

The following is intended to provide general information concerning frequently asked questions about taxes administered by the Mississippi Tax Commission. It is an informal interpretation of the tax law and is not intended to serve as a rule, regulation, declaratory opinion, or letter ruling. Legislation, regulations, court decisions, notices and announcements could affect the accuracy of this information. Please refer to the Mississippi Code Annotated and the Mississippi Administrative Code for the most current version of the law and administrative procedures.

Sales Tax FAQs

Does Mississippi impose a sales tax?

Yes, Mississippi imposes a tax on the sale of tangible personal property and various services. The general tax rate is 7%; however, there are reduced rates for certain sales and there are exemptions provided by law. The tax rate is applied against either the gross proceeds of sales or the gross income of the business, depending on the type of sale or service provided. It is the responsibility of the seller to collect the sales tax from the ultimate consumer or purchaser.

What is the difference between sales and use tax?

Use tax is a tax on goods purchased for use, storage or other consumption in Mississippi. Use tax applies if sales tax is not applicable and the sales tax was not paid at the time of purchase. If you purchase an item from an out-of-state vendor for use in Mississippi and the vendor does not collect the Mississippi sales tax, you must pay use tax directly to the Tax Commission.

What is the difference between real property and tangible personal property?

Real property is land, including all buildings and improvements on the land. Tangible personal property is property that may be seen, touched or is in any manner perceptible to the senses. Tangible personal property includes electricity, water, gas, steam, pre-written software, and digital and electronic goods. Tangible personal property does not include real estate, bank accounts, stocks, bonds, mortgages, insurance certificates or policies.

What is the difference between gross proceeds of sales and gross income?

The sales tax rate is applied against either the gross proceeds of sales or the gross income of the business, depending on the type of sale or service provided. "Gross proceeds of sales" is the full sales price of tangible personal property including, but not limited to, installation charges and delivery charges. Gross income is the total receipts or total income of the business before any deductions.

Are services taxable?

Certain types of labor performed in connection with the sale and installation of tangible personal property are taxable. Other miscellaneous services are taxable (see Miss. Code Ann. 27-65-23.)

What is subject to sales tax?

Unless specifically exempt or excluded, all sales of tangible personal property are subject to the sales or use tax. Here are some examples of sales or services subject to sales tax (this list is not all-inclusive):

- Repairs of tangible personal property
- Rental or lease of personal property like motor vehicles or equipment
- Charges for admission to an amusement, sport, or recreation
- Providing taxable services such as pest control services, plumbing, electrical work, heating and air conditioning work, computer software services, dry cleaning and parking lots
- Rental of accommodations in hotels, motels and campgrounds
- Contracting

If you are unsure whether your business is required to register to collect sales tax, please contact the Tax Commission.

What is exempt from sales tax?

Some of the more common items which are exempt from sales tax include:

- Prescription drugs
- Gasoline
- Insecticides and fungicides when used for agricultural purposes
- Feed for livestock and poultry, seeds and fertilizer
- Sales made directly to the federal government, the state of Mississippi and counties and cities within Mississippi (this exemption does not include other states or foreign countries)
- Sales made directly to non-profit and public schools (not daycares) in Mississippi
- Sales made to some non-profit agencies that are specifically exempt from tax by the Legislature. Examples include the American Red Cross, Salvation Army, and Boy Scouts & Girl Scouts of America.
- Qualifying purchases of food paid for with food stamps
- Wholesale Sales (sales for resale, with the exception of beer and alcohol)

How do I get a sales tax number or register to collect sales tax?

You may apply at any one of the Tax Commission's district offices, or, you may apply by mail. Form 70-001, Mississippi Registration Application, is available on the Tax Commission website. To speed up the approval process, you should mail your application to the district office that serves your county. A listing of those counties and district office addresses is included in the application's instructions.

If you or other owners, partners, officers, members or trustees have a history of filing or paying sales tax late, you must pay the outstanding liabilities and/or post a bond before receiving a new sales tax license.

How long does it take to get a sales tax number?

The length of time to process your application depends on the completeness of the information included on the application, and whether or not there are any

existing tax liabilities owed by the applicant. Once your application has been reviewed and approved, you should receive your permit in the mail within 2 weeks.

