

MISSISSIPPI MUNICIPAL REVENUE SHARE PLAN

Less Than a Penny for the City. Not One Penny More for Taxpayers.

The city share of the existing 7-cent rate would increase by 0.805 cents over six years. The taxpayer rate remains 7 cents, and the list of taxable purchases does not change.

Presented by	Mississippi Municipal Revenue Partnership
Committee	House Bill 898 Sales Tax Diversion Study Committee
Proposal	Verify allocations, phase the city share, expand MIMA flexibility, include a built-in State fiscal safeguard
Prepared	August 16, 2026

The proposal in plain numbers

Over six years, the city share would increase by 0.805 cents within the existing 7-cent rate, from 1.295 cents to 2.100 cents on covered sales. Taxpayers would continue paying the same 7-cent rate, and the list of taxable purchases would remain unchanged.

Why we are doing this

Mississippi cities provide the police and fire protection, streets, drainage, utilities, permitting, code enforcement, parks, and public spaces that residents, businesses, and visitors rely on. Those services make commerce possible every day.

Under Mississippi law, a municipality receives 1.295 cents from a typical 7-cent taxable sales dollar. Nearby Alabama and Louisiana cities operate under published local sales-tax rates above that amount. The result is a structural funding handicap for Mississippi cities providing comparable local services.

The Partnership asks the Legislature to verify current allocations and phase the ordinary municipal share from 18.5 percent to 30 percent of the existing 7-cent rate over six years. That endpoint equals 2.100 cents for the city. The taxpayer rate remains 7 cents.

The public promise

Not one penny more for taxpayers. The rate remains 7 cents. The list of taxable purchases does not change. Every municipality's existing statutory share remains in place. The change is phased over six years with a pause if State collections decline.

1. The structural handicap

The comparison places Gulfport's statutory municipal distribution beside published local sales-tax rates for selected neighboring cities and applies each figure to \$10 million in comparable taxable sales. It illustrates the broader recurring local revenue tools available across the state line. The calculated neighboring amounts are not presented as receipts of the named city governments.

Location	Figure used for comparison	Cents per \$1	Tax generated on \$10M
Gulfport, Mississippi	Municipal share of State's 7-cent tax	1.295 cents	\$129,500
Slidell, Louisiana	Published local rate	2.380 cents	\$238,000
Gulf Shores, Alabama	Published local rate	3.000 cents	\$300,000
Mobile, Alabama	Published local rate	5.000 cents	\$500,000

Gulfport's figure is the statutory amount distributed to the municipality from Mississippi's existing 7-cent rate. The Slidell, Gulf Shores, and Mobile figures are published local sales-tax rates within those city limits. The \$10 million calculation illustrates the tax generated at each cited rate. It is not an estimate of any city's actual collections because taxable bases, exemptions, collection rules, deductions, and sales mix vary.

What the comparison shows

This is a comparison of municipal revenue structures, not actual city collections. Gulfport's figure is its statutory municipal distribution. The neighboring figures are published local sales-tax rates within the named cities. The \$10 million calculation illustrates the difference in the revenue tools available under each system.

Verify the allocation of online and remote sales

State rules determine how online and remote sales are distributed. House Bill 898 should verify municipal coding, assignments, corrections, and reporting so every municipality receives exactly what current law provides.

2. One complete package

- Verify existing allocations before the first scheduled increase.
- Phase the ordinary municipal share from 18.5 percent to 30 percent of the existing 7-cent rate, equal to an increase from 1.295 cents to 2.100 cents for the city.
- Pair the grocery share at 42 percent of the existing 5-cent grocery rate so cities receive the same 2.100 cents per covered dollar.
- Expand the lawful uses of municipal use-tax distributions for every city and town.
- Pause the next scheduled step if adjusted State General Fund collections decline, while preserving every completed step.

Step Zero: verify current allocations

Before the first increase, the Department of Revenue and the HB 898 study committee should establish a uniform allocation-verification process. This changes no tax rate and no statutory share. It makes the current system more accurate and easier for cities to verify.

- Review business addresses, municipal location coding, the municipality to which each sale is assigned, consolidator accounts, and material classification exceptions.
- Use at least a 36-month review period, with a longer period where law and records permit, and document how confirmed errors will be corrected.
- Create a municipal inquiry process with named contacts, required information, response deadlines, and written decisions.
- Provide each municipality a secure monthly statement showing attributed collections, deductions, corrections, reconciliations, and the net distribution.
- Publish statewide control totals and review allocation controls without disclosing confidential taxpayer information.

3. The six-year schedule

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Each annual step changes only the city's share within the existing 7-cent rate. The first five steps increase the city share by 0.140 cents, and the final step increases it by 0.105 cents. The full six-year increase in the city share is 0.805 cents. Taxpayers continue paying the same 7-cent rate.

Stage	Regular city share	City amount within existing rate	Grocery city share	Remainder from 7 cents
Current	18.5%	1.295 cents	25.9%	5.705 cents
Year 1	20.5%	1.435 cents	28.7%	5.565 cents
Year 2	22.5%	1.575 cents	31.5%	5.425 cents
Year 3	24.5%	1.715 cents	34.3%	5.285 cents
Year 4	26.5%	1.855 cents	37.1%	5.145 cents
Year 5	28.5%	1.995 cents	39.9%	5.005 cents
Year 6	30.0%	2.100 cents	42.0%	4.900 cents

The final column is the remainder for the State and other statutory allocations. The grocery percentage produces the same 2.100-cent city amount at the 5 percent grocery rate.

