


SALES AND USE TAX FOR MUNICIPALITIES

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Sales Tax City Diversion
Modernization Act
Tax Increment Financing
Municipal Tourism Levies
What Can Municipalities Do?



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Sales Tax City Diversion


- Miss. Code Ann. Section 27-65-75 provides for sales tax diversions to municipalities.
- Cities receive 18.5% of the sales tax collected by businesses located in the municipality (with some exceptions).
- Municipalities received \$540 million in FY 2022.



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Modernization Act

- Began in August 2019.
- 15% of total Use Tax collections goes into a fund for distribution to cities.
- Distributions to cities happen in January and July of each year.
- Cities are initially eligible for a portion of the total fund balance before limitations based on expenditures.




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Modernization Act

Municipalities are eligible for a total of:

- \$3 million divided equally.
- Half of the remaining amount is allocated based on population.
- Half of the remaining amount is allocated based on the prior fiscal year's city diversion amounts.




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Modernization Act

Senate Bill 2842 of the 2023 Regular Session

Changes the expenditure calculation by including storm water and drainage improvements in addition to costs associated with repair, maintenance and/or reconstruction of roads, streets and bridges in municipalities, and repair, maintenance and/or other improvements to water infrastructure and sewer infrastructure.




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Modernization Act

Senate Bill 2842 of the 2023 Regular Session

Provides that these monies shall not be used for salaries, benefits or any form of compensation for employees, or for contract employees, administrative costs, debt service except as provided in this subsection (1)(a), personal property or equipment (other than equipment to be permanently installed as part of a road or bridge), or for the construction or maintenance of public buildings or other structures that are not integral to the system of roads and bridges.




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Modernization Act

Senate Bill 2842 of the 2023 Regular Session

Provides for a new base calculation:

Base Expenditures now means the average annual expenditures made by a municipality for purposes described above for the two-year period beginning October 1, 2020, and ending September 30, 2022.




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Modernization Act

Senate Bill 2842 of the 2023 Regular Session

DOR will publish the base expenditure calculation worksheet on the DOR website. This worksheet will be due by November 15, 2023.


The base expenditure will be adjusted each year by increasing or decreasing such amount by a percentage amount equal to the lesser of one-half percent (0.5%) or the United States inflation rate for the previous calendar year ending on December 31st as certified by the DOR.



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Financing

- The Municipality pledges sales tax diversions for a development project.
- There is a 12 month look back to determine the base sales tax diversion amount for the TIF zone.
- The DOR certifies the annual increase in diversions above the base amount from businesses located in the TIF zone.




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Levies

There are currently 104 tourism levies across multiple counties and cities.

These levies typically range from 1% to 3% on the proceeds of sales of hotels/motels and restaurants.

The DOR sends the taxes collected less the collection fee directly to the city, county or tourism organization designated by the tourism levy.



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Do?


Check business listings and report findings to DOR

Log into your TAP Account

- More Actions
- Distribution Information

- View Taxpayer City Info Report
- View City Special Tax Report

Report anything out of the ordinary



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Questions?



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