Is there a fee charged to obtain a sales tax number?

No, there is no fee to obtain a sales tax permit. The sales tax number represents a permit issued to the applicant for the privilege of operating a business in Mississippi. The privilege is conditioned upon the permit holder collecting and remitting sales tax to the state.

Depending upon the nature of the business, or past history of the applicant, a bond may be required to be posted before a permit is issued.

May I open my business and start selling merchandise before I receive my sales tax permit?

No, the law requires that a person have a sales tax permit before beginning or operating a business subject to collecting sales tax.

Why are corporate officers required to provide their social security numbers when applying for an account number?

Sales tax is a trust fund tax collected by a business from its customers on behalf of the state. Corporate officers may be held liable for payment of the tax in the event the business fails to properly remit the tax to the state.

Does this mean that I can be held responsible for the debts of a corporation?

Yes, individuals can be held personally liable for the sales tax debts of a corporation. Those individuals, corporate officers and/or shareholders having control or supervision of, or charged with the responsibility of filing returns, making payments, or executing the corporation's fiscal responsibilities can be assessed for the outstanding tax debts of the corporation. The dissolution, termination or bankruptcy of a corporation or business will not discharge a responsible officer, employee's or trustee's liability.

What can I buy tax-free with a sales tax permit?

A business can purchase merchandise for resale free from sales tax by giving their supplier the business' sales tax permit information.

What if I move my business location?

Sales tax permits are location specific and you may need to get a new permit. Therefore, if you move (even across the street) you must notify the Tax Commission and update your registration. You should notify the Tax Commission if your mailing address or any other contact information changes. You may provide that information by completing an amended application.

If the sales tax permittee is a corporation or partnership and there are any changes in the membership, you should file an updated application with the Tax Commission.

When are my returns due?

Sales tax returns are due the 20th day of the month following the reporting period. If a due date falls on a weekend or holiday, the due date becomes the next business day.

Are extensions available if I can't file my sales tax return by the due date?

No. The Commissioner of Revenue is authorized to provide an extension of time to file the return for good cause, as example when a natural disaster creates a hardship for filing the return on time. In these cases, the tax remains due and interest may apply for late payment.

Can I file my sales and use tax return and pay the tax online? What is the fee for filing online?

Yes, online filing for sales and use tax is available. You may register for FileMS on the Tax Commission website. Payments of tax are made electronically by ACH Debit.

Online filing is free of charge. All that is needed to file your return is a computer, internet access, and your bank account information.

Is the seller allowed a discount for timely reporting and paying sales tax?

Yes, a discount is allowed if the tax is paid by the 20th day of the month in which the tax is due. The sales tax discount is 2% of tax due, not to exceed \$50.

Am I considered on-time if my return is postmarked by the due date?

Yes, a return is considered to have been filed with and received by the Tax Commission on the date shown by the post office cancellation mark on the envelope.

Accelerated payments are required to be filed each June by taxpayers whose total average sales tax liability exceeds \$20,000 per month for the preceding calendar year. Accelerated payments must be received by the Tax Commission no later than June 25 in order to be considered timely made.

Do I need to file a sales tax return for a period in which I had no sales?

Yes, a tax return must be filed for each reporting period even though no tax is due. If you have no sales, enter a zero on the total tax due line. Please don't forget to sign and date the return.

Why did I receive a billing notice when I had no sales?

Every sales tax permittee must file returns with the Tax Commission on a timely basis, according to your filing frequency, even if sales tax was not collected for that month, quarter, or year.

Failing to file returns on time can result in penalties, interest and eventually could result in liens against your property.

Can my sales tax permit be revoked?

Your sales tax permit may be revoked if you fail to file sales tax returns or you fail to pay the tax when due. If your permit is revoked, continuing in business is a violation of law that may result in criminal charges.

Do I have to collect sales tax? This is just a hobby.

Yes, you must collect sales tax if you are selling retail to the public. Any person or company that is selling goods to a final consumer is required to collect and remit Mississippi sales tax.

Do I need a sales and use tax account number to sell tangible personal property at a retail miscellaneous or one-time event?

