

# MISSISSIPPI

## SKILLS TRAINING TAX CREDIT PROGRAM

**Application Procedures for Obtaining  
Training Tax Credit  
Through SB 2710  
Effective Date July 1, 2004**

**[community/junior college logo]**

**[address & contact information]**

**TRAINING MUST BE PRE-APPROVED 2 WEEKS PRIOR TO STARTING DATE**

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## **ELIGIBLE EMPLOYERS**

(Permanent business enterprises as defined and set forth in Section 57-73-21 (2), (3), (4) and (5) of MS Code)

An income tax credit is available equal to the expense of providing skills training to Mississippi employees for the following permanent business enterprises:

- ❖ manufacturers
- ❖ processors
- ❖ distributors
- ❖ wholesalers
- ❖ research and development
- ❖ warehouses

The following types of businesses require a designation from MDA prior to taking the Skills Training Tax Credit:

- ❖ air transportation and maintenance facilities
- ❖ movie industry studios
- ❖ telecommunications enterprises
- ❖ final destination or resort hotels with more than 150 guests rooms
- ❖ data or information processing
- ❖ computer software developers
- ❖ any technology intensive facility
- ❖ recreational facilities that impact tourism

**EXCEPTION:** No business for the transportation, handling, storage, processing or disposal of hazardous waste is eligible to receive this credit.

## **WHAT IS THE SKILLS TRAINING TAX CREDIT?**

The Skill Training Income Tax Credit is an incentive for eligible businesses to offer training to their Mississippi employees. The credit is comprised of the expenses the business incurs in that training. The training does not have to be held on the community or junior college campus to qualify for the credit. For expenses to qualify for the Skills Training Credit, the training program must be offered by, or be approved by, the community or junior college in the district where the employer is located. The training offered must enhance skills that must be related to the job that the employee is performing, or improves job performance or is related to a career path this is anticipated for the employee. If the employer provides pre-employment training, the portion of the pre-employment training that involves skills training may be eligible. Life enrichment type training will not qualify.

Training that is not specifically related to the employees job, but is required by a government entity may be used in computing the credit to the extent it is required by the government entity. Training in excess of the requirements may be included in the expenses used to calculate the credit. For example – if OSHA requires a certain number of employees to be certified for CPR, then the training for those employees may be included, but training for any employees in excess of the required number may not be included.

## **TRAINING LIMITATIONS**

1. The expenses that qualify for this credit include expenses relating to instructors, instructional materials and equipment, and the construction and maintenance of facilities by an employer designated for training purposes. The eligible amounts are those that are

deductible in the employer's Mississippi income tax return. In this circumstance, maintenance means repairs to the physical facility, not janitorial, landscaping, electricity, water and other similar expenses. Eligible amounts also include expenses associated with the training including travel, accommodations, rental of facilities, cost of copies, etc. The total amount of training expenses that make up the credit amount cannot exceed \$2,500 per Mississippi employee during any one year.

2. Tuition reimbursement programs will qualify as long as they are related to the employee's job and there is an agreement between the employer and employee that the employee must work for the employer for a reasonable period of time after the tuition reimbursement program has been completed so that the training may be utilized. The expenses that qualify are net of any reimbursement or paybacks to the employer. If an employee begins a program and is terminated for cause by the employer, the employer does not have to recapture the amount previously taken as a credit, unless the employee has to repay the employer. If so, then the employer has to recapture those amounts.
3. If the business has both Mississippi employees and employees whose post of duty is outside of Mississippi in an approved training program, the training expenses that qualify for the credit would have to be pro-rated.
4. The Skills Training Tax Credit can be used in combination with any other credit. The credit is allowed up to 50% of the income tax liability attributable to the income derived from the operations in Mississippi for that year. The credit is not refundable. It can only be used against the income tax liability. Any excess credit amount can be carried forward for up to 5 years from the original year in which the excess credit could not be used. It is more advantageous to use the oldest year's unexpired credit first. The expenses cannot be used both as a tax credit and as a balance sheet deduction. If any part of the training expenses is taken as a credit and as an expense deduction, then the amount of the credit taken must be added back to Mississippi taxable income in the year the credit is used.
5. Only the business or corporation that actually incurred the expenses qualifying for the credit can receive the credit. Credit received by a partnership, LLC or an S-Corporation may be passed through to offset tax due from the activity that created the credit. The credit is subject to the same limitations that the pass through entity would have had. The tax due on salaries or wages paid by an S-Corporation, and guaranteed payments to partners by a partnership, cannot be offset by the credit.
6. The sale, merger, acquisition, reorganization, bankruptcy or relocation from one county to another county within Mississippi of any business may not create new eligibility in the current or any succeeding business entity, but any unused credit may be transferred and continued by any transferee of the business. A letter detailing the facts surrounding such an occurrence and requesting a ruling on the eligibility of any credits must be presented to the MSTC to determine whether qualifying net increases have occurred or proper transfers of credit have been made. The MSTC may require additional information as needed for substantiation and qualification.
7. Expenses associated with training that has been or is planned to be reimbursed through state or federal training initiatives are not eligible for tax credit.

