Glossary of Terms

Ability to Pay Principle: A fair tax system asks citizens to contribute to the cost of government services based on their ability to pay. This principal suggests that persons with higher incomes, or greater ability to pay, should pay more in taxes than those with lower incomes.

Adequacy: A tax system is considered adequate if it collects enough revenue to pay for the services required by residents and policymakers. One threat to the adequacy of a tax system is a structural deficit.

Agency Budget Requests: Agency Budget Requests are prepared by each state agency for consideration by the Joint Legislative Budget Committee. Agency requests contain the mission of the agency, a description of the duties and responsibilities of the agency and a five-year strategic plan for the agency that includes performance objectives and achievements. The request also contains the agency's financial data for the prior and current years as well as their request for the upcoming fiscal year. Depending on its complexity, an agency's budget request can range in size from around 15 pages to several hundred pages.

Annual Tax Expenditure Report: A list of tax breaks and their costs. Published annually by The Center for Policy Research and Planning at the Mississippi Institutions of Higher Learning.

Appropriation: A law that allows the state to spend money. State appropriations pay for various state services including: education, highways and public health. Each year the state enacts around 120 appropriations bills.

Budget Appropriation Process: The process through which the State Legislature and Executive Branch work together to:

- Identify the state's needs for the upcoming year;
- Determine how much money is available; and
- Designate projected money available for the funding of state services for the next year.

Budget Contingency Fund: This fund was formed to receive transfers from other fund sources (Special and General). FY 2002 marked the first use of the Budget Contingency Fund to supplement the State General Fund. Any funds spent from the Budget Contingency Fund are considered non-recurring.

Budget Hearings: Agencies must make decisions about their budget needs and priorities and submit their budget requests for approval by the Legislative Budget Office and the Governor by August 1. In September, the Joint Legislative Budget Committee conducts hearings to discuss all of the agency budget requests. Budget hearings give committee members a chance to ask specific questions of agency directors. Hearings are open to the public and usually take place two to three weeks after Labor Day.

Corporate Income Tax: The corporate income tax is a tax on business profits. As with the personal income tax, corporate income tax rates are 3%, 4% and 5% depending on income.

Corporate Tax Credits: Tax credits lower the tax owed by the corporation by the amount of the tax credit. In Mississippi, tax credits are provided to corporations for a wide variety of actions, including creating new jobs, providing child/dependent care for employees and producing motion pictures in the state.

Education Enhancement Fund: This fund provides supplemental support of K-12, Two-Year Colleges and Four-Year Institutions of Higher Learning. State statute requires that a percentage of state sales tax collections be deposited into the Education Enhancement Fund. These funds are then allocated based on a statutory formula to K-12 Education, Two-Year Colleges and Four-Year Institutions of Higher Learning.

Enacted Budget Bulletin: Prepared by the Legislative Budget Office, this book is a summary of what the Legislature appropriated to each agency during the Legislative Session. The appropriations listed were passed by the Legislature and have been signed into law by the Governor.

Executive Budget Recommendation: Prepared by the Office of Budget and Fund Management, this book gives the Governor's recommendation for a balanced budget for the upcoming fiscal year. It usually includes a letter to the Legislature that explains the Governor's priorities for the budget. In some states the Governor's budget is the basis for the budget later enacted by the Legislature. In Mississippi, the Governor's budget is advisory.

Federal Funds: Federal Funds are earmarked by the U.S. government for specific state programs. They are appropriated annually by the Mississippi Legislature, but must be spent in keeping with federal rules. Depending on the federal rules associated with each program, the Legislature may have more or less flexibility in how the funds are spent.

Fiscal Note: Fiscal notes provide an estimate of the revenues gained or lost for a proposed change in law.

Fiscal Year: The yearly accounting period for which budget decisions are made. The fiscal year for the state of Mississippi extends from July 1 of one year to June 30 of the next. A fiscal year is referred to by the calendar of the year in which it ends. For example, FY 2011 began on July 1, 2010 and ended on June 30, 2011.