Yes. All sales of tangible personal property are subject to sales tax unless the law has provided a specific exemption from the tax.

Do flea market vendors need to be registered?

The operator or promoter of a flea market, antique mall or similar type event is considered the seller and is responsible for collecting and remitting the sales tax collected by persons selling at these events. Any vendor who holds a retail sales tax permit should not report tax from an event under his/her number, but instead report their individual sales to the promoter or operator. All taxes collected from these events must be reported by the promoter or operator.

Why has my filing frequency changed?

The Tax Commission annually reviews the tax liabilities of all active accounts. Filing frequencies are adjusted as necessary. Taxpayers are notified of the change in status. Generally, every retailer with average liability of \$300 or more per month must file a monthly tax return. Retailers with smaller tax liabilities may file quarterly or annual returns.

What are wholesale sales?

Wholesale sales are sales of tangible personal property to licensed retail merchants, jobbers, dealers, or other wholesalers for resale. It does not include sales to users or consumers that are not for resale. The seller must maintain the sales tax number or exemption number for these customers along with a description of the items sold and the sales amount of those items.

Are wholesale merchants required to file a return?

A person who engages exclusively in the business of making wholesale sales is not required to register for a sales tax permit and file a return. A person who makes taxable sales to users, consumers, or non-registered merchants must collect sales tax and file returns.

If I have a seasonal business, can I file just for those months that I operate?

No, you must file a return for every tax period, even if no tax is due.

If I am presently registered as a proprietorship or partnership, what do I need to do if I incorporate?

You must close the proprietorship or partnership sales tax account and register for a new permit.

If I purchase an existing business, may I use the sales tax number of the previous owner?

No, a sales tax permit is issued to a specific person or entity and it may not be transferred to another person or entity.

If I have several locations in the state, do I need a separate sales tax number for each location?

Yes. In Mississippi, the sales tax revenue is shared with the municipal governments. Each sales tax account is coded specifically to provide the appropriate division of revenue to the municipality where the business is located. Those businesses that have multiple locations with multiple sales tax numbers may register with the Tax Commission to file one consolidated return for all locations. Those interested should contact the Sales Tax Bureau for more information.

How do I amend a return?

If you discover that you have made an error on a sales tax return previously filed with the Tax Commission, you should file an amended return. Amended returns are not accepted through the online filing system. Online filers must send amended returns to the Tax Commission by mail or hand delivery.

Are churches exempt from sales tax?

No, churches must pay sales tax. However, churches are exempt from use tax on the use, storage or consumption of literature, video tapes and photographic slides used by religious institutions for the propagation of their creed or for carrying on their customary nonprofit religious activities, and on the use of any tangible personal property purchased and first used in another state by religious institutions.

Is a nonprofit organization registered with the IRS as 501(c)(3) corporation exempt from Mississippi sales and use tax?

Unless the organization is specifically exempt by Mississippi law, nonprofit organizations are subject to Mississippi sales and use tax. Please contact the Sales Tax Bureau to determine those organizations that qualify for exemption.

How do I get a sales tax exemption certificate for a religious or charitable organization?

Mississippi does not issue sales tax exemption certificates. Religious organizations are not exempt from sales or use tax and not all charitable organizations are exempt. The Tax Commission does provide an organization that is specifically exempt under Mississippi law with a letter (upon their request) to provide to vendors verifying the organization's tax exempt status. Vendors making sales to exempt organizations should request a copy of that document and keep it on file.

Are items taken out of resale inventory and donated to a nonprofit organization subject to sales and use tax?

Yes. The tax is required to be paid by the donor on the cost of the donated item.

Do out-of-state companies doing work in Mississippi need to register with the Mississippi Tax Commission?

Yes. Any company doing taxable work in Mississippi must register with the Mississippi Tax Commission before the work begins. You may register by preparing Form 70-001. This form may be obtained by phoning 601-923-7300 or from the Tax Commission website.

Contractors who perform work on a project over \$10,000 may be subject to the 3.5% Contractor's Tax imposed on the gross receipts of the contract. The contractor is required to qualify the contract with the Tax Commission prior to beginning work on the project.

