

April 6, 2009

TO THE MISSISSIPPI STATE SENATE:

VETO MESSAGE SB 3197

I am returning Senate Bill 3197: "AN ACT TO AUTHORIZE A JOB TAX CREDIT FOR ENTERPRISES THAT OWN OR OPERATE AN UPHOLSTERED HOUSEHOLD FURNITURE MANUFACTURING FACILITY FOR EACH FULL-TIME EMPLOYEE EMPLOYED BY SUCH MANUFACTURER IN A CUT AND SEW JOB; TO PROVIDE THE AMOUNT OF SUCH CREDIT; TO LIMIT THE AMOUNT OF THE CREDIT THAT MAY BE CLAIMED IN ANY ONE YEAR; TO AUTHORIZE ANY TAX CREDIT CLAIMED BUT NOT USED IN ANY TAXABLE YEAR TO BE CARRIED FORWARD FOR FIVE CONSECUTIVE YEARS; AND FOR RELATED PURPOSES" without my approval and assign the following reasons for my veto:

After careful review, including reaching out to industry leaders, I have found that significant differences of opinion exist as to whether this bill meets what must be a fundamental test of such legislation: creation and/or retention of good-paying jobs. While universal industry agreement is not necessarily a prerequisite, it is apparent this bill contains major flaws that adversely affect the state budget, conflict with existing state law, and create loopholes that limit its value. It also singles out the furniture industry but would not cover other important Mississippi businesses, which are also struggling.

For example, a conservative estimate is that 4,500 existing jobs might qualify for assistance under this bill; multiplying that number by the \$2,000 credit per job yields a \$9 million revenue loss at a time when we are struggling to balance the state budget.

Secondly, the credit under SB 3197 allows an offset to the enterprise's entire tax liability, while other existing job tax credits are capped at 50% of tax liability. This is unfair.

Also, there is no incentive for the claiming enterprise to pay higher wages. This credit is a flat rate, unlike the "percentage of the payroll" method utilized by other programs as a means of inducing higher pay for Mississippi workers.

I understand the good intentions behind the bill, but the purpose of any job tax credit program must be to truly incentivize industries to expand and create more, better paying jobs for Mississippians.

If this bill sought to promote job creation, it would include a specific job-creation requirement, just as all other job tax credit programs require new job creation before the tax credit can be given.

If this bill sought to promote job retention, it would include a job maintenance requirement. The taxpayers have no business giving tax credits to companies that could take advantage of the credits while simultaneously cutting jobs.

If this bill sought to conform to existing law, it would not define "full time employee" as only 30 hours per week, which conflicts with the 35 hours per week requirement in our existing job tax credit programs.

There are better ways to help Mississippi's important furniture industry, and its cut-and-sew operations. For example, I strongly supported approval, effective December 2008, by the U.S. Foreign-Trade Zones Board of FTZ manufacturing authority for Lane, H.M. Richards, and Bauhaus USA, all of which are located within the Greater Mississippi Foreign-Trade Zone #158. This approval enabled these Mississippi companies to import duty free upholstery material in rolled form instead of paying customs duty rates that ranged from 7.2% to 17.2%.

This approval protected their in-house cut-and-sew operations, saving an estimated 950 jobs in Lee County, and reducing the raw goods cost of each company by over \$1 million annually. The State will gladly pursue such approval for other Mississippi companies to help save jobs.

Especially in this troubled economy, we must remain both vigilant and prudent. We must take advantage of programs with the greatest likelihood of helping build a stronger economy without hurting the budget. I have and will continue to support programs that incentivize industries to assist families with more, high-paying jobs; this bill fails to meet that fundamental objective.

For these reasons, I urge the members to reject Senate Bill 3197 and to sustain my veto.

Respectfully submitted,

HALEY BARBOUR
GOVERNOR