Franchise Tax: Mississippi charges a franchise tax on businesses operating in the state at a rate of $2.50 per $1,000 of the value of resources invested in the State. The minimum franchise tax to be paid by corporations in our state is $25. Corporations pay the franchise tax on top of their corporate income tax liability.

Governor's Budget Recommendation: The Governor submits a balanced budget recommendation for the upcoming year to the Legislature and agency heads by November 15. This budget must not exceed 98% of the jointly adopted General Fund revenue estimate plus any balance that will remain from the current year's budget.

Health Care Expendable Fund: The Health Care Expendable Fund was created to receive transfers from the Health Care Trust Fund that are authorized by state stature. As a result of the lawsuit won against tobacco manufacturers, the Health Care Trust Fund receives the court-ordered payments due to our state. These funds can only be appropriated for health-related purposes.

Individual Income Tax: *See Personal Income Tax*

Joint Legislative Budget Committee: The Joint Legislative Budget Committee (JLBC) is composed of 14 legislators, half from the Senate and half from the House of Representatives. The Committee is chaired by either the Lieutenant Governor or by the Speaker of the House of Representatives and the chairmanship alternates between them on an annual basis.

- In the Senate, the Chairman of the Senate Finance Committee, the President Pro Tempore and the Chairman of the Senate Appropriations Committee are standing members of the JLBC. The Lieutenant Governor names three additional members of the Senate to the Committee.
- In the House, the Chairman of the Ways and Means Committee and the Chairman of the Appropriations Committee are standing members. The Speaker of the House appoints four additional members of the House to the Committee. The staff of the JLBC is called the Legislative Budget Office (LBO).

Joint Legislative Budget Committee Recommendation: The JLBC must submit its balanced budget recommendation to the Legislature and to agency heads by December 15. Like the Governor, the Committee can consider only 98% of revenue forecast plus surplus balances. The JLBC's recommendation is used as the starting point for debate on appropriations bills.

Legislative Budget Report: Prepared by the Joint Legislative Budget Committee, this book gives the Committee's recommendation for a balanced budget for the upcoming year. It is generally used as the starting point for the appropriations bills that will be debated by the Legislature in January. For each General and Special Fund agency, it includes appropriations numbers for three fiscal years:

1. It indicates how much was spent during the most recently completed fiscal year,
2. The amount appropriated for the current fiscal year, and
3. The amount the agency and the committee request for the upcoming fiscal year.

Legislative Session: The Legislative Session convenes during the first week of January and closes around April 1. Draft bills are divided between the House and Senate Appropriations Committees and further divided by subcommittee, usually by agency function. During the Legislative Session, the Legislature may decide to suspend the law requiring the 2% be set aside. Then both houses must adopt the conference reports on the appropriations bills (generally 5-6 days before the end of the session). If approved, the bills are sent to the Governor for his signature.

Non-Recurring Fund Transfer: A non-recurring fund transfer is a transfer of funds for a one-time expense that is unlikely to happen again.

Personal Income Tax (Individual Income Tax): The personal income tax is a tax on individual income. Tax rates in Mississippi are 3%, 4% and 5% depending on income.

Progressive Tax System: A tax system is progressive if persons with higher incomes pay a greater percentage of their income in taxes than those with lower incomes. Most income taxes, including the federal income tax, are designed to be progressive.

Proportional Tax System: A tax system is proportional if all persons, regardless of income level, pay the same percentage of their income in taxes. Flat taxes are proportional.

Regressive Tax System: A tax system is regressive if persons with lower incomes pay a higher percentage of their income in taxes than those with higher incomes. Sales taxes are generally regressive because families with lower incomes tend to spend a larger fraction of their income on taxed goods than do higher-income families.

Revenue: The state's income from any source. Mississippi revenue includes: tax collections, fees and intergovernmental grants.

