<u>**Employee Pass-Through Tax Credit Proposal**</u>

- <u>Eligibility</u>: In lieu of applying the tax credits provided in Sections 57-73-21(2)-(5), any company may designate its employees as the recipients of the credits provided in Sections 57-73-21(2)-(5).
    - Such credits shall be calculated in the same manner as provided in Sections 57-73-21(2)-(5).
- <u>Administration</u>: The Department of Revenue shall adopt and promulgate rules and regulations necessary to carry out the intent and purposes of this section.
- <u>Economic Impact</u>: No change to impact of existing credits.

Relocation Tax Credit Act Proposal

- Eligibility: A company relocating its corporate headquarters, as defined by the Mississippi Department of Revenue, to the State of Mississippi is allowed a tax credit for relocation expenses against the company's state tax liability for the taxable year in which the relocation costs are incurred.
  - The relocation tax credit is available to corporate headquarters from outside or within the State of Mississippi. This covers companies already located in Mississippi.
  - The company shall create twenty (20) jobs, as required by the Mississippi Department of Revenue, in order to receive the relocation tax credit. The jobs created shall be the type of jobs as required to be a national or regional headquarters as provided by the Mississippi Department of Revenue.
    - We need to determine a procedure for evaluating the job requirement over a period of time. We may want to consider requiring a company to maintain 20+ jobs for five years with a claw back provision if they don't meet the benchmark.
- Amount: The company may receive a credit in the amount of 50% of the actual relocation costs incurred. We may want to cap this at a certain dollar amount.
  - The relocation costs shall be determined by the Mississippi Development Authority and include those expenses that are necessary to relocate headquarter employees to the headquarters in conjunction with the initial establishment of the headquarters facility. Expenses may include, but are not limited to the following:
    - Moving costs
    - Purchase of new or replacement equipment
    - Capital investment costs
    - Relocation costs do not include any costs that do not directly result from the relocation of the business to a location in Mississippi.
  - The credit may not reduce the taxpayer's state tax liability below the amount of the taxpayer's state tax liability in the taxable year immediately preceding the taxable year in which the taxpayer first incurred relocation costs. The credit is non-refundable but excess may be carried forward to succeeding taxable years for a period of five (5) years and used as a credit against the taxpayer's state tax liability during those taxable years.
    - This provision should track the language in Miss. Code Ann. Section 57-73-21(8) – Jobs Tax Credit Act.
- Procedure
  - Companies will apply for this in the same manner as other incentives.
  - A qualifying company must submit an application to the Mississippi Development Authority prior to relocating and include a list of anticipated moving expenses.

- Economic Impact
    - Requested an estimated impact from MDOR

<u>Tax Credit Monetization Proposal</u>

- <u>Eligibility</u>: Any company which qualifies for the jobs tax credit or the headquarters credit may monetize those credits.
    - If a company creates the requisite number of jobs to qualify for the jobs tax credit pursuant to Miss. Code Ann. 57-73-21 (1)-(4), or qualifies for the headquarters credit pursuant to Miss. Code Ann. 57-73-21(5), the company can get the aggregate amount of the credits on the front end in the form of a state guaranteed bank loan. The standard guaranteed portion of the loan cannot exceed eighty-five percent (85%) of the total amount of the loan.
    - This applies to new companies and existing companies.
- <u>Loan</u>: Loan must be secured by property with a useful life greater than the duration of the guaranty
    - Lender must assign its UCC statements and DOT to State if Lender exercises its rights under the guaranty.
    - Company is required to pay principal and interest on the loan
    - Company will continue to receive a credit only in the amount calculated under 57-73-21 (1)-(4) and 57-73-21(5).
        1. If the company projected 30 jobs, but only created 25, it will only receive a credit for 25 jobs, thus decreasing the credit received and increasing the amount of the loan payment for which the company comes out of pocket. The loan amount will not change, not will the guarantee.
- <u>Default</u>: Upon an event of default by the company, either:
    - the lender can foreclose on collateral and guaranty goes away, or
    - the lender can assign the collateral to the State and the State can exercise the lender's rights under the instruments.
        1. If the lender does not exercise its rights under the guaranty within 120 days of the EOD, the guaranty terminates
- <u>Application and Administration</u>:
    - The company will apply to MDA to determine eligibility for the loan in the same manner as for other incentives.
    - MDA will determine the amount of the loan and the amount of the State's guaranty.
- <u>Economic Impact</u>: no greater than the existing credits.
    - If the State becomes liable under the guaranty, the State can exercise its rights under the security agreements and sell the collateral.