

# Sales and Use Tax Exemption for Broadband Technology

A sales and use tax exemption is available for eligible telecommunications businesses that deploy broadband technology. The amount of exemption that is allowed is based on the location of the facility.

## Program Facts

Broadband Technology exemption is provided to entities to encourage the deployment of high-speed internet access throughout the state, with an emphasis on rural areas. Qualifying equipment used in the deployment of broadband technologies includes asynchronous transfer mode switches, digital subscriber line access multiplexers, routers, servers, multiplexes, fiber optics, and related equipment.

The amount of exemption that is allowed depends on the location of the facility. For less developed counties, a full exemption from sales tax is provided, and for all other areas of the state, a one-half exemption is available. The development ranking of the county is established annually by the State Tax Commission.

| <b>County Classification</b>   | <b>Exemption Amount</b> |
|--------------------------------|-------------------------|
| Tier III (less developed)      | 100% Exemption          |
| Tier II (moderately developed) | 50% Exemption           |
| Tier I (developed)             | 50% Exemption           |

This exemption applies to the general 7% sales tax on qualifying equipment.

For commercial construction in Mississippi, there is a contractor's tax assessed on the construction of commercial real property that is calculated as 3.5% of the contractor's gross receipts from the construction. Contractor's tax has no exemptions, and the contractor is allowed to purchase all component building materials exempt from sales tax.

Under this exemption, component building materials can be purchased directly by telecommunication entities in less developed areas. If these materials are not part of the construction contract, they are not subject to contractor's tax, and sales tax is not due on materials purchased under this exemption. To qualify for the exemption, the materials must be purchased by, billed to, and paid for directly by the eligible entity. Contractor's tax will still apply to the labor portion of the construction contract.

To qualify for this exemption, application must be made to the State Tax Commission prior to beginning the project.

For further details, see the Mississippi Tax Incentives, Exemptions, and Credits on the State Tax Commission's website <http://www.mstc.state.ms.us/revenue/incentive/2008IncentiveBook.pdf>, or Sections 27-65-101, 57-87-5 and 57-73-21, Ms Code 1972, Annotated. To request these documents or for assistance, contact the State Tax Commission at (601)923-7044 or the Financial Resources Division at [financial@mississippi.org](mailto:financial@mississippi.org) or (601)359-3552.