Legislature Eliminates Sales Tax on Energy Used on Farms, in Plants Starting July 1, 2014

Poultry farmers and poultry processors will not pay sales tax on electricity, propane, natural gas or other fuels for their houses or plants after July 1, 2014.

The House Saturday and the Senate Sunday, voted to send Gov. Phil Bryant a compromise version of House Bill 844, which delays the effective date of repeal for one year. The governor's staff is reviewing the bill, but indications are that he will sign it.

The compromise gets the reduction into state law now and avoids the problem of taking the estimated $7 million from the fiscal year 2014 budget, which begins July 1, 2013. The delay means the revenue reduction to the general fund will come in FY2015.

The 2014 effective date also means MPA and other groups that supported eliminating the sales tax on energy sales will have to be vigilant to prevent an attempt in the 2014 session to delay or repeal the change before it can go into effect. The only group that worked against the tax reduction was the Mississippi Municipal League over concerns about local revenue loss.

MPA members made their voices heard in support of the legislation this session through phone calls, emails and visits to the Capitol. With the continually increasing cost of energy, no longer having to pay an extra 1.5 percent on every gallon of propane or kilowatt of electricity can be a significant savings.

As you see your legislators back home, thank them eliminating the tax. MPA worked with the Miss. Farm Bureau Federation, the Miss. Manufacturers Association, and associations for forest products manufacturers and catfish processors to eliminate the tax. The change brings Mississippi in line with the majority of states that no longer tax energy used as input in production. The sales tax on residential utilities was repealed in 1979.

Legislators Finish Session Early

Legislators adjourned Thursday, three days early. The session was to end Sunday.


Lt. Gov. Tate Reeves said the Senate had "worked hard to ensure Mississippi stays on the road to economic recovery and continues to encourage the creation of better, higher-paying jobs."

Gunn said "We passed major education reform.... We also passed a conservative budget. The 2013 session was a huge success, and the people of Mississippi will reap the rewards."

"There is no doubt that Mississippi’s future depends upon the quality of education in our classrooms. I thank the Legislature for working with me to raise the bar for public education," Gov. Phil Bryant said.

Official statements by various state officials on the session are at www.mspoultry.org.
Lawmakers Craft FY2014 Budget without Medicaid

Most of the state agencies and university programs important to the poultry industry received increases in funding in the FY2014 budget of $5.75 billion that legislators adopted this week.

There is a hole in the budget with the second largest item - Medicaid at $840 million because the funding for it died as part of the ongoing dispute over whether to expand the Medicaid program as outlined in Obamacare. Public school funding is the largest share of the state budget at $2.3 billion.

The lack of both authorization for a Medicaid program and a budget to fund Medicaid means lawmakers will be returning in a special session sometime before the 2014 fiscal year starts on July 1.

The overall budget with the amount for Medicaid included is a 3.64 percent increase in state support over FY2013. State support includes general funds and certain special funds. Special funds are taxes, fees or other revenue carved out for a specific purpose.

Mississippi State University programs that serve the poultry industry fared very well at the hands of the Legislature for next year, receiving increases around 6 percent. Most state agencies that MPA members interact with received very minimal increases or small decreases. A table of budgets of interest is on pages 5-6.

The total in state support is $5.75 billion an increase of $202 million. One of the largest cost increases spread across all 108 state agency budgets is the employer share of retirement contributions. The retirement system increase was $55 million.

Other agency budgets include:
- $2.32 billion for the Department of Education, a $48 million increase over the current year.
- $2.06 billion funds the Mississippi Adequate Education Program formula.
- $246.9 million for Community and Junior Colleges, a $9.5 million increase.
- $713.9 million to the Institutions for Higher Learning, a $44 million increase.
- $72.8 million for the Department of Public Safety, a $3.4 million increase.
- $337 million for the Department of Corrections, a $26 million hike.

Some new programs funded include:
- A program to improve the reading skills of kindergarten through third-grade students.
- MCOPS grant program at the Mississippi Department of Education that would provide up to $10,000 per officer to pay for a certified law enforcement officer at a public school as proposed by Lt. Gov. Tate Reeves.
- Matching funds to local early childhood Pre-Kindergarten education programs through school districts, private and parochial schools, private childcare centers, and Head Start.

March Tax Revenue Continues Positive Growth

March revenue collections continued the trend of exceeding estimates, this time at $6.3 million or 1.3 percent above projections.

Through three quarters of the FY2013 fiscal year collections are $138.5 million or 4.3 percent more than the estimate made one year ago. Some taxes are above and some below the estimate, but the individual income tax is primarily driving the revenue growth. It stands at $96.5 million more than expected.
Tax Revenue Growth Continues in March...