Are out-of-state companies required to charge Mississippi sales or use tax on items shipped into Mississippi?

Persons operating a place of business in this State are liable for sales tax on all non-exempt sales delivered into Mississippi by the out-of-state business. Persons who do not maintain a place of business in Mississippi but own business property located in Mississippi, or who are represented in this state by employees or agents of the business who service customers in Mississippi or solicit or accept orders for merchandise that is subsequently delivered into this state, are liable for collection of Mississippi Use Tax.

What is nexus?

Nexus means a business has established a presence in the state. Having nexus requires a seller to collect and remit certain taxes, including sales and use tax. Nexus is created for sales and use tax when a business either owns business property located in Mississippi or when the business is represented in this state by employees or agents of the business who service customers in Mississippi or solicit or accept orders for merchandise.

Are sales to federal, state, county, and city governments exempt from sales tax?

Sales of property, labor or services sold to, billed directly to, and payment is made directly by the United States Government, the state of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of its counties and municipalities are exempt from sales tax. Sales to government employees are taxable regardless of the fact that the employees may be reimbursed by the government for the expenses incurred.

The exemption from sales tax does not apply to sales of tangible personal property, labor or services purchased by contractors in the performance of contracts with the United States, the state of Mississippi, counties and municipalities.

Is the sale of tangible personal property to a private college or university subject to Mississippi sales and use tax?

Sales of tangible personal property and services used exclusively for educational purposes by private colleges and universities in this state are exempt from sales tax. The item must be sold to, billed directly to, and payment made directly by the institution. Sales to booster clubs, alumni associations or student groups are not exempt. This exemption does not apply to items that are not used in the ordinary operation of the school nor does it apply to items that are resold to students.

Are sales to a Mississippi public school subject to sales and use tax?

Sales of tangible personal property and services to a Mississippi public school are not subject to sales and use tax. The item must be sold to, billed directly to, and payment made directly by the institution. This exemption does not apply to items that are not used in the ordinary operation of the school nor does it apply to items that are resold to students. Parent Teacher Associations (PTA), Parent Teacher Organizations (PTO), athletic and band boosters and other similar support organizations are not exempt from sales tax even on purchases made to benefit the school or that will be given to the school. Sales of merchandise are taxable when the vendor sells to and receives payment directly from the individual students.

Are private not-for-profit schools exempt from sales tax?

Yes, sales to non-profit elementary and secondary grade schools, junior and senior colleges are exempt from sales tax **IF** the school is owned and operated by a corporation or association where no part of the net earnings inures to the benefit of any private shareholder, group or individual and the organization is exempt from state income taxation. This exemption does not apply to sales of property or services that are not used in the ordinary operation of the school or is resold to the students or the public.

Are sales to hospitals exempt?

Sales of tangible personal property and services to hospitals for ordinary and necessary use of the hospital are exempt. Any department or division of a hospital that performs services that are ordinary and necessary to the operation of the hospital, including but not limited to, home health care, hospice, outpatient cancer treatments, and surgery are exempt from sales tax.

Any department or division of an exempt entity, regardless of where it is located, which is not ordinary and necessary to the operation of the exempt entity, is not exempt and is subject to the tax on its purchases. This includes, but is not limited to, wellness centers, physician's offices, and clinics.

Are sales of automobiles by Mississippi dealers to out-of-state customers taxable for Mississippi sales tax?

Sales of automobiles, trucks, truck-tractors, semi-trailers, trailers, boats, travel trailers, motorcycles, and all-terrain cycles that are exported from this state within 48 hours, registered, and first used in another state are exempt from sales tax. A

properly executed Certificate of Interstate Sale (Form 61-127) must be maintained to substantiate sales of boats, all-terrain cycles, or other equipment not required to be registered for highway use. Sales of mobile homes and aircraft do not qualify for the export provision and are taxable unless the dealer can provide factual evidence that the dealer was required, as a condition of the sale, to deliver or ship to an out-of-state location and that the delivery or shipment did take place.

When a Mississippian purchases a vehicle out-of-state and brings it to Mississippi, is use tax due on the vehicle?

