

MISSISSIPPI

Sales and Use Tax for Contractors.

What you need to know. The sales tax and use tax rates are both **7%** for the state of Mississippi. Sales tax is applied to the sale of tangible personal property and various services. Use tax is applied to goods purchased for use, storage or other consumption in Mississippi.

A prime or main contractor is the chief contractor who has a contract with the owner of a project or job, and has the full responsibility for its completion. A prime contractor undertakes to perform a complete contract, and may employ and manage one or more subcontractors to carry out specific parts of the contract..

Contractor's Tax >\$10,000

Contractor's tax is a tax imposed on contracts or work secured by prime contractors and sub-contractors that is valued over \$10,000.

The contractor's tax rate is **3.5%** of the total gross receipts received by the contractor

PRIME CONTRACTS > \$10,000 FOR NON-RESIDENTIAL CONSTRUCTION

Contractors with no physical location in MS must prepay tax on contracts over \$10,000 or may bond contracts in lieu of pre-paying tax.

A material purchase certificate (MPC) must be obtained prior to beginning work. A MPC allows component materials to be purchased without 7% tax. Non-component materials are subject to 7% sales tax and 3.5% MPC tax.

TAX RATES:

No sales or use tax on purchases of component materials; 7% sales/use tax on non-component materials (supplies/consumables).

- Contract with owner to construct highway, levee, dam, etc.
- Contract with owner to erect, add or repair building or structure.
- Contract with owner for HVAC, plumbing, excavating, landscaping, electrical, painting, carpentry, concrete foundations, etc.

3.5% contractor's tax on balance of contract price. No sales or use tax on purchases of component materials and services.* 1.5% tax on portion on contract price representing sale, installation and/or fabrication of manufacturing machinery.

- Contract with owner to construct manufacturing plant complete with machinery installed.

CATEGORIES OF SALES TAX FOR CONTRACTORS

1

PRIME CONTRACTS
> \$10,000
for non-residential construction

2

PRIME CONTRACTS
< or = \$10,000
or residential construction

3

SUB-CONTRACTS
> \$10,000

4

SUB-CONTRACTS
< or = \$10,000

WHAT ARE COMPONENT MATERIALS?

Materials that become an integral part of the structure being erected.

May include built-in furniture, fixtures, appliances and similar.

Must be permanently attached to real property and lose its identity as personal property.

1

0%

COMPONENT MATERIALS

7%

NON-COMPONENT MATERIALS

3.5%

BALANCE

1.5%

SALE/INSTALL/FAB MANUFACTURING MACHINERY

Contracts over \$75,000 require taxes to be prepaid or bonded by a surety.

*The bidding formula used to calculate the 3.5% contractor's tax imposed on the total contract price or total payment received is: total contract before x 1.0362694 = total contract amount 3.5% tax. For example, if the total contract price is \$200,000, multiply it by 1.0362694 to find the amount of the total contract that includes the 3.5% contractor's tax. \$200,000 x 1.0362694 = \$207,253.88 = total amount of bid.



PRIME CONTRACTS < OR = \$10,000 OR RESIDENTIAL CONSTRUCTION

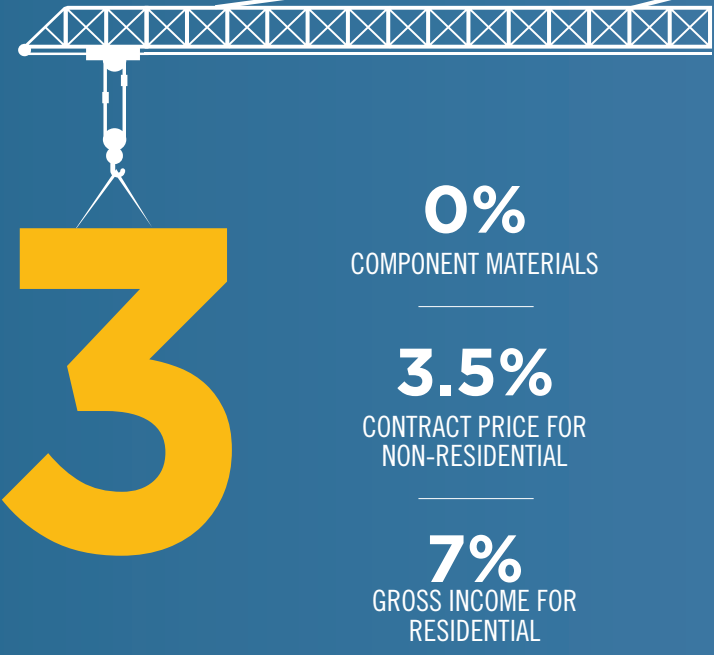
TAX RATES:

Sales and use tax on purchases of materials and services.

