

Mississippi

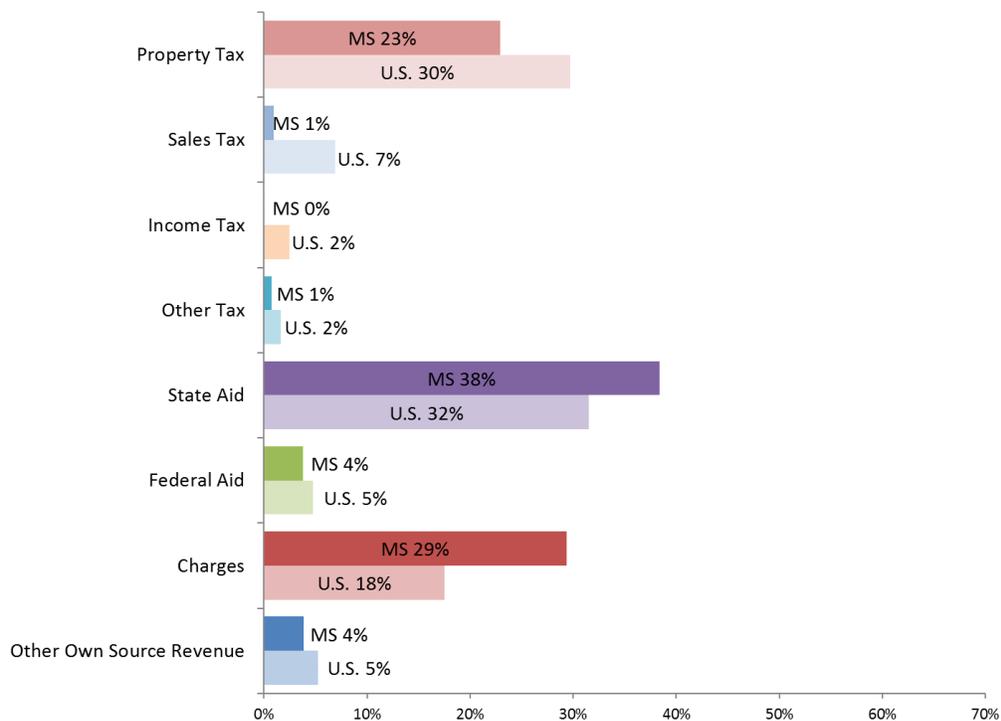
Highlights

The ad valorem tax, also known as the property tax, comprises the primary source of revenue for each of the 82 counties within the state of Mississippi. Municipal governments and public schools (K–12) also rely on property tax collections, with schools using property taxes to fund approximately 30 percent of their budgets. The state relies heavily on the sales tax, and municipalities receive approximately 19 percent of the sales taxes generated within their city limits (figure MS-1).

Mississippi employs a property tax classification system whereby five classes of real and personal property have different assessment ratios. Single-family owner-occupied residential property is assessed at 10 percent of market value. This means that a \$100,000 home would be assessed at \$10,000.

Mississippi taxes personal property as well as real property, and it relies on personal property tax collections more than all but three other U. S. states (Virginia, Rhode Island, and Missouri). In addition, Mississippi is one of seven states that still taxes most business inventories (Errecart, Gerrish, and Drenkard 2012).

Figure MS-1
Sources of Local General Revenue, Mississippi and U.S., 2013



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2013, Mississippi ranked in the bottom one-third of U.S. states in property tax per capita, property tax as a percentage of personal income, total property tax as a percentage of state-local revenue, and effective tax rate for a median-value owner-occupied home (table MS-1).

Table MS-1
Selected Mississippi Property Tax Statistics, 2013¹

	Mississippi	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$899	\$1,441	41
Property tax percentage of personal income	2.7%	3.2%	34
Total property tax as percentage of state-local revenue	11.0%	16.9%	40
Median owner-occupied home value ²	\$99,900	\$176,700	50
Median real estate taxes paid for owner-occupied home ²	\$768	\$2,107	50
Effective tax rate, median owner-occupied home ³	0.8%	1.2%	37

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2009–2013.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Ad valorem taxes apply to five distinct classes of property. Class 1 property consists of single-family owner-occupied real estate and is assessed at 10 percent of market value. Real estate that does not meet the Class 1 definition is classified as Class 2 property and is assessed at a ratio of 15 percent. Non-real estate property falls into three other classes. Class 3 consists of personal property that is primarily furniture, fixtures, machinery, equipment, and inventory used by businesses and manufacturers. Virtually all personal property belonging to individuals is exempt from property taxes. As a caveat, mobile homes not deemed real estate are also categorized as Class 3 property. All Class 3 properties are assessed at a 15 percent ratio. The first three classes of property are assessed by the county tax assessor under the guidelines and supervision of the Mississippi Department of Revenue (DOR). State law and DOR regulations require inspection and update at least every four years, although assessments can be updated annually.

Public utility properties comprise the Class 4 category, while Class 5 is comprised of motor vehicles that are subject to an ad valorem tax. Property in both of these classes is appraised by the Mississippi Department of Revenue, and both are assessed using a 30 percent ratio.