## NECESSARY STEPS FOR OBTAINING SKILLS TAX CREDIT

1. Discuss the training needs of your company with the local community/junior college representative and initiate an application (attached). **Note: training plans/application for tax credit must be agreed on by the industry and the local community/junior college two weeks prior to implementation of the training.**
2. Complete the evaluation and certification section of the application:
  - The employer signs, indicating the information provided is accurate and conforms to the requirements shown in i. and ii. below
  - The local community/junior college representative signs, indicating the information provided is accurate and conforms to the requirements shown in i. and ii. below
    - i. Evaluation of training - the training is job related and conforms to the definition of “skills training”: skills that improve job performance. Note: if the employer provides pre-employment training, the portion of the pre-employment training that involves skills training shall be eligible for the credit.
    - ii. Certification of eligibility – The employer is eligible (see “Eligible Employers”). When a permanent business enterprise is not clearly engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development, contact the Mississippi Development Authority (**phone number TBD**) to verify that the designation is one of the additional cases noted in “Eligible Employers”.
3. During the period that the training is being conducted, representative(s) from the local community/junior college may monitor the training at the training site.
4. Submit final enrollment report (attached) to the local community/junior college within two (2) weeks after completion of the training (or as approved by the local college), along with the fully completed application.
5. Upon final evaluation/approval by the local community/junior college, the approved application and attachments will be sent to the SBCJC. The SBCJC will sign and send copies to the company, the local community/junior college and the State Tax Commission, certifying the training was eligible for tax credit. In addition, the SBCJC, will gather the needed data to make a report to the Legislature by January 30 of each year summarizing the number of participants, the junior or community college through which the training was offered, and the type training offered
6. When filing the state income/franchise tax return claiming the credit, please attach:
  - a. a copy of the certification and evaluation of the training program from the local community or junior college;
  - b. the enrollment report or other schedule of the names and Social Security Number of the attendees;

- a financial summary of the expenses that created the credit;
- a schedule showing a year by year calculation, including the current year, of all the types of credits taken and any credit carry-forward.

## **QUESTIONS & ANSWERS**

### **1. Who should I contact to obtain information about the State Training Tax Credit?**

*A representative from the Workforce Development Center at your local community/junior college. They will be knowledgeable about the law and have the required paperwork to apply for tax credit certification.*

### **2. Can I utilize any community college to obtain tax credit approval?**

*No. Each company must apply with the community/junior college district where its plant is located.*

### **3. If I have four plants in the state and they are all in different districts must I file four requests?**

*Yes. This is necessary in order for the training to be properly evaluated.*

### **4. Who makes the final decision that the training meets the set criteria?**

*The local college verifies that the training program is in compliance with SB2710. The company is responsible for filing the appropriate paperwork including a copy of their tax credit approval letter to the Tax Commission when they file their state tax return. The Tax Commission has final authority on approval of allowable cost and may review and audit all transactions.*

### **5. How do I claim the credit?**

*Before credit can be claimed, the training program of the business must be certified by the local community or junior college. If you wish to determine what type of expenses qualify for the Skills Training Credit, please submit the items for a review of the information and a response will be returned explaining which expenses qualify and which do not.*

### **6. Who determines the provider of services for skills training?**

*The company does but if they want to receive tax credit, they must receive prior approval of their training plan by the certifying college.*

### **7. Are wages of employees eligible for tax credit?**

*No*



**APPLICATION FOR SKILLS TRAINING TAX CREDIT**

PAGE 2

**BUDGET SUMMARY**

- |    |  |          |
|----|--|----------|
| 1. | Instructor Costs *   | \$ _____ |
| 2. | Instructional Materials & Equipment*   | \$ _____ |
| 3. | Construction & Maintenance of Facilities<br>Designated for Training Purposes * | \$ _____ |
| 4. | Tuition Reimbursement *  | \$ _____ |
| 5. | Total Cost of Training Project *   | \$ _____ |

**NOTE:** Financial documentation must be attached to justify the actual expenditures in each of these categories. The amount entered should reflect the TOTAL of the training expenditures not just the amount eligible for tax credit.

