Mississippi Municipal Revenue Partnership

ACCURATE ALLOCATIONS. RELIABLE LOCAL SERVICES.
ACCOUNTABLE RESULTS.

The Mississippi Municipal Revenue Modernization Plan

Policy paper prepared for review · Mississippi Municipal Revenue Partnership · Version 1.0

A partnership of Mississippi cities and towns. Not a governmental body; does not solicit contributions.

The proposition

The Legislature began the allocation review through House Bill 898. Finish the work by verifying coding and situs, enacting a six-year schedule from 18.5 percent to 30.0 percent, pairing the grocery diversion at 42.0 percent, modernizing defined use-tax purposes for public-safety assets and small towns, and requiring standardized municipal reporting. The consumer rate and taxable base stay unchanged.

Step Zero — verify the allocation

HB 898 directs review of allocation practices, discrepancies, financial effects of misallocation, technology, oversight, and statutory recommendations. The Plan asks the review to deliver: a statewide review of taxpayer situs, municipal coding, business addresses, geocoding, consolidator accounts, and material classification exceptions; a minimum 36-month lookback; a documented correction and reconciliation method; a municipal inquiry and dispute process with response deadlines and written dispositions; secure monthly municipal statements; and published statewide control totals with an annual independent controls review. Step Zero changes no rate and no statutory share.

The six-year schedule

STAGE	REGULAR SHARE	CITY RETURN PER COVERED $1	PAIRED GROCERY SHARE	STATE AND OTHER ALLOCATIONS PER COVERED REGULAR $1	GAIN IN MUNICIPAL SHARE
Current	18.5%	1.295 cents	25.9%	5.705 cents	Baseline
Year 1	20.5%	1.435 cents	28.7%	5.565 cents	10.81%
Year 2	22.5%	1.575 cents	31.5%	5.425 cents	21.62%
Year 3	24.5%	1.715 cents	34.3%	5.285 cents	32.43%
Year 4	26.5%	1.855 cents	37.1%	5.145 cents	43.24%
Year 5	28.5%	1.995 cents	39.9%	5.005 cents	54.05%
Year 6	30.0%	2.100 cents	42.0%	4.900 cents	62.16%

A covered regular sales dollar is a dollar of municipal business activity to which the ordinary diversion clause in Mississippi Code Section 27-65-75 applies. Statutory exclusions are preserved unless bill text expressly changes them. The grocery percentage produces the same municipal cents per covered dollar at the 5 percent grocery rate. Each of the first five steps adds 0.14 cents per covered regular sales dollar; the final step adds 0.105 cents. If actual adjusted General Fund collections decline year over year, the next uncompleted step pauses, completed steps are preserved, and the schedule resumes in the first growth year.

What it is worth

A city currently receiving $1 million in annual covered diversion gains $108,108 per year from each 2-point step and $621,622 per year at the 30 percent endpoint. Figures scale linearly ($10M → $1.081M / $6.216M; $100M → $10.811M / $62.162M). These are planning estimates, not Department of Revenue fiscal notes. The per-dollar effect is published in full: State and other statutory allocations move from 5.705 cents to 4.900 cents of the covered 7-cent dollar. The Partnership will not publish a statewide dollar figure derived from an unofficial base — that number belongs to the Department of Revenue and the Legislative Budget Office.

Small towns and online commerce

Every municipality receives the same share increase under the schedule. In addition, the Plan modernizes the existing municipal use-tax pool (first $3 million in equal shares; remainder by population and prior sales-diversion components): adding police and fire facilities, vehicles, apparatus, emergency communications, radio systems, cybersecurity, related technology, and related debt service to eligible capital uses; permitting no more than 25 percent of a municipality's annual distribution for documented maintenance and operating costs of eligible assets; continuing to exclude unrelated administration, general payroll, and benefits; and requiring an open-meeting governing-authority vote for the operating allowance. The Legislature's own HB 1386 (Chapter 377, Laws of 2026, effective July 1, 2026) — authorizing sidewalk repair and maintenance from these distributions — is the enacted precedent for this defined-use approach.

State fiscal context

The Legislative Budget Office reports estimated General Fund collections above appropriations, including reappropriations, of $1.575 billion (FY2022), $1.310 billion (FY2023), $979.4 million (FY2024), $567.6 million (FY2025), and $589.9 million (FY2026). These are annual closeout measures, not one accumulated cash account. FY2027 reserves include the $711.7 million Working Cash-Stabilization Reserve Fund and $689.0 million Capital Expense Fund; the reported $1.693 billion across retained reserve and special-fund sources is not unrestricted recurring cash. Mississippi has demonstrated repeated revenue strength and maintains substantial reserves, while its current operating budget is tightly allocated. That record supports a prospective schedule with a revenue pause, not an immediate transfer from reserves. The enacted income-tax schedule (HB 1, 2025 Regular Session, §1, amending §27-7-5) reduces the individual rate from 4.00 percent (2026) to 3.00 percent (2030); municipal services should receive the same kind of predictable planning before future revenue growth is fully committed.

Accountability

Participating municipalities commit to standardized annual reports of diversion and use-tax receipts, permitted uses, transfers, year-end balances, and material DOR corrections; common spending categories; annual audit or agreed-upon-procedures coverage; open-meeting votes for the capped operating election; and source links with methodology notes for every published example.

The ask

Recommend allocation integrity, a six-year path to a 30 percent municipal share, defined small-town use-tax reform, and standardized accountability for enactment in 2027.

Sources and as-of dates for every figure are published at msrevenuepartnership.org.
Contact: the secure form at msrevenuepartnership.org/contact/.

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Contact the Partnership

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