Limits on Property Taxation

Counties and municipalities are limited to a 10 percent increase over the total property tax receipts in any of the previous three years, excluding new property. School districts are limited to a 4 percent increase over the total property tax receipts in any of the previous three years, excluding new property. Counties and municipalities can override their levy limits with a majority vote of the electorate. For school districts, a two-thirds majority is required for an override (table MS-2).

Table MS-2
Mississippi Property Tax Features, 2013

Feature	Mississippi	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	30
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	No	34

Sources: Significant Features of the Property Tax

Property Tax Relief and Incentives

Mississippi provides property tax relief to homeowners over 65 or qualifying as disabled by exempting from property tax the first \$7,500 of their homes' assessed value. Most homestead property falls into the Class 1 category and is assessed at only 10 percent of true value. Therefore, a person qualifying for a homestead exemption who owns a Class 1 property valued at \$75,000 or less is wholly exempt from taxes on that parcel of property. Homestead properties exceeding the \$7,500 assessed value limit incur taxes only on the net assessed value exceeding the limit.

Veterans of the United States military deemed "100 percent service connected disabled" are fully exempt from paying taxes on their homestead property regardless of value.

All other citizens of Mississippi qualifying for homestead exemption are given a specific dollar credit reduction from their homestead property tax bill, the amount of which is based on the assessed value of the property. The maximum amount of credit subtracted from these regular homestead properties is \$300.

Mississippi law contains a host of tax exemptions and incentives for industry, including ones that pertain to growth and prosperity areas, start-ups, and industrial areas. A majority of these exemptions must be permitted by state law and approved by the affected local governments, and most apply only to county and city taxes and are limited to 10 years by the state constitution. Mississippi also allows tax increment financing for redevelopment project areas.

Key Property Tax History

The property tax levy limit on counties and municipalities went into effect in 1980. The limit on school districts went into effect in 1983 and was amended in 1990.

Mississippi was ordered by state court to complete a statewide reappraisal beginning in 1980 (*State Tax Commission. v Fondren* 1980). The Mississippi Department of Revenue (DOR) was given the task to oversee and approve the assessment rolls produced by each of the 82 counties for real estate and personal property taxes (Classes 1, 2, and 3). As a result, the Mississippi DOR produced appraisal manuals, established an assessor education program, and developed a standard method of mass appraisal for Mississippi. Because of the outcry from homeowners, real estate was divided into two classes in the late 1980s. At that time, a constitutional amendment was passed allowing for the Class 1 (single family, owner occupied, residential) category to be assessed at the lower 10 percent assessment ratio.

A state property tax was repealed in 1982.

Recent Developments

In an effort to remain competitive in attracting business and industry, the Mississippi legislature passed a bill to give business and industries an income tax credit for ad valorem taxes paid on personal property inventory. The amount of the credit is being phased in over the next several years. Senate Bill 2934, as passed in the 2012 regular session of the Mississippi legislature, changed the ad valorem tax credit to increase the amount of income tax credit paid on certain inventory and to authorize a five-year carryforward effective July 1, 2012.

In 2014, the legislature expanded the property tax relief for disabled veterans and un-remarried surviving spouses of disabled veterans so that beginning in 2015 they are exempt from all property taxes on their homestead property (Gates 2014).

Resources

Center for Government & Community Development. 2015. *County Government in Mississippi, Fifth Edition*. Mississippi State University Extension Service.

<http://gcd.msucare.com/sites/gcd.msucare.com/files/pdfs/m2078-county-gov-ms.pdf>

Center for Government & Community Development. 2014. *Municipal Government in Mississippi, Fifth Edition*. Mississippi State University Extension Service.

http://gcd.msucare.com/sites/gcd.msucare.com/files/pdfs/municipal_govt2014book.pdf

Center for Government Training and Technology and Mississippi Association of Supervisors. 2015. "Understanding Mississippi Property Taxes." Mississippi State University Extension Service.

www.mssupervisors.org/sites/default/files/Property%20tax%20for%20website%20new.pdf

Errecart, Joyce, Ed Gerrish, and Scott Drenkard. 2012. "States Moving Away from Taxes on Tangible Personal Property." Background Paper No. 63. Washington, DC: Tax Foundation. (October).

www.taxfoundation.org/article/states-moving-away-taxes-tangible-personal-property

Gates, Jimmie E. 2014. Disabled Veterans to Get Property Tax Break. *The Clarion-Ledger*. November 24.

www.clarionledger.com/story/news/local/2014/11/24/disabled-veterans-property-taxes-mississippi-department-of-revenue/19491479/

Mississippi Department of Revenue. "Property FAQs."

www.dor.ms.gov/Property/Documents/PropertyFAQ.pdf

Mississippi Department of Revenue. "Property Tax." www.dor.ms.gov/Property/Pages/default.aspx

Mississippi Department of Revenue. "Property Tax Rules and Regulations."

www.dor.ms.gov/Property/Pages/Part-VI-Property.aspx

Significant Features of the Property Tax. <http://datatoolkits.lincolnst.edu/subcenters/significant-features-property-tax/>. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

Authors

Joe B. Young, Project Manager, John C. Stennis Institute of Government, Mississippi State University

Joseph "Dallas" Breen, Ph.D., Associate Director, Stennis Institute & Adjunct Professor, Mississippi State University

Publication Date

November 2016