**TAX CREDITS ARE NOT ALLOWED ON ANY WAGES  
FOR EMPLOYEES DURING TRAINING**

# **APPLICATION FOR SKILLS TRAINING TAX CREDIT**

PAGE 3

## **ADDITIONAL INFORMATION**

In addition to pages 1 and 2 of the application, the following questions must be answered:

- A. What is the need for the training?
- B. Describe the training to be accomplished and describe how the training will enhance skills and is related to the job that the employee is performing, or improves job performance or is related to a career path this is anticipated for the employee.
- C. Identify the instructors conducting the training and list their qualifications.
- D. Where will the training program be located?
- E. Please describe the curriculum for the training program, or attach a copy.

On a separate page, type the questions and the appropriate answers to A through E and submit attached to pages one and two of the application to complete the application process. \*



**§ 57-73-25. Tax credit for employer providing basic skills training or retraining programs [Repealed effective July 1, 2006].**

(1) A fifty percent (50%) income tax credit shall be granted to any employer (as defined in subsection (4) of this section) sponsoring skills training. The fifty percent (50%) credit shall be granted to employers that participate in employer-sponsored training programs through any community/junior college in the district within which the employer is located or training approved by such community/junior college. The credit is applied to qualified training expenses, which are expenses related to instructors, instructional materials and equipment, and the construction and maintenance of facilities by such employer designated for training purposes which is attributable to training provided through such community/junior college or training approved by such community/junior college. The credits allowed under this section shall only be used by the actual employer qualifying for the credits. The credit shall not exceed fifty percent (50%) of the income tax liability in a tax year and may be carried forward for the five (5) successive years if the amount allowable as credit exceeds the income tax liability in a tax year; however, thereafter, if the amount allowable as a credit exceeds the tax liability, the amount of excess shall not be refundable or carried forward to any other taxable year. The credit authorized under this section shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00) per employee during any one (1) year. Nothing in this section shall be interpreted in any manner as to prevent the continuing operation of state-supported university programs.

(2) Employer-sponsored training shall include an evaluation by the local community or junior college that serves the employer to ensure that the training provided is job related and conforms to the definition of "skills training" as hereinafter defined.

(3) Employers shall be certified as eligible for the tax credit by the local community or junior college that serves the employer and the State Tax Commission.

(4) For the purposes of this section:

(a) "Skills training" means any employer-sponsored training by an appropriate community/junior college or training approved by such community/junior college that enhances skills that improve job performance. If the employer provides pre-employment training, the portion of the pre-employment training that involves skills training shall be eligible for the credit.

(b) "Employer-sponsored training" means training provided by the appropriate community/junior college in the district within which the employer is located or training approved by such community/junior college.

(c) "Employer" means those permanent business enterprises as defined and set out in [Section 57-73-21\(2\)](#), (3), (4) and (5).

(5) The tax credits provided for in this section shall be in addition to all other tax credits heretofore granted by the laws of the state.

(6) A community/junior college may commit to provide employer-sponsored skills training programs for an employer for a multiple number of years, not to exceed five (5) years.

(7) The State Board for Community and Junior Colleges shall make a report to the Legislature by January 30 of each year summarizing the number of participants, the junior or community college through which the training was offered and the type training offered.

(8) This section shall stand repealed from and after July 1, 2006.

**Sources:** Laws, 1989, ch. 524, § 13; Laws, 1990, ch. 502, § 10; Laws, 1992, ch. 567, § 1; Laws, 1993, ch. 602, § 15; Laws, 1994, ch. 436, § 1; Laws, 1995, ch. 527, § 3; Laws, 2000, ch. 382, § 1; Laws, 2000, 2nd Ex Sess, ch. 1, § 41; reenacted and amended, Laws, 2002, ch. 382, § 1; Laws, 2004, ch. 513, § 1, eff from and after July 1, 2004.