The revenue pause

If actual adjusted General Fund collections decline from the prior year, the next uncompleted step pauses. Completed steps remain in law. The schedule resumes when collections return to growth. The Department of Revenue and Legislative Budget Office should publish the official cost estimate for the exact sales covered before enactment and before each step.

Covered sales means sales governed by the ordinary city-share formula. Sales treated separately under current law remain separate unless the Legislature expressly changes them.

4. A package for every Mississippi city and town

Every municipality keeps its existing statutory percentage and receives each scheduled increase in that share on covered sales. No city or town gives up any part of its current statutory share.

The Mississippi Infrastructure Modernization Act, commonly called MIMA, is separate. It distributes a share of online-sales revenue to municipalities under its existing formula. The proposal does not reduce or redivide that distribution. It expands specified lawful uses for every municipality while salaries, wages, payroll costs, employee benefits, and unrelated administration remain ineligible.

- Add police and fire facilities, vehicles, apparatus, emergency communications, radio systems, cybersecurity, technology, and related debt service to eligible uses.
- Allow no more than 25 percent of a municipality's annual distribution for documented non-personnel maintenance and operating costs of eligible assets, approved in a public meeting.
- Salaries, wages, payroll costs, employee benefits, and unrelated administration remain ineligible.

The Legislature followed this incremental approach in House Bill 1386, enacted as Chapter 377 and effective July 1, 2026, when it added sidewalks to eligible municipal uses.

5. Why the timing matters

Police, fire, streets, drainage, maintenance, technology, utilities, and other city services require recurring revenue. Scheduled PERS employer-rate increases are one measurable example of growing recurring costs.

Effective date	Municipal employer rate	Change
July 1, 2026	18.90%	Current step
July 1, 2027	19.40%	+0.50 point
July 1, 2028	19.90%	+0.50 point

6. The State fiscal safeguard

The Legislature should use official Department of Revenue and Legislative Budget Office estimates to measure each annual step. The proposal is phased over six years. If adjusted General Fund collections decline from the prior year, the next uncompleted step pauses until collections return to growth. Every completed step remains in place.

Existing public financial oversight

Municipal budgets are adopted in public meetings. Municipal expenditures are public records. Municipal finances are audited each year, and those audits are public. The proposal relies on those existing requirements. New reporting should focus on the State allocation process so cities can verify how sales are assigned, corrected, reconciled, and distributed.

7. Straight answers

Does this proposal raise taxes?

No. Taxpayers pay not one penny more. The rate remains 7 cents, and the list of taxable purchases does not change. The proposal increases the city share within that existing rate by 0.805 cents over six years.

Why is the proposed municipal share 30 percent of the existing 7-cent rate?

It equals 2.100 cents for the city from each covered sales dollar. That is a 0.805-cent increase in the city share within the existing 7-cent taxpayer rate.

Does every municipality benefit?

Yes. Every municipality keeps its existing statutory percentage and receives each scheduled increase in that share on covered sales. The proposal also expands the lawful uses of MIMA distributions for every city and town.

Does this proposal affect property taxes?

No. Property taxes are a separate local decision and are outside this proposal. Cities are asking for a larger statutory share within the existing 7-cent sales-tax rate, with no change in what taxpayers pay.

Did the State already help through infrastructure programs?

Yes. The Legislature's infrastructure programs are valuable and deserve credit. Those programs fund eligible capital projects, loans, or named improvements, but they cannot pay municipal salaries or recurring personnel costs. Cities still need dependable recurring revenue to staff, operate, and maintain public services.

Does this proposal include a new local sales tax?

No. The Partnership is proposing no new local tax. Any local-tax proposal would require separate public consideration of its rate, taxable purchases, approval process, offsets, and taxpayer impact.

8. Requested HB 898 recommendation

Committee action

Recommend one 2027 bill containing allocation verification, a six-year schedule increasing the municipal share from 18.5 percent to 30 percent of the existing 7-cent rate, paired grocery treatment, a built-in fiscal pause, expanded lawful uses of municipal use-tax distributions, and official Department of Revenue and Legislative Budget Office estimates.

The Legislature began this work through House Bill 898. The next step is to verify the current system, increase the city share gradually, expand the usefulness of municipal use-tax revenue, and include a built-in State fiscal safeguard.

Public contact

Mississippi Municipal Revenue Partnership | msrevenuepartnership.org
A voluntary, nonfinancial partnership of Mississippi cities and towns.

Official sources

Figures are rounded. The cited materials use different measures and should be read in their stated context.

1. [Mississippi Code Section 27-65-75](#). Current municipal sales-tax distribution law and separately treated categories.
2. [Mississippi Department of Revenue, Diversions to Cities](#). Official monthly municipal distribution reports.
3. [House Bill 898, 2026](#). Sales Tax Diversion Study Committee and allocation review.
4. [Alabama Department of Revenue, Sales and Use Tax Rates](#). Official Alabama municipal rate materials.
5. [City of Gulf Shores, Sales Tax](#). Official published local rate for Gulf Shores.
6. [Louisiana Association of Tax Administrators, St. Tammany Parish](#). Published local sales-tax rate for Slidell effective January 1, 2026.
7. [PERS Regulation 60, Contribution Rates](#). Current employer contribution rate.
8. [PERS Board Materials, October 22, 2024](#). Published fixed employer-rate schedule through July 1, 2028.
9. [Mississippi Infrastructure Modernization Act](#). Municipal use-tax distribution and eligible uses.
10. [House Bill 1386, 2026](#). Expansion of eligible municipal uses.
11. [City of Gulfport FY2026 Budget](#). Official Gulfport sales-tax budget line.