

MISSISSIPPI BUSINESS FINANCE CORPORATION



Incentive Program

The Mississippi Business Finance Corporation's ("MBFC's") Incentive Program (the "Incentive Program") provides businesses utilizing the Incentive Program a number of tax incentives, potentially including tax-exempt interest rate opportunities, corporate income tax credits, a sales and use tax exemption on component construction materials, tangible personal property and property tax exemptions.

PROGRAM	BENEFIT	ELIGIBILITY REQUIREMENTS*
100% Sales and Use Tax Exemption	A sales and use tax exemption is available for eligible businesses that have qualified under the Mississippi Business Finance Corporation Incentive Program. A sales and use tax exemption is also available on building materials purchased directly by the company.	All businesses qualified through the Mississippi Business Finance Corporation Incentive Program are eligible.
Rural Economic Development (RED) Tax Credit	An income tax credit is available to companies qualified under the Mississippi Business Finance Corporation Incentive Program and are based on the amount of qualified annualized debt service. Credits can be used to offset up to 80% of a company's state corporate income tax liability each year for the life of the qualified debt.	Distribution or warehouse facilities or manufacturing, telecommunications or data processing operations in Mississippi utilizing Mississippi Business Finance Corporation Incentive Program may apply.
Tax-Exempt Interest Rate	Qualifying business may be eligible for Tax-Exempt interest rate further reducing the cost of borrowed capital.	Available to qualified 501(c3) and Manufactures through MBFC Incentive Program.
10-Year Property Tax Exemption	An exemption from property taxes on land, buildings and equipment is available for up to 10 years. School taxes are not exempt.	All businesses qualified through the Mississippi Business Finance Corporation Incentive Program are eligible. 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 MBFC's Incentive Program, including eligibility requirements, eligible activities, and qualification process, contact MBFC at 601.355.6232.

*The eligibility criteria outlined above are not comprehensive. To view each program's eligibility requirements in full or to learn more, please contact us.

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Sales and Use Tax Exemption

Eligible purchases made under the Mississippi Business Finance Corporation (MBFC) “Incentive Program” may be wholly exempted from sales and use tax in Mississippi. Property acquired by a Company to complete a Project will be subject to at least three (3) different Mississippi sales and use tax rates:

1. All real property construction labor and component building materials (e.g., structural steel, metal siding, roofing materials, electrical and mechanical components, etc.) will be subject to a “contractor’s tax” equal to 3.5% of the entire construction contract price, including the value of labor and other costs contained within such contract to install such materials. Although this “contractor’s tax” is imposed directly on the contractor, the Company will bear the economic burden of that tax because the contractor will incorporate that tax cost into its bid.
2. Second, all tangible personal property, together with any installation costs thereof, will be taxed at the standard Mississippi sales or use tax rate of 7% (e.g., furniture, fixtures and equipment, etc.).
3. Third, manufacturing equipment is taxed at the standard Mississippi sales and use tax rate of 1.5%.

While contractor’s tax has no exemptions, generally, the savings are realized, as follows: the contractor’s tax of 3.5% on the total construction contract price is reduced by removing from the construction contract the materials/equipment that would otherwise be purchased under the construction contract.

- By way of example only, consider a \$20,000,000 construction contract that includes \$7,000,000 in labor and \$13,000,000 in materials. The typical contractor’s tax is approximately \$700,000 (3.5% of \$20,000,000); however, using the incentives under the MBFC Incentive Program, the contractor’s tax would only be approximately \$245,000 (3.5% of \$7,000,000), thus saving approximately \$445,000.

All manufacturing equipment and tangible personal property, together with any installation costs thereof, will be taxed at the standard Mississippi sales or use tax rate of 1.5% and 7% (e.g., furniture, fixtures and equipment, etc.). Utilizing the MBFC Incentive Program, the project would be exempt from the sales and use tax otherwise applicable to those purchases.

- By way of example only, consider \$5,000,000 in tangible personal property and \$20,000,000 in manufacturing equipment purchases. The typical sales tax is approximately \$650,000 (7% of \$5,000,000 and 1.5% of \$20,000,000); however, using the incentives under the MBFC Incentive Program, the sales tax would be exempt, thus saving approximately \$650,000.

To qualify for the sales and use tax exemption, the materials must be purchased by, billed to and paid for directly by the eligible business (Owner Direct Purchase). If the materials purchased are not part of the construction contract, they are not subject to contractor’s tax. Contractor’s tax will still apply to the labor portion of the construction contract.

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Rural Economic Development Tax Credits

Rural Economic Development (RED) Credits are credits that can be used to reduce Mississippi corporate income tax. These credits are available to companies qualified under the Mississippi Business Finance Corporation (MBFC) Incentive Program and are based on the amount of qualified annualized debt service.

PROGRAM FACTS

RED credits are equal to the qualified annualized debt service on the project. Eligible businesses qualified under the MBFC Incentive Program may use RED credits to offset up to 80 percent of their state corporate income tax liability each year for the qualified term of the debt. Unused RED credits may be carried forward for three years.



An eligible company engaging in a **Build-To-Suit Leaseback** option with a developer will also earn RED credits on the debt portion of the lease contract to help offset up to 80 percent of their state corporate income tax liability.

Businesses that qualify for RED Credits include:

- Manufacturers
- Telecommunications enterprises that create 20 or more full-time direct jobs and invest at least \$5,000,000 or that create 50 or more full-time direct jobs and have capital investments of at least \$2,000,000.
- Data and information processing facilities that create 20 or more full-time direct jobs and invest at least \$5,000,000 or create 50 or more full-time direct jobs and make capital investments of \$2,000,000 or more.
- Distribution and warehouse facilities that employ at least 50 people in full-time, direct jobs or that employ at least 20 employees in full-time, direct jobs and have a capital investment of at least \$5,000,000.
- National or regional headquarters creating a minimum of 35 new, full-time jobs and a minimum capital investment of at least \$2,000,000.
- Research and development facilities creating a minimum of 10 new full-time jobs paying 150 percent of the state average wage and having capital investments of at least \$2,000,000.
- Technology-intensive enterprises creating a minimum of 10 new full-time jobs earning at least 150 percent of the average state wage and having a minimum capital investment of \$2,000,000.

For more information regarding MBFC's Incentive Program, including eligibility requirements, eligible activities, and qualification process, contact MBFC at 601.355.623

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Property Tax Exemption

Qualified businesses utilizing the Mississippi Business Finance Corporation Incentive Program may be eligible to receive an exemption from property taxes. Qualification for this exemption is at the discretion of the county and city government.

Local governing authorities may grant a property tax exemption for up to 10 years on real and tangible personal property being used in the state. The exemption may be granted for all local property taxes except school district taxes on any property, with the exception of finished goods or rolling stock. The exemption usually applies to property taxes on land, buildings, machinery, equipment, furniture, fixtures, raw materials and work in process.

To apply, eligible businesses should contact the county board of supervisors for an exemption from county millage and the municipal authorities for an exemption from the city millage.

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