1072 West Lynch Street, Suite 7
Jackson, Mississippi 39203
Phone: (601) 960-9594
Email: info@uniteonevoice.org
Website: www.onevoicems.org

Mississippi House vs. Senate Tax Plans: What You Need to Know

Overview

The Mississippi Legislature is currently considering eliminating or significantly reducing the state income tax—plans passed by both the House and the Senate. The House plan would fully phase out the tax, while the Senate plan proposes deep cuts without full elimination. These plans come on top of recent tax cuts, including the 2022 tax cuts, which will ultimately cost the state $535 million annually, and an additional $577 million in cuts since 2012—benefiting corporations and the wealthy while limiting resources for public services.

The House plan would slash state revenue by over $1 billion, and the Senate plan by $326 million in year one of the tax cuts. Both plans increase other taxes, including the gas tax, shifting more of the tax burden onto working families to offset losses. In addition, increased sales tax proposals on essentials like clothing, utilities, and household goods would hit low-income Mississippians the hardest, deepening economic inequality. While both plans include a grocery tax reduction, they fail to ensure stable revenue sources, potentially straining local budgets.

Additionally, both proposals increase funding for the Capitol Complex Improvement District (CCID), furthering state control over Jackson's governance. This move raises concerns about local autonomy and the broader impact of these tax shifts on Mississippi communities.

Proponents argue that eliminating income tax will attract businesses and residents, but evidence from other states suggests otherwise. States without income taxes have seen slower economic growth, lower average incomes, and heavier tax burdens on lower-income residents. Research also shows that people don't relocate solely for tax reasons. Investments in education, healthcare, infrastructure, and inclusive leadership drive economic prosperity.

Rather than prioritizing tax cuts that benefit the wealthy, Mississippi should focus on a fair, sustainable tax system that funds essential services and strengthens communities for *all*.

Key Differences Between the Plans

Feature	House Plan (HB 1)	Senate Plan (SB 3095)
Income Tax Changes	Gradual elimination of the state income tax from 4% in 2026 to 0% by 2037 on taxable income over $10,000.	Reduces the state income tax from 4% in 2026 to 2.99% by 2030 on taxable income over $10,000.
Local Sales Tax Option	Ends sales tax diversions to municipalities, allowing local governments to impose a sales tax of up to 1.5% by 2026. Counties opting out lose access to the State Aid Road Fund.	Not included.
Grocery Tax Reduction	Reduces the state sales tax on groceries from 7% to 2.5%.	Reduces the state sales tax on groceries from 7% to 5% beginning July 1, 2025.
Gas Tax Increase	Increases motor fuel sales tax by 2.5%.	Increases gas excise tax from 18 cents per gallon to 27 cents per gallon by 2027, with excess collections allocated to infrastructure projects.
Other Sales Tax Increases	Increases sales taxes across various categories, including 2.5% on manufacturing and farming items, 0.5% on contractor equipment, and others.	Not included.
Capitol Complex Improvement District (CCID) Funding	Increases sales tax revenue for CCID in Jackson from 9% in 2026 to 25.2% by 2036.	Increases CCID sales tax diversions from 9% to 12.6% beginning September 15, 2025.
Lottery Revenue Allocations	Provides $100 million annually for Public Employees' Retirement System (PERS) until it reaches 80% funding, with excess funds directed to education and transportation.	Not included.

Public Services & Budget Considerations

According to the Institute on Taxation and Economic Policy, both tax plans would create massive budget shortfalls, jeopardizing critical state funding. According to data provided by the Institute on Taxation and Economic Policy, once fully implemented, the **House plan would slash $2.1 billion annually**—not far from Mississippi's entire yearly K-12 education budget. The **Senate plan would cut $876 million per year**, nearly the same amount the state spends on all public colleges and universities combined or enough to nearly cover the state's current Medicaid funding. These drastic revenue losses would severely impact funding for education, healthcare, roads, and other essential services that Mississippians rely on daily.

Impact on Mississippians

At the same time, both plans would worsen income inequality. The House plan would **raise taxes on the bottom 40% of Mississippians**—those earning $38,770 or less—while giving the wealthiest residents a nearly $40,000 tax break, close to the state's average annual salary. The Senate plan would reduce taxes across all income groups, but the benefits are deeply skewed. While the wealthiest Mississippians would receive a $13,000 tax cut, **average Mississippians would see just $300 in savings, barely enough to cover a gallon of milk weekly**. Meanwhile, the **lowest-income Mississippians would save only $40 per year—just enough to buy a loaf of bread once a month**.

Total Tax Change Once Fully Enacted

	House Plan (HB1)	**Senate Plan (SB 3095)**
Total Cost	$2.1 billion/year	$ 878 million/year

Effects by Income Group

Income Level	House Plan Impact	Senate Plan Impact
Low-Income Families	Tax Increase	$40 Tax Cut
Middle-Income Households	$423 Tax Cut	$309 Tax Cut
High-Income Earners	$38,941 Tax Cut	$13,106 Tax Cut

By cutting taxes for high earners while increasing taxes on essentials like gas, clothing, utilities, and household necessities, these tax plans, if implemented, will hit low-income families hardest. This tax shift is especially severe for Black and Hispanic communities, women, and rural residents, who already face higher living costs and financial challenges due to historic inequities.

Conclusion

Instead of prioritizing tax cuts that benefit the wealthy, policymakers should focus on creating a fair, sustainable tax system that ensures access to essential services like quality education, healthcare, and infrastructure for all Mississippians, especially those in underserved communities.

The state could consider effective revenue-raising measures to ensure financial stability and benefit families, such as:

- Taxing wealth to ensure the wealthy pay their fair share.
- Strengthening, not eliminating, the state income tax.
- Reinstating the corporate and estate taxes.
- Expanding the sales tax base to include internet businesses and travel companies.
- Implementing tax credits, such as a refundable state-earned income tax credit and child tax credit.

Thoughtful tax reform measures can ensure financial stability while promoting fairness, ensuring every family, regardless of income, has the resources needed to succeed and thrive. We continue to urge lawmakers to adopt policies that benefit all Mississippians.