

Section 27-65-17, Mississippi Code of 1972, levies a tax at the rate of 5% on the sale of private carriers of passengers and light carriers of property. This tax is collected at the time of the sale of the vehicle. Sections 27-65-101(s) and 27-65-111(i) provide an exemption from tax for retail sales of automobiles, trucks, truck-tractors and semi trailers, trailers and travel trailers when such vehicles are exported from this state within forty-eight (48) hours and registered and first used in another state. These exemptions allow a person to purchase a vehicle and take such vehicle out of state to tag and title in another state.

Section 27-19-57 provides that a vehicle must be registered or tagged in the county where such vehicle is domiciled or from which such vehicle most frequently leaves and returns. Mississippi residents have seven (7) working days from the purchase of a vehicle to register such vehicle in the appropriate county. Persons moving into Mississippi have 30 days to register a vehicle in this state if such vehicle has a current registration in the prior state of residence.

The State Tax Commission has become aware of a scheme to avoid the payment of Mississippi sales tax and ad valorem tax on sales of vehicles, primarily recreational vehicles, to out of state limited liability companies when such vehicles are domiciled in Mississippi. The current scheme involves the setting up of an LLC in the State of Montana. The vehicle is then purchased in the name of the LLC and titled and registered in the State of Montana to avoid the sales tax in Mississippi. The vehicle is purchased in the name of the LLC and is tagged and titled in the other state. The vehicle then returns to Mississippi or in many cases, the vehicle never leaves Mississippi. The procedures followed in this scheme are advertised to be a legal method for eliminating sales tax on the purchase of a vehicle.

Please be advised that this scheme does not provide a legal method for eliminating sales tax nor does it provide a legal method to avoid registration of a vehicle in Mississippi.

Section 27-65-39 provides penalties for deficient or delinquent payment of tax. This statute provides for a penalty of 50% for any deficiency or delinquency found to be intentional or fraudulent with intent to evade the law.

Mississippi sales tax is due on all sales unless the purchaser provides the dealer with evidence that the vehicle will not be domiciled in Mississippi. Such proof may include items such as an out of state driver's license issued to the purchaser or proof of residency in another state. All dealers should carefully review this information on any sale where the purchaser is an LLC. If the purchaser provides misleading information to the seller concerning any sale to an LLC set up using this scheme, the purchaser will be assessed the appropriate tax and penalty. However, if it is determined that the seller knows of or has reasonable belief that the purchaser is attempting to use a tax avoidance scheme, the seller will be assessed the appropriate tax and penalty.

Statutes and Rules: 27-65-17, 27-65-101(s), 27-65-111(i), 27-19-57 Mississippi Code of 1972
Title 35, Part IV, Subpart 11, Chapter 2 Mississippi Administrative Code
Title 35, Part VII, Subpart 1, Chapter 3 Mississippi Administrative Code

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