SALT WATCH

Mississippi Enacts Franchise Tax Phase-Out and Minimum Taxable Capital Threshold

Summary

On May 13, 2016, Mississippi Governor Phil Bryant (R) signed into law S.B. 2858, which enacts a phase-out of the Corporation Franchise Tax via a gradual rate reduction starting with taxable years beginning in 2019 and ending with taxable years beginning in 2027. S.B. 2858 also implements a $100,000 minimum taxable capital threshold starting with taxable years beginning on or after January 1, 2018.

Details

Franchise Tax Phase-Out

The current Corporation Franchise Tax rate is $2.50 for each $1,000 of taxable capital. Under S.B. 2858, the Corporation Franchise Tax rate is scheduled to phase-out as follows:

Taxable Year Beginning On or After	Rate Imposed
January 1, 2019	$2.25 for each $1,000 of taxable capital
January 1, 2020	$2.00 for each $1,000 of taxable capital
January 1, 2021	$1.75 for each $1,000 of taxable capital
January 1, 2022	$1.50 for each $1,000 of taxable capital
January 1, 2023	$1.25 for each $1,000 of taxable capital
January 1, 2024	$1.00 for each $1,000 of taxable capital
January 1, 2025	$0.75 for each $1,000 of taxable capital
January 1, 2026	$0.50 for each $1,000 of taxable capital
January 1, 2027	$0.25 for each $1,000 of taxable capital

Mississippi Enacts Franchise Tax Phase-Out and Minimum Taxable Capital Threshold (cont.)

Minimum Taxable Capital Requirement

Starting with taxable years beginning on or after January 1, 2018, Mississippi will impose the Corporation Franchise Tax only on taxable capital in excess of $100,000. The $25 minimum tax applies, regardless.

Insights

- It appears that Mississippi is following Pennsylvania's lead, which phased-out its Capital Stock/Foreign Franchise Tax through a gradual rate reduction as of taxable years beginning after December 31, 2015. Hopefully, Mississippi will not also periodically delay the phase-out of its franchise tax.

- Since the new law was enacted on May 13, 2016, Mississippi Corporation Franchise Tax taxpayers should assess what, if any, impact these law changes may have on their existing contingent liability balances, and adjust accordingly as of the enactment date.