Compared to the first nine months of FY2012, collections are $113.7 million or 3.5 percent stronger, with individual income tax bringing in $90.9 million. Sales tax, the state budget's largest source of revenue, is up 2.4 percent versus 9.9 percent for individual income tax.

The strong revenue growth was the reason the Joint Legislative Budget Committee voted to increase the revenue estimate for FY2014 beginning July 1. The Committee did not raise the revenue estimate for the current fiscal year.

House Appropriations Committee Chairman Herb Frierson released a list showing how the $95.6 million increase in revenue for FY2014 approved by the Legislative Budget Committee worked into the state agency budgets: K-12, $23.7 million; universities, $15.1 million; Corrections, $21.7 million; Human Services, $17.1 million; Mental Health, $10.0 million; Rehab Services, $5.4 million; and other $ 2.6 million.

$200 Million Bond Bill Includes MSU Projects

Lawmakers agreed this year to issue $199 million in new bonds and take another $220 million never issued, off the the books. They also used $35 million in general funds rather than issue debt for some repairs and technology upgrades.

In 2012, the state did not issue any new bonds when the House and Senate could not agree on an amount because the Senate wanted to issue far less new debt than the House. So there were no bonds for construction projects at universities, community colleges, and economic development and tourism projects.

The 2013 bond bill has $96.5 million for the eight state universities, including $17.5 million for Mississippi State University. The MSU projects include:

- YMCA building and related facilities............ $ 9,800,000
- Preplanning for repair, renovation and expansion of and additions to Mitchell Memorial Library.............$ 200,000.
- Division of Agriculture, Forestry and Veterinary Medicine for construction, furnishing and equipping of the Animal Life Sciences Initiative at the Leveck Animal Research Center.........$7,500,000.
- The 15 community colleges will split $25 million. Other projects and amount of bonds to be issued include:
  - The Mississippi Railroad Improvement Fund .......$2,500,000.
  - Highway 25 improvements.....$4,400,000.
  - Port of Pascagoula..... $10,000,000.
  - Various programs at the Miss. Development Authority including:
    - Miss. Business Investment Act $10,000,000.
    - ACE fund for industry recruitment..... $10,000,000
    - Workforce Training Grant Fund..... $4,000,000.
    - Rural Impact Fund and the Small Municipalities/Limited Population Counties Fund .....$6,700,000.
    - Jobs Protection Fund ....$3,000,000.

The bill includes money for various museums, parks, local roads and public schools, and $1 million for repair and renovation of the new Capitol.

The state will also pay off $240 million in bonds issued earlier, so there will be a net reduction in debt.
Update on MPA 2013 Legislative Issues

The Mississippi Poultry Association had a successful legislative session, accomplishing a number of goals that will benefit growers and processors. Below are updates on priorities.

Emerging Crops Loan Program Caps Permanent – Signed into Law. MPA worked to make the $400,000 lifetime cap on loans permanent.

Ensure Consistent Statewide Food Regulation - Signed into Law. MPA pushed the bill making it clear that regulations over the marketing of food would be set by the Legislature, so there would not be a patchwork of local rules restricting or putting local mandates on food or food establishments.

Immigration – No Legislation Passed. The only immigration bill to make it out of committee died on the House floor without a vote. MPA told Mississippi legislators immigration was a federal issue and now the U.S. Congress appears to be working on a solution.

Trucking Contracts – No Legislation Introduceted. MPA opposed this in 2012.

Property Owner Protection – No Legislation Passed. Bills to protect landowners from civil lawsuits by an injured trespasser, and limit lawsuits against business owners for actions where one customer injures another who then sues the owner did not make it through the process.

Farm-to-School Interagency Council – Signed into Law. MPA worked to pass the legislation creating the council which will work to get more Mississippi agricultural products in schools and other institutions. MPA has a position on the Council.

MSU Appropriations – Significant Increases. MSU programs that serve the poultry industry, such as the Department of Poultry Science, the College of Veterinary Medicine, and Cooperative Extension got 6 percent increases in addition to bonds for constructions projects.

