

GOVERNOR MUSGROVE PROPOSES ELIMINATION OF STATE INVENTORY TAX

*Excerpt from Governor Musgroves Speech to the Mississippi Economic Council
May 21, 2003*

“Most new jobs in our state are created by small businesses – by the restaurant owner, by contractors and convenience stores and family-run operations. One of their largest hurdles is the inventory tax, a tax that places an unfair burden on businesses and discourages the creation of new jobs.

My plan to eliminate the inventory tax understands that. A significant part of any good economic plan must focus on the small business owner, on the entrepreneur, on the dreamer. They drive this economy. Their investments drive this economy.

Eliminating the inventory tax is virtually revenue neutral, when you factor in the expected boost to the economy from new investments.

There will be plenty of talk about how this is not the time to cut taxes, about how the state’s budget situation is too unstable to take action like this. In fact, some people are advocating a tax increase. I have been clear about my position regarding the budget, but let me explain again – we are dealing with difficult budget issues because of a national recession. And by setting priorities, we can continue to support our schools and provide services to our people without raising taxes.

I’m concerned about the budget, but I’m more concerned about creating jobs for our people, about helping someone get their business up and running, and about the family that’s trying to make ends meet and put food on their table.

That’s where my focus has been and will continue to be. The elimination of the inventory tax will create more jobs and more opportunities – and that’s good for all of us.”

GOVERNOR MUSGROVE'S PROPOSAL TO ELIMINATE MISSISSIPPI'S INVENTORY TAX

- **Creating Jobs:** By eliminating the inventory tax we can create more jobs, encourage more investment and we stimulate the economy.
- **Competing with Other States:** At least 45 other states have already eliminated the inventory tax, including Tennessee, Alabama and Louisiana.
- **Income Tax Credit:** Approximately \$5.5 million a year is taken as a tax credit against state corporate income taxes for the inventory tax. Large companies can take a tax credit against their corporate income tax. Many small businesses do not have a large income tax bill and therefore cannot take advantage of the credit.
- **Not a Uniform Tax:** Most county governments exempt inventory destined for out of state from the inventory tax.
- **No Impact on Local Governments:** The increase in corporate income tax from the elimination of the tax credit along with the increase in revenue from new investment and jobs would be redirected back to the local governments. Local governments would not see a loss in revenue from this proposal.