



The Mississippi Economic Policy Center (MEPC) appreciates the opportunity to provide public comment on the draft of the Tax Study Commission (TSC) report. MEPC also appreciates the TSC and its staff for the level of transparency offered throughout the process. Overall, the report provides multiple recommendations to improve the revenue system for working Mississippians. However, two concerns exist regarding the content of the report:

1. There are no estimates on expected revenue lost or gained as a result of each recommendation
2. There are no estimates on who will pay more or less as a result of each recommendation.

In the absence of revenue estimates and a distributional analysis of who will pay more or less, TSC members and policy makers do not have all of the information necessary to make fully informed decisions on a package that is revenue neutral. Particular comments on policy options to create opportunities for working families are listed throughout the paper.

### **Guiding Principles for Comments**

Underlying MEPC's analysis of the TSC report includes three principles for a revenue system that creates opportunities for working families. The three principles include:

- Generating Adequate Revenue to Pay for State Services;
- Creating Economic Opportunities to Make Work Pay;
- A System that is Accountable to Taxpayers.

The comments are structured around the principles and include strengths and MEPC recommendations to address remaining challenges with the report through the lens of opportunity for working families. The comments are not intended to be exhaustive and do not include comments on all recommendations. More detailed analysis will be available after further review.

### **Comments**

#### Generating Adequate Revenue to Pay for State Services

A tax system that generates adequate revenue is critical to maintaining vital state services like roads and public safety that Mississippians rely on every day. A system that generates adequate revenue allows the state to invest in education, workforce development and infrastructure – all critical to the economic development of Mississippi. Adequate revenue systems adapt to keep up with changes to the economy.

#### *Strengths – Adequacy*

- The recommendation to broaden the base of the sales tax and to remove selected exemptions will allow the sales tax to grow with changes in the economy
- The recommendation to raise the cigarette tax to \$0.50 will result in net revenue for the state;

- The motion picture and other selected incentive rollbacks will reduce revenue loss and generate efficiencies
- The long term recommendation to consider combined reporting could generate revenue while keeping pace with trends in state tax policy as other states adopt this recommendation
- The long term recommendation to participate in the Streamline Sales Tax Project could create opportunities to collect use taxes on sales occurring outside the state through catalogs and the internet

#### *MEPC Recommendations – Adequacy*

- The final report should provide estimates of the impact of recommendations, individually and in total, on state revenue to provide policy makers and the public with the tools to make informed decisions when evaluating recommendations for a revenue neutral proposal
- The Tax Foundation cites that MS corporate income tax is 8th most favorable in the country. Given the high ranking, the corporate income tax should be left unchanged
- The long term recommendation to eliminate the income tax could significantly impact the adequacy of revenue collections and would make the tax system significantly less balanced and should therefore not be implemented

#### Creating Economic Opportunities to Make Work Pay

Mississippi's state tax system should be balanced and provide economic opportunities for working families. Tax reform that makes work pay does not shift the tax burden disproportionately onto working families.

#### *Strengths – Making Work Pay*

- The recommendation to increase standard exemptions and deductions will provide an income tax cut to many Mississippi taxpayers and will help working families – especially working families with below poverty level wages
- The recommendation to maintain opposition to a state lottery is good tax policy for working families in that a lottery is one of the most regressive forms of taxation

#### *MEPC Recommendations – Making Work Pay*

- The report should include provisions to reduce the sales tax on groceries and to implement a state Earned Income Tax Credit to further strengthen report listed options for working families.

#### A Tax System Accountable to Taxpayers

By generating reliable information on the costs and benefits of each tax and tax expenditure, Mississippi would strengthen its ability to hold itself accountable and provide information for policy makers to make informed tax policy decisions

#### *Strengths – Accountability*

- The recommendation to upgrade information systems at the tax commission is much needed.
- The recommendation to routinely review the utility of corporate tax credits and incentives is a good step toward providing more accountability to the taxpayers

#### *MEPC Recommendations – Accountability*

- Additional capacity to provide tax incidence analysis should be included in the upgrades. Tax incidence analysis provides information on the effects of the current tax system as well as who would pay more or less as a result of a tax proposal.

- The recommendation to make Advantage Jobs Program discretionary provides an opportunity to include reporting requirements such as a public listing of companies that receive benefit, the number of jobs created / assisted from the program and the county where the jobs were created.
- The routine reviews of corporate incentives should include public reporting of performance data for each incentive. For example, a review of the Jobs Tax Credit should include information on the number of businesses assisted and number of jobs created through the credit, by county.