

# Understanding Mississippi Property Taxes



**MISSISSIPPI STATE  
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*The Mississippi Association of Supervisors with the  
Center for Governmental Training and Technology*

## **Mississippi Property Tax Primer**

Property tax revenues are a vital component of the budgets of Mississippi's local governments. Revenues gained from the taxing of property supply funds that allