220**  
2019 Population



**0.1%**  
Annual Population Growth Rate



**1,339,614**  
Labor Force



**\$42,009**  
Median household Income



**5.8%**  
Unemployment Rate



**\$39,650**  
Average Annual Wage

## 114.1 Billion

### Gross Domestic Product

The largest contributing sector, Manufacturing, contributed 16% to the 2018 Gross Domestic Product (GDP) of the state.

### Largest Industry Clusters



Wood/  
Paper



Food  
Mfg



Coal/Oil/  
Power



Auto/Auto  
Related



Machinery  
Mfg

### Mississippi Weather Statistics

**18°C/69° F**

Average Temperature

**1,376 mm/54 in.**

Average Rainfall





ECONOMIC  
DEVELOPMENT