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Mississippi Lt. Governor Proposes Tax Cuts

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Lt. Governor Tate Reeves recently unveiled a plan to cut taxes in Mississippi by approximately \$380 million over a ten-year period. Reeves' proposal is called the "Taxpayer Raise Act of 2015," and has been introduced to the Senate as SB 2839.

The proposal calls for the elimination of the state's franchise tax over a ten-year period, beginning in 2016. Generally, Mississippi taxpayers that report income to the federal government as a corporation currently pay a franchise tax to the state equal to \$2.50 for every \$1,000 (.25 percent) of capital used, invested or employed within the state. The minimum franchise tax owed by subject taxpayers is \$25.

Reeves described the franchise tax as an "investment penalty," and stated that the continued imposition of this tax puts Mississippi at a competitive disadvantage relative to the majority of other states that do not currently have a franchise tax.

The proposal also includes a five-year phase-out of the three percent income tax bracket for individuals. Currently, individual taxpayers generally pay three percent on the first \$5,000 of Mississippi income, four percent on the next \$5,000, and five percent on all Mississippi income in excess of \$10,000. The phase-out of the three percent bracket would effectively eliminate the state's imposition of income tax on the first \$5,000 of Mississippi income for individual taxpayers – resulting in a tax break of up to \$150 per return.

Reeves' proposal also includes a deduction for self-employed taxpayers that would allow them to deduct one-half of their self-employment taxes paid. This deduction is currently allowed by the federal government for one-half of FICA taxes, i.e., Medicare and Social Security taxes, paid by self-employed individuals and would be phased in over a three-year period.

Governor Phil Bryant has signaled his support for the Lt. Governor's proposal and has also proposed an additional cut that would lower income taxes for families making \$52,000 or less.

If you have any questions concerning the Lt. Governor's "Taxpayer Raise Act of 2015" or any other questions involving Mississippi tax laws, please contact one of the authors or an attorney in the Firm's Tax Department.