Workers Compensation – No Legislation. MPA opposed all legislation.
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<tr>
<th>Agency</th>
<th>Final Action for FY2014 Budget</th>
<th>Percentage Increase for 2014 in State Support (general funds and certain special funds)</th>
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<tr>
<td>Institutions of Higher Learning SB2851</td>
<td>$322.72 million general funds $680.61 million special funds</td>
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<tr>
<td>MSU Miss. Agricultural &amp; Forestry Experiment Station SB2856</td>
<td>$21.48 million $8.20 million sf</td>
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<td>MSU Cooperative Extension SB2857</td>
<td>$28.16 million $14.38 million sf</td>
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<td>MSU College of Veterinary Medicine SB2859</td>
<td>$16.74 million $15.67 million sf</td>
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<td>MSU Forestry &amp; Wildlife Research Center SB2858</td>
<td>$5.47 million $1.14 million sf</td>
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<td>Alcorn State University Agricultural programs SB2855</td>
<td>$5.80 million $19,322 sf</td>
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<td>Community &amp; Junior College Support SB2861</td>
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<td>Department of Agriculture &amp; Commerce SB2890</td>
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<td>Egg Marketing Board SB2891</td>
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<tr>
<td>Board of Animal Health SB2892</td>
<td>$1.22 million $693,804 sf</td>
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Legislature Focuses on Oil & Gas, Tourism, Corporate Research in Tax Changes

The Legislature made a number of changes to the tax laws this session in addition to the MPA-supported elimination of the sales tax on energy used by manufacturers and farmers. The Mississippi Department of Revenue reported to lawmakers on the tax changes and their fiscal impact. Here are highlights of that report.

Legislation with a known impact:

- $5 million research income tax credit. Allows companies that fund research at universities to receive the credit of up to 25 percent of the expense. It is capped at $1 million per taxpayer and $5 million per year in total.

- $20 million for expanded incentives for making movies in Mississippi. Was amended to include video or computer games. Caps rebate at $10 million per project.

- $6.1 million for various tourism incentives, including:
  - $6.1 million cost of rebate of sales taxes to developers of a retail project who include cultural or historical attractions.
  - Increases the length of time that a business can receive a tourism project sales tax incentive from 10 to 15 years. Amount from the general fund is capped at $405,000 annually.

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<tr>
<td>Miss. Development Authority SB2875</td>
<td>$21.54 million $481.82 million sf</td>
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<td>Miss. Forestry Commission HB1654</td>
<td>$17.85 million $11.99 million sf</td>
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<td>Soil &amp; Water Conservation Commission SB1656</td>
<td>$779,349 $3,434,898 million sf</td>
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<td>DEQ HB1670</td>
<td>$10.23 million $248.47 million sf</td>
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<td>Port of Gulfport HB1664</td>
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Tax Changes continued...

- $300,000 loss to the state and $1 million loss to cities for businesses collecting local sales taxes at restaurants and motels.
- Incentives to encourage oil and gas exploration:
  - Reducing the sales tax from 7 percent to 1.5 percent on electricity, natural gas or other fuel used in pumping carbon dioxide underground to improve oil recovery. Unknown fiscal impact.
  - Reducing the severance tax from 6 percent to 1.3 percent on horizontally drilled wells for 30 months and allowing counties to retain 100 percent of the revenue. Unknown fiscal impact.

Other tax changes in which the reduction to the general fund and the savings to the taxpayer is unknown include:
- Lowering from 30 to 20 the number of jobs to receives an income tax credit and sales tax exemption for moving a national or regional headquarters to Mississippi.
- Including scrap metal dealers as manufacturers in the sales tax law.
- Expanding health care zones which exempts new construction from sales taxes on construction costs and new equipment and machinery. Also exempts property taxes and allows a fee-in-lieu of taxes.
- Exempting honey bees as an agricultural product from sales tax.
- Exempting school fundraiser sales from the sales tax.
- Exempting durable medical equipment from the sales tax.
- Exempting home medical supplies from the sales tax.
- Exempting sales to Miss. Blood Services from the sales tax.
- Giving an income tax credit for broadband installation. The state already exempts the equipment from sales tax.

The DOR estimates no loss to the general fund for:
- The exemption on aviation fuel taxes for airlines that add a new flight or a new carrier in Mississippi.

Senate Creates Transportation Financing Study Committee

Senators, state agencies and associations will study highway financing this summer. Senate Resolution 7 passed Thursday creates a 19-member study committee to report in January 2014.

Highways and Transportation Committee Chairman Willie Simmons of Cleveland, earlier filed a resolution to create a joint Senate and House study committee to "study revenue and expenditures necessary to develop and maintain an adequate highway transportation system in Mississippi." The House did not pass the resolution, so Simmons reintroduced the resolution calling for only a Senate Committee.

In addition to Simmons and chairmen of the Senate Finance, County Affairs and Economic Development committees, the study group includes the Miss. Economic Council, the Mississippi Farm Bureau Federation, the Miss. Manufacturers Association, and the Miss. Trucking Association.