House Approves $6.9M Factory & Farm Tax Break

JEFF AMY,Associated Press

JACKSON, Miss. (AP) — Factory operators, farmers and fishermen could stop paying sales taxes on electricity and fuel, under a state House proposal.

Representatives passed House Bill 844 by a 75-43 vote Monday to exempt those groups from a 1.5 percent sales tax on fuel used in producing those industries' products. It now goes to the Senate for more debate.

The tax break would cost more than $6.9 million a year, under projections from the state Department of Revenue.

It's the latest in a series of tax breaks that Republicans have pushed since winning control of both houses of the Legislature in 2011. House members are likely to consider a $45 million-a-year tax break to exempt manufacturers from the state's franchise tax soon. Last year, lawmakers slashed the state's levy on business inventory, potentially savings businesses tens of millions of dollars over time.

Supporters of Monday's bill say many other states don't tax energy use in production. They say Mississippi would be more attractive for new factories without the tax.

"Ultimately the goal is to let Mississippi grow its tax base by drawing industry in," said Rep. Mark Formby, R-Picayune.

The bill was pushed by the Mississippi Manufacturers Association.

Executive Director Jay Moon said 37 other states already exempt energy sales from taxation. He said his association, which is one of the capitol's most effective lobbyists for tax breaks, is trying to wipe out Mississippi taxes that factories don't pay in other states.

Opponents say the state can't afford to surrender tax revenues when it's struggling to fund existing programs.

"It's largely a function that we've got a lot of other needs that should be provided for before moving forward with these tax breaks," said Ed Sivak of the Mississippi Economic Policy Center. His liberal-leaning group argues that what's holding Mississippi back is not high taxes but money-starved education and health care systems.

"Where we get hammered again and again is educational attainment and quality of life and those are things you need to prioritize," Sivak said.

Among firms likely to benefit the most from the bill are large electricity users such

as the Nissan Motor Co. plant in Canton, the OAO Severstal steel mill in Columbus and the DuPont Co. titanium dioxide plant in DeLisle. Electric utilities won a similar exemption on their fuel in 2003 and wouldn't be affected.

Formby agreed to an amendment exempting energy sales to farmers, which means soybean growers wouldn't have to pay tax on the electricity that runs their well pumps and chicken raisers wouldn't have to pay tax for the propane that heats their chicken houses on winter nights.

Democrats offered several unsuccessful amendments, including ones to exempt family-owned cars from gas taxes and exempt small businesses from the energy sales tax. They argued that if lawmakers were going to give tax breaks, they shouldn't just go to big businesses.

"If we're going to take care of the big boys, we need to take care of the little boys too," said Rep John Hines, D-Greenville, of his unsuccessful attempt to exempt small businesses.

Moon, though, argued that manufacturers deserve special treatment because their workers generally make higher wages and they have a larger economic impact on a community.

The general effect of the Democrats' amendments would have been to make the exemptions too large for the state to afford.

"This one would gut the bill," Formby said of an amendment to exempt family-owned cars from gas taxes offered by Rep. Cecil Brown, D-Jackson.

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