

Mississippi

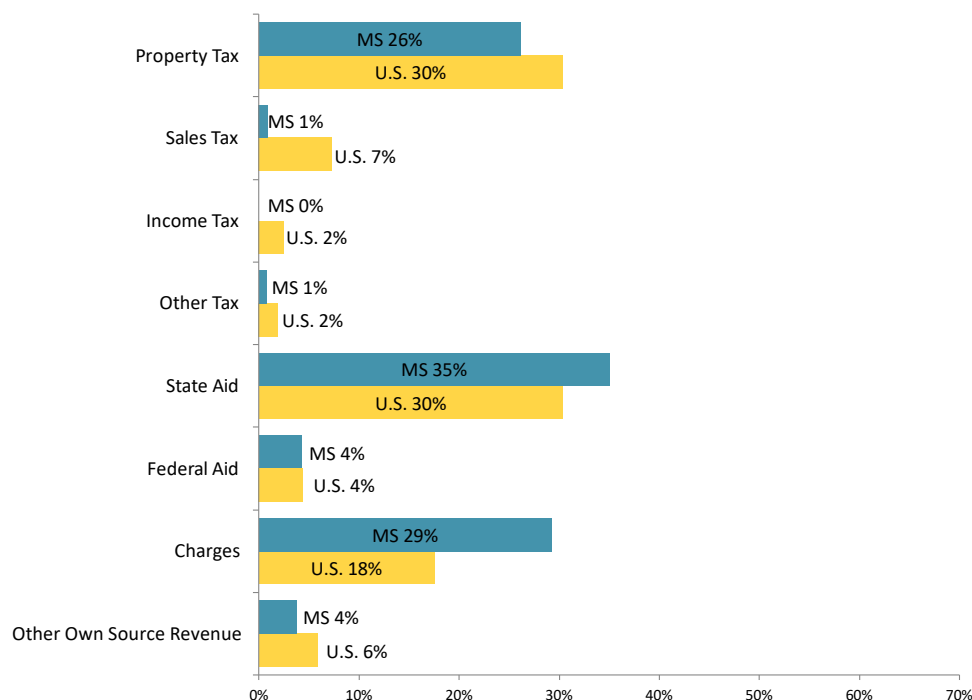
Highlights

The ad valorem tax, or 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 a third of their budgets. The state relies heavily on the sales tax, and municipalities receive a portion 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 ranging from 10 percent to 30 percent. Single-family owner-occupied residential property is assessed at 10 percent of market value. This means that a \$100,000 home is assessed at \$10,000.

Mississippi taxes personal property as well as real property. In 2021, personal property taxes accounted for 29.4 percent of its tax base, a higher share than any other state classifying personal property (Significant Features of the Property Tax). In 2021, Mississippi was one of only nine states that taxed most business inventories (Fritz 2021).

Figure MS-1
Sources of Local General Revenue, Mississippi and U.S., 2020



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

Property Tax Reliance

In 2020, Mississippi ranked in the bottom third of U.S. states in property tax per capita, 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, 2020¹

	Mississippi	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,167	\$1,810	37
Property tax percentage of personal income	2.8%	3.1%	25
Total property tax as percentage of state-local revenue	11.5%	16.6%	40
Median owner-occupied home value ²	\$125,500	\$229,800	50
Median real estate taxes paid for owner-occupied home ²	\$998	\$2,551	46
Effective tax rate, median owner-occupied home ³	0.8%	1.1%	35

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 2016–2020.

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. 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 for real property, although assessments can be updated annually.

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. 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 Classes 4

and 5 is appraised by the Mississippi Department of Revenue, and both are assessed using a 30 percent ratio. Personal property is subject to annual reassessment (Missouri Tax Commission).

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 7 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 up to five years in a row. For school districts, a three-fifths majority is required for an override (Significant Features of the Property Tax) (table MS-2).

Table MS-2
Mississippi Property Tax Features, 2021

Feature	Mississippi	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	No	31

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. An additional exemption equal to the difference between the current year assessed value and the assessed value in the year the claimant became eligible freezes assessed values for qualifying homesteads (Significant Features of the Property Tax).

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. Most 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. An income tax credit for ad valorem taxes paid on personal property inventory of businesses and industries reduces business tax liability. A law that took effect July 1, 2019 allows homeowners associations in Jackson to create community improvement districts and impose a tax of up to six mills to fund neighborhood improvements (HB 1612 of 2019).

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 the 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.

In 1997, Mississippi enacted the Mississippi Adequate Education Program (MAEP) through the bipartisan effort of lawmakers who hoped to avoid becoming the target of a school funding adequacy lawsuit like other states across the country were. The funding formula, although vetoed by Governor Kirk Fordice, garnered enough legislative support for an override. The formula was fully funded only two times between 1998 and 2017 (Dreher 2015). MAEP required local governments to contribute property tax collections at 28 mills and capped the local property tax contribution at 27 percent of total adequate education program costs (Wolfe 2014). Mississippi faced its first challenge to the constitutionality of its education funding formula in 2014 when a group of school districts sued the state for not fully funding its formula (SchoolFunding.Info).

Twenty-one Mississippi school districts represented by former governor Ronnie Musgrove sued the state in 2014 for failing to provide full funding for MAEP between 2010 and 2015. In 2016, the state contracted with EdBuild to write a new education funding formula to replace MAEP, but in the 2017

session legislators failed to act on the proposal (Center for Educational Equity; Dreher 2017). In October 2017, the Mississippi Supreme Court ruled in favor of the state, finding the legislature does not have a constitutional obligation to fully fund MAEP even though state statute calls for full funding of the formula beginning in 2007. The constitution states that the legislature “shall, by general law, provide for the establishment, maintenance and support of free public schools upon such conditions and limitations as the Legislature may prescribe.” The court said the statute cannot be interpreted as a mandate and found the plaintiff districts failed to show injury because the governor would not have been obligated to sign legislation fully funding MAEP even if the legislature had approved full funding (Center for Educational Equity; Dreher 2017). Credit rating agency Moody’s Investor Services warned the ruling would negatively affect school districts’ credit (Kearney 2017).

Recent Developments

In 2017, the Southern Poverty Law Center sued over funding disparities between schools with mostly Black students and schools with mostly white students. The U.S. District Court dismissed the lawsuit in 2019; but on appeal, in December 2020 the federal appeals court ruled the case could move forward (Pettus 2020).

Mississippi homeowners who make voluntary charitable contributions to crisis pregnancy centers and low-income health organizations may qualify for a credit for up to 50 percent of their real property tax liability and unclaimed credit may be carried forward for up to five years under the Pregnancy Resource Act of 2022 (H.B. 1685) (Addleman 2022). In 2023, the state expanded the program to include contributions to transitional homes and other eligible charitable organizations. The state reimburses local governments for tax loss (HB 1671) (Tax Analysts 2023).

In April 2022, Mississippi Governor Tate Reeves signed into law an entity-level tax on passthrough entities as a workaround of the cap on the deductibility of state and local taxes (SALT) for federal tax purposes (House Bill 1691 of 2022) (Jones 2022). Since the enactment of the 2017 federal Tax Cuts and Jobs Act, the deductibility of individual state and local taxes, including property taxes, has been limited to \$10,000 per year. The new Mississippi policy allows business owners of pass-through entities to pay income taxes at the entity level thereby reducing taxable income before claiming any individual deductions or exemptions, effectively shielding owners of pass-through-entities from the effects of the SALT limit. As of May 2023, 33 states have enacted an entity level tax since the enactment of the cap on SALT deductions in 2017 (Association of International Certified Professional Accountants 2023).

Resources

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