



## COUNTING THE JOBS CREATED BY THE JOBS TAX CREDIT

**SUMMARY:** In one the state’s largest economic development incentive programs – the Jobs Tax Credit – the state is expected to spend approximately \$20 million through tax expenditures in Fiscal Year 2009. **While the level of investment is impressive, there are currently limited reporting vehicles that measure the number and location of the jobs created through the credit.** By capturing the job impact of the program by county, stakeholders will gain valuable information to evaluate the effectiveness and use of the program in communities across the state.

### Jobs Tax Credit

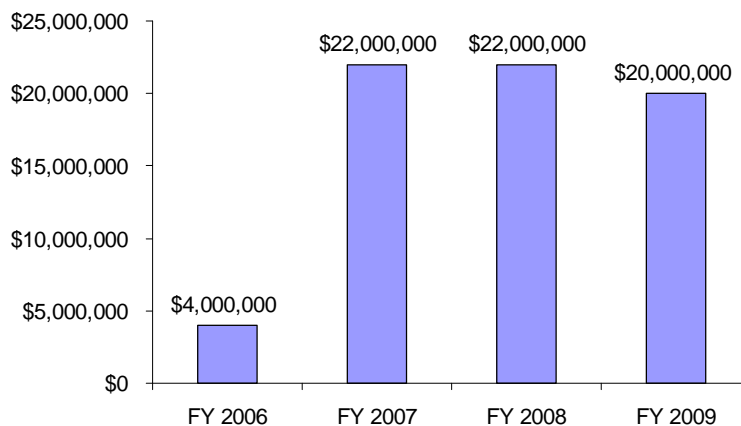
Eligible businesses can qualify for the Jobs Tax Credit, which is levied against income taxes, by creating the minimum number of jobs required to claim the credit in a given county. The credit is figured as a “percentage of payroll” for each new job as long as the minimum number of jobs is created by an eligible business within one year.<sup>1</sup> It can offset up to 50% of income tax due. The following table outlines the amount of the credit and required job creation targets based on the Mississippi State Tax Commission County Ranking and Designation criteria.

County Ranking	Minimum Annual Increase in the Number of Jobs	Amount of Credit per Job
Tier One (developed)	20	2.5% of payroll
Tier Two (moderately developed)	15	5.0% of payroll
Tier Three (less developed)	10	10.0% of payroll

Source: Mississippi State Tax Commission Tax Incentives, Exemptions and Credits. Revised and effective June 1, 2008. [www.mstc.state.ms.us](http://www.mstc.state.ms.us)

According to the Tax Expenditure Reports generated by the Mississippi Institutions for Higher Learning the Jobs Tax Credit claims over the past several years has consistently been at or over \$20 million.

**Figure 1: Jobs Tax Credit Expenditure Estimates FY 2006 – FY 2009**



Source: Annual Tax Expenditure Report. Mississippi Institutions for Higher Learning 2008, 2007, 2006, 2005.

The credit may also be used for large economic development projects that create at least 3,000 jobs and to “integrated suppliers” that create at least 20 jobs on the site of the project. For large projects of this nature, permanent businesses may claim a \$5,000 credit for each job created for up to 20 years offsetting up to 100% of income tax due. Suppliers can claim a \$1,000 credit per job for up to five years.

Currently, the Mississippi Tax Expenditure Report estimates the annual cost of Jobs Tax Credits to the state. The report does not include the number of jobs created or the location of the investments.

### **Recommendation**

With an increase and steady use of the credit, increasing the transparency of and accountability for the credit will allow law makers to procure additional information to further inform tax policy decisions. Increasing report requirements on the annual number of jobs created as a result of the credit and the location of the jobs will provide Mississippians with a big picture of how the credit is creating employment opportunities in the state.

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<sup>i</sup> Eligible businesses include: manufacturers; processors, distributors, wholesalers, research and development, warehouses. The following businesses must receive a designation from MDA to be eligible for the Jobs Tax Credit: air transportation and maintenance facilities, telecommunications enterprises, computer software developers, recreational facilities that impact tourism, final destination or resort hotels with more than 150 guest rooms, movie industry studios, data or information processing, any technology intensive facility. Businesses involved in the management of hazardous waste are not eligible for the credit.