- Contract with owner to erect, add or repair building or structure.
- Contract with owner for painting, dry wall work, masonry, carpentry, etc.

Sales tax on gross income including labor; no sales or use tax on purchases of component materials and services.

- Contract with owner for plumbing, HVAC, excavating, landscaping, electrical, insulating, etc.
- Contract with owner for installed sales of roofing, tile, glass, carpet, awnings, floor coverings and similar.



SUB-CONTRACTS > \$10,000

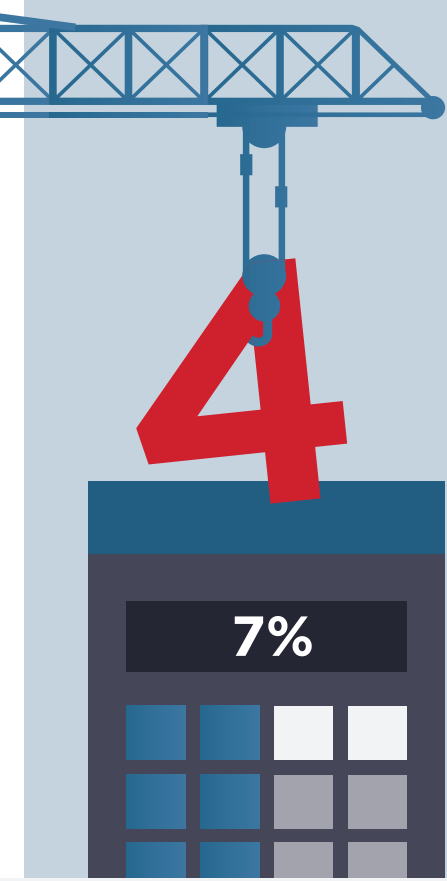
TAX RATES:

3.5% Contractor's tax on contract price for non-residential construction. 7% sales tax on gross income for residential construction. No sales or use tax on purchases of component materials and services.

- Sub-contract with unqualified prime contractor for plumbing, HVAC, excavating, landscaping, electrical, sheet metal work, insulating, etc.
- Sub-contract by dealer with unqualified prime contractor for installed sales of roofing, tile, glass, carpets, fences, awnings, floor coverings and similar.

3.5% contractor's tax on contract price for non-residential construction; no sales or use tax on purchases of materials. No sales tax on gross income for residential construction; 7% sales or use tax on purchases of component materials and services.

- Sub-contract with unqualified prime contractor for painting, dry wall work, masonry, carpentry, structural steel, etc.



SUB-CONTRACTS < OR = \$10,000

TAX RATES:

Sales tax on gross income. No sales or use tax on purchases of component materials and services.

- Sub-contract with unqualified prime contractor for plumbing, HVAC, excavating, landscaping, electrical, sheet metal work, insulating, etc.
- Sub-contract by dealer with unqualified prime contractor for installed sales of roofing, tile, glass, carpets, fences, awnings, floor coverings and similar personal property.

Sales tax on purchases of materials and services. No sales tax on gross income.

- Sub-contract with unqualified prime contractor for painting, dry wall work, masonry, carpentry, structural steel, etc.

SUB-CONTRACTS OF ANY AMOUNT

TAX RATES:

Use prime contractor's MPC. No sales tax on gross income. No sales or use tax on purchases of component materials and services. If the prime contractor can not or will not obtain a MPC, the subcontractor is deemed a prime contractor and is held responsible for obtaining their own MPC and paying the 3.5% contractor's tax on gross receipts.

- Sub-contract with qualified prime contractor for plumbing, HVAC, excavating, landscaping, electrical, sheet metal work, insulating, painting, concrete foundations, etc.
- Sub-contract by dealer with qualified prime contractor for installed sales of roofing, tile, glass, carpets, fences, awnings, floor coverings and similar.

HAVE QUESTIONS? HORNE CAN HELP.

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