

# **Sales and Use Tax Exemption for Industrial Revenue Bond Financing**

To encourage construction and expansion within the state, the Mississippi Business Finance Corporation may issue industrial revenue bonds for financing approved projects. Once projects are induced in the bond program, a sales tax exemption is available for all purchase made with bond proceeds.

## **Program Facts**

Eligible purchases made with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC) may be exempted from sales and use tax in Mississippi.

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 the bondholder using bond proceeds. 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 with bond proceeds. 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.

For more information related to the state's industrial revenue bond process, please visit the Mississippi Business Finance Corporation's website at [www.msbusinessfinance.com](http://www.msbusinessfinance.com).