Persons who purchase vehicles that will be registered and used in this state from dealers located in other states (and these dealers are not registered with the Mississippi Tax Commission) are liable for the payment of use tax at the same rate and on the same basis as sales tax. The Mississippi Use Tax is payable to the county Tax Collector if not previously paid to an authorized out-of-state dealer at the time of purchase. No credit is allowed for sales tax paid to the dealer in the other state against Mississippi Use Tax on purchases of automobiles, motor homes, trucks, truck-tractors and semi-trailers, trailers, boats, travel trailers, motorcycles and all-terrain cycles when the first use of the vehicle occurs in Mississippi. First use of the vehicle is considered to occur where the vehicle is first tagged or registered (does not include temporary tags.)

Do I owe sales tax on the purchase of a used car from a person who is not a dealer of used cars?

Sales of motor vehicles made by persons not regularly engaged in business are subject to sales tax. The tax is collected by the county Tax Collector when the new owner of a vehicle titles and tags the vehicle. The sales tax due is calculated by a pre-determined value for that kind of car. The purchase price is not used to determine the value of the vehicle.

Is installation labor taxable?

Yes, installation labor is taxable in connection with the sale of tangible personal property.

Is repair labor taxable?

Yes, repairs of tangible personal property are taxable.

Are transportation, freight or delivery charges in connection with the sale of goods taxable?

Yes, tangible personal property is subject to sales tax on the gross proceeds of the sale including, but not limited to, charges for shipping, handling and delivery.

Are greens fees subject to sales tax?

Yes, a charge to play golf is a taxable activity.

Is canned software taxable?

Yes, program installation, maintenance of software, upgrades and training services are taxable when the purchase of these services is included with the

purchase of the software. (Canned software is mass-produced pre-written software.)

Is custom software taxable?

Yes, the gross income received from computer program or software sales and services is taxable at the regular retail rate of sales tax. Computer program license fees and/or maintenance contract income are taxable. Taxable services include the design and creation of a web page.

Are leases/rentals of tangible personal property taxable?

Yes, the total gross proceeds of rental agreements are taxable.

Is a charge for meeting rooms taxable?

An itemized charge for a meeting room is generally not subject to sales tax. However, if the charge is bundled together with other taxable items, the tax would apply to the total invoice amount.

Is a manufacturer's coupon applied toward the total sales price before or after sales tax is calculated?

Sales tax is computed on the full sales price before the manufacturer's coupon is deducted. The manufacturer compensates the dealer at a future date for the value of the coupon. The compensation received by the retailer from the manufacturer is part of the taxable gross proceeds of the sale.

Is a retail dealer's coupon applied before or after sales tax is calculated?

A retail dealer's coupon is considered a price adjustment that occurs at the time of sale. Because the retailer is reducing the selling price of the item and is not reimbursed by a third party for the value of the coupon, the coupon is deducted before sales tax is calculated.

Is tangible personal property purchased over the Internet or from a mail order catalog subject to Mississippi sales or use tax?

Yes, tangible personal property purchased over the Internet and delivered to a Mississippi address by a vendor based in Mississippi is subject to Mississippi sales tax. Tangible personal property purchased over the Internet and delivered to a Mississippi address by a non-Mississippi based vendor is subject to Mississippi use tax.

What is a direct pay permit?

Direct pay taxpayers self-accrue and report use tax on their business purchases. Direct pay permits are generally issued to manufacturers, utility companies, companies receiving bond financing, telecommunications companies, and other taxpayers in those instances where the Commissioner determines that a direct pay permit will help facilitate the collection of tax at the proper rates.

How do I obtain an exemption for machinery used in a manufacturing facility?

Equipment used directly in the manufacturing process is subject to a reduced 1.5% rate of sales tax. Manufacturers are generally required to obtain a direct

pay permit from the Tax Commission to use in making purchases of equipment and other items exempt from sales tax. The manufacturer is then responsible for remitting the correct rate of tax directly to the Tax Commission on the manufacturer's use tax return.

Are repair parts exempt from Mississippi sales and use tax when used on exempt machinery?

Repair parts for manufacturing machinery are subject to the same reduced 1.5% rate of tax as the machinery itself. Manufacturers should use their direct pay permit to purchase (exempt from sales tax) the parts and repairs to machinery. The manufacturer will then remit the correct rate of tax for the parts or repairs directly to the Tax Commission on their use tax return.