Revenue Estimate: The Revenue Estimating Committee examines economic trends and develops an estimate of the amount of revenue the state will collect from existing sources in the next fiscal year. Its assumptions are based on current economic indicators and their opinion about the economy's growth potential. The Committee submits the estimate for approval by the Governor and the Joint Legislative Budget Committee. If adopted, the revenue estimate serves as the baseline for all appropriations in the upcoming fiscal year.

Revenue Estimating Committee: Examines economic trends and estimates the amount of revenue that the state will collect in the next fiscal year.

Sales Taxes: Sales taxes are charged on the purchase of goods. Mississippi taxes most goods at a rate of 7%. Our sales tax on goods includes all retail purchases of tangible personal property including, but not limited to groceries, clothes, toiletries and over-the-counter medications. The state also charges a 5% sales tax on automobiles.

Special Taxes: Special taxes are placed on certain businesses, such as casinos, and certain goods, like gasoline. Some Special Funds are supported through special taxes. For instance, regulatory/licensing agencies charge licensing fees and assess fines, which go to support their operation. The Medical Licensure Board and the Board of Dental Examiners are two agencies that receive funding through licensing fees. The Department of Transportation is an example of a Special Fund agency that derives some of its funding through a tax on gasoline.

State General Funds: General Funds come from general state tax collections (mainly income and sales taxes) and pay for many key services provided by the state, including K-12 education, colleges, universities and corrections. The Legislature has significant discretion about how these funds are spent.

State Gross Domestic Product (State GDP): A measure of the total income produced in our state in a given year, including salaries, dividends and interest. As a measure of Mississippi's income, State GDP is useful for determining how much our state can afford to spend on public priorities.

State Special Funds: Special Funds are established through state statute or constitutional provisions that earmark funds for a specific purpose.

State Support Funds: These funds include both State General Funds and State Special Funds.

Structural Deficit: A situation in which a government's tax structure is not designed to collect increased revenue to pay for increased costs of services. In states with a structural deficit, revenues do not grow at the same rate as the costs of providing government services. If revenues do not keep up with these increased costs, the state must either raise taxes or cut services.

Supplemental Nutritional Assistance Program (SNAP): SNAP is a federal nutrition program that helps low-income households pay for food. SNAP was formally known as the Food Stamp Progam. SNAP benefits can be used to purchase food at grocery stores, convenience stores and some farmer's markets and co-op food programs.

Tax Expenditure: A targeted tax cut provided to particular groups of individuals or businesses.

Tax Fairness: The main area of thought on tax fairness is the ability to pay principle. Based on this principle, taxes can be categorized into three types:

- ***Progressive:*** A tax system is progressive if persons with higher incomes pay a greater percentage of their income in taxes than those with lower incomes. Most income taxes, including the federal income tax, are designed to be progressive.
- ***Proportional:*** A tax system is proportional if all persons, regardless of income level, pay the same percentage of their income in taxes. Flat taxes are proportional.
- ***Regressive:*** A tax system is regressive if persons with lower incomes pay a higher percentage of their income in taxes than those with higher incomes. Sales taxes are generally regressive because families with lower incomes tend to spend a larger fraction of their income on taxed goods than do higher-income families.

Tax Incidence Analysis: Provides an estimate of how different income groups are affected by a tax or proposed tax change.

Tobacco Control Fund: This fund was created for the support of our state's tobacco cessation programs. It began as a result of the lawsuit won against tobacco manufacturers and receives a portion of the court-ordered payments due to our state.

Transparency: The transparency of a tax system indicates whether or not information about the tax system is easy to obtain. Available information should include who and what is taxed, the process for making tax decisions and how the funds collected are spent. Some states with high transparency use tools like fiscal notes and tax incidence analysis.

Use Taxes: This tax applies to items that are purchased outside of Mississippi for use in our state. The use tax is designed to prevent state residents from avoiding the sales tax by purchasing goods in other states. Residents who purchase goods in other states are legally required to report and pay tax on those purchases. Every state with a sales tax also has a use tax.