

Industrial Revenue Bond Financing

The Mississippi Business Finance Corporation's (MBFC's) Industrial Development Revenue Bond Program provides for the issuance of taxable and tax-exempt bonds that companies locating or expanding in Mississippi can use to finance projects. The program offers businesses utilizing industrial revenue bonds reduced interest costs, as well as a number of tax incentives, including corporate income tax credits, a sales and use tax exemption on assets purchased with bond financing and property tax exemptions.

Businesses utilizing industrial revenue bonds may be eligible to receive the following tax incentives:

- **Rural Economic Development (RED) Credits:** RED Credits are credits that can be used by companies using MBFC-issued industrial revenue bonds to reduce their Mississippi corporate income tax. These credits are based on the amount of bond-related debt service paid on MBFC-issued industrial revenue bonds. Eligible businesses may use RED credits to offset up to 80 percent of their state corporate income tax liability each year for the life of the bonds. Unused credits may be carried forward for three years.
- **Sales and Use Tax Exemption for Industrial Revenue Bond Financing:** Eligible purchases made with MBFC-issued industrial revenue bonds may be exempted from sales and use tax in Mississippi. In Mississippi, there is a contractor's tax of 3.5 percent of the contractor's gross receipts from construction that is assessed on the construction of commercial real property. While contractor's tax has no exemptions, the contractor is allowed to purchase all component building materials exempt from sales tax. Under the sales and use tax exemption for businesses utilizing industrial revenue bonds, however, if component building materials are not part of the construction contract and are purchased directly by the bondholder using bond proceeds, they are not subject to contractor's tax and sales tax is not due on those materials. To qualify for the exemption, the materials must be purchased by, billed to and paid for directly by the eligible business. Contractor's tax still applies to the labor portion of the construction contract.
- **Property Tax Exemption for Industrial Revenue Bond Financing:** An exemption from property taxes on land, buildings and equipment is available and is valid for up to 10 years on property purchased with MBFC-issued industrial revenue bond proceeds. The exemption is offered at the discretion of local governing authorities and may be granted for all local ad valorem taxes except school district taxes. It may not be granted on finished goods or rolling stock.

For more information regarding industrial revenue bonds, including eligibility requirements, eligible activities and loan amounts and terms, contact MBFC at 601.355.6232 or visit www.msbusinessfinance.com.

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Contact the Mississippi Development Authority's Financial Resources Division
at 601.359.3552 or financial@mississippi.org to learn more.