Is a restaurant responsible for sales and use tax on a meal given to an employee?

If the permittee sells meals or provides discounts to his employees, the sale is taxable at the price charged. If the permittee gives the meal to his employees, the sale is exempt from sales tax.

Are gratuities paid with a meal subject to sales tax?

Gratuities or tips specifically added to the cost of the meal and tips or gratuities paid directly to the employee are not considered taxable income.

How much sales tax do I pay when I buy a vehicle?

The sales tax rate is 5% and is based on the net purchase price of your vehicle (price after manufacturer's rebates and trade-ins.) The 5% rate applies to cars, vans, buses and other private carriers of passengers and truck with a gross vehicle weight of 10,000 pounds or less. Carriers or property and trucks with a vehicle weight exceeding 10,000 pounds are taxed at 3%.

If you bought your vehicle out-of-state and paid sales taxes on the vehicle to that state, that tax will NOT be credited toward the amount of tax due in Mississippi. If the vehicle was titled in your name and first used in another state, no Mississippi sales tax is charged.

Are vehicle rentals subject to sales tax?

The rental or lease of a motor vehicle is taxable at the same rate of tax as a sale. There is an additional 6% rental tax on rentals of cars and light trucks for periods of 30 days or less.

Is the sale of a car to a family member exempt from sales tax?

Yes and no. Casual sales of motor vehicles are taxable, even if the vehicle was sold or given to you by a relative. However, if the sale or transfer of the vehicle was between persons married to each other, or who are parent and child, or a grandparent and grandchild, the sale is not subject to the casual sales tax. Sales or transfers between siblings, cousins, aunts, uncles or in-laws are taxable.

What are export sales and are they subject to Mississippi sales tax?

Export sales are sales made to customers located outside the state of Mississippi. They are not subject to Mississippi sales tax if the seller is required, as a condition of the sale, to ship or deliver the property to a location outside this state. If the goods are picked up or otherwise received by the customer in Mississippi, the sale is subject to Mississippi sales tax.

Are phone cards taxable?

Phone cards are taxable at the location where the phone card is purchased.

What is a place of amusement?

A place of amusement includes all forms of entertainment including sports, recreation, shows, exhibitions, contests, displays and games, or other similar events. Admission charges are subject to sales tax.

Are any types of amusement exempt from the sales tax?

Yes, the sales tax rate is reduced to 3% on the gross income from admissions charges to publicly owned enclosed coliseum or auditorium and livestock, agriculture and other facilities owned and operated by cities and counties.

The law provides exemption from the tax for a number of organizations or events. Please review the law and regulations for a complete listing and the qualifications for those exemptions. Examples of exemptions include:

- Admissions charges at a place of amusement operated by religious, charitable or educational organizations or by nonprofit civic clubs or fraternal organizations
- Admissions charges for high school or grade school athletic games
- Admissions charges to county, state or community fairs
- Admissions charges or fees charged by any county or municipally owned and operated swimming pools, golf courses and tennis courts

Are non-reusable items furnished to guests in hotels and motels taxable?

The non-reusable items of tangible personal property in hotels and motels furnished to guests in their rooms without charge are subject to sales tax when the hotel/motel purchases them. Non-reusable items include (but are not limited to) soap, shampoo, tissue, other toiletries, food, or confectionery items provided in the guest rooms.

What types of medical equipment and/or drugs are exempt/taxable?

Prescription drugs that may only be legally dispensed by a licensed pharmacist upon written authority from a practitioner licensed to administer the prescription are exempt from sales tax. All over-the-counter medications are taxable regardless if a physician provided a prescription for the medications.

Examples of other exemptions include sales of insulin, sutures (whether or not permanently implanted,) bone screws, bone pins, pacemakers and other articles permanently implanted in the human body to assist the functioning of any natural organ, artery, vein or limb and which remain or dissolve in the body.

Hearing aids and hearing aid supplies, eyeglasses, contact lenses, bedpans, and incontinent pants are subject to tax.

Is medical grade oxygen subject to Mississippi sales tax?

Sales of medical grade oxygen are exempt from Mississippi sales tax.

What types of farm machinery are exempt from sales tax?

Farm machinery and equipment are not exempt; however, the law provides for a reduced rate of tax on the purchase of farm tractors and farm implements. Farm tractors are subject to a reduced 1% rate of tax and farm implements are subject to a reduced 3% rate of tax.

Does Mississippi offer a sales tax exemption for manufacturers?

Raw materials used in the manufacturing process are exempt. The law provides for a reduced 1% rate of tax on the purchase of certain manufacturing machinery used directly in the manufacturing process.

Is the sale of animals taxable?

The sale of livestock is exempt. Sales of animals or poultry for breeding or feeding purposes, as part of a business enterprise, are not subject to tax. The sale of domestic animals is subject to tax when sold by persons regularly engaged in the business of selling domestic animals and other related products, as example, pet stores.

Is produce sold by a farmer subject to sales tax?

A farmer selling produce along the roadside that he grew in Mississippi is not subject to sales tax. Sales of produce at established places of business are subject to sales tax including all sales made at established farmer's markets and flea markets.

Are there any local sales taxes in Mississippi?

Mississippi does not have local city or county sales taxes except an additional .25% tax on regular retail sales made inside the city of Tupelo.

There are numerous tourism and economic development taxes levied in many cities and counties typically imposed on hotels, motels, restaurants and bars. Please review the listing on the Tax Commission website to determine if your business is subject to any of these taxes.

What are local tourism and economic development taxes?

Many counties and municipalities have enacted additional taxes on food, beverages and accommodations. A listing of all tourism or economic development taxes is included on the Tax Commission website for your review.

Are items withdrawn from inventory and used by myself or the business subject to sales tax?

Items that were purchased at wholesale but are withdrawn from inventory for

use of the business are subject to sales tax. This includes any items that are purchased tax free for resale, but are withdrawn from inventory and used by the owner/employees instead of being sold.

What if I collect too much sales tax?

If you are unable to refund the tax directly to the customer that paid the tax, Mississippi law requires that any over-collection of sales tax by a retailer from the customer must be paid to the State.

What records should I keep and how long should I keep them?

Records should be retained for a minimum 4-year period, although it is recommended that you keep the records longer. You must keep adequate records of business transactions to enable you and the Tax Commission to determine the correct tax due. The required records include, at a minimum, records of beginning and ending inventories, purchases, sales, canceled checks, receipts, invoices, bills of lading, and all other documents and books pertaining to the business.

The seller has the burden of proving that a sale of tangible personal property or a taxable service is exempt. Records must be kept to substantiate any claimed exemptions or reduced tax rates authorized by law. Minimum information should include the name and address of the person to whom the sale was made, the date of sale, the article sold, and the amount of exemption or reduced rate. If you are making sales out-of-state, your records should clearly show that the item was delivered out-of-state. If you do not keep these records, you will be subject to the 7% tax, interest, and penalty charges on those sales.

If you are engaged in some other non-taxable business, occupation, or profession, you must keep records to separately show the transactions of that other business. If separate records are not kept, sales tax may be imposed upon the total receipts from all of your business operations.

Is landscaping and lawn care service taxable?

Landscaping services are subject to Sales Tax. Landscaping services include, but are not limited to, planting flowers, shrubs and trees, laying sod, establishing lawns and any earth moving performed during landscaping activities.

Mowing grass, trimming of shrubs, bushes and trees and weeding are not taxable services.

Are sales of equipment and supplies to doctor and dentist offices exempt?

The sales of equipment and supplies to doctor and dentist offices are taxable. These items are consumed by them in the performance of their professional service.

Are warranties, maintenance agreements, or service contracts subject to the sales tax?

Extended warranties, maintenance agreements, and service contracts sold in connection with the sale of tangible personal property are taxable as part of the gross proceeds of the sale even when the agreement is separately stated.

Extended warranties, maintenance agreements, and service contracts unrelated to the purchase of the property covered by the agreement are not subject to sales tax if the agreement only provides service when the customer requests service. Agreements that provide a pre-determined maintenance schedule are considered the pre-payment of a taxable service and taxed at the time of sale of the agreement.

Extended warranties sold in connection with the sale of motor vehicles (cars and trucks) are not taxed at the time of the sale, and any resulting repair work is subject to tax on the cost of providing the repair.

Do I need to charge Mississippi sales tax to people purchasing my products from out-of-state?

There is no sales tax due when the seller is required, as a condition of the sale, to ship or deliver the product directly out-of-state or out of the country. A copy of the sales slip and shipping invoice will need to be retained showing that sale was shipped directly out-of-state or out of the country.

Contractors Tax

What is the contractor's tax rate?

The Contractors Tax rate is 3 1/2% of the total receipts received by the contractor.

When is the contractor's tax due?

Contractors with contracts that exceed \$75,000, or the contractor is an out-of-state contractor are required to either prepay the full amount of the contractor's tax or post a bond for the tax prior to beginning work on the contract to avoid penalties on the tax. The contractor is required to report and pay 3.5% contractor's tax on monthly sales tax returns for monthly contract receipts if a job or blanket bond is posted to cover the tax.

What is a Material Purchase Certificate?

A Material Purchase Certificate (MPC) is issued by the Tax Commission after a contractor has qualified a project. This certificate allows the prime or general contractor and his sub-contractors to purchase component building materials and component services exempt from sales or use tax.

Is contractor's tax due on projects for the state, federal government, county, schools, etc.?

The tax is imposed on the contractor and not on the contractor's customer, regardless of who is the real property owner. Contractors are required to qualify jobs and pay the resulting contractor's tax on all jobs meeting the requirements

for the contractor's tax regardless of whether the contractor's customer is an exempt entity.

What kinds of projects qualify for contractor's tax?

All commercial, non-residential construction projects for the construction, renovation or repair of real property that exceed \$10,000.00 are subject to contractor's tax.

Can the owner of a construction project pay the contractor's tax or send in the check for payment of the contractor's tax?

No. The project owner cannot pay the contractor's tax. Suppliers that sell to owners who are building their own structures must charge sales tax on materials, supplies, and equipment sold or rented to property owners. Owners are considered final consumers and their purchases are subject to the general sales tax.

Can the owner pay the contractor's tax if he has a direct pay permit?

No. A direct pay permittee cannot accrue contractor's tax; payment must be made by the prime or general contractor.

What tax rate is due on residential construction projects (houses, apartments, etc.)?

Apartments and condominiums are not treated as residential property for purposes of the contractor's tax. Contracts for the construction, renovation or repair of apartments and condominiums are subject to the 3.5% contractor's tax unless the job is \$10,000 or less. Contractors performing contracts on residential homes pay the regular 7% rate on materials and taxable services.

What dollar amount must a job or blanket bond cover?

A job bond does not have a posted amount of money. A job bond is designed to cover all taxes that the contractor would incur related to performing the contract.

Blanket bonds have a stated amount that may be used to cover the contractor's tax for multiple jobs. A blanket bond must be for an amount equal to a least 4% of the total estimated receipts of all the jobs or projects performed under that particular bond.

Why am I required to register if I only have a one time job in Mississippi?

All general or prime contractors and subcontractors improving real property in the state of Mississippi are required to obtain a Sales and Use Tax Certificate of Registration for the remittance of any sales and use taxes that may be due, regardless of the number of jobs they are performing.

Why is a contractor required to pay use taxes?

Contractors that perform services in this state are subject to use tax on the value of equipment brought into this state. If the property has been used in another state, the retail use tax is due on the fair market or net book value of the property

at the time it's brought into Mississippi. Automobiles and trucks (under 10,000 pounds) without special-mounted equipment are subject to 5% use tax. Trucks over 10,000 pounds are taxable at the 3% rate. (Net book value is computed by using straight-line depreciation only and cannot be less than 20% of the original cost.)

Except for automobiles and trucks first used in this state, credit for sales or use tax paid to another state in which the property was acquired or used may be taken in computing the amount of use tax due. Credit must be computed by applying the rate of sale or use tax paid to another state (excluding any city, county or parish taxes) to the value of the property at the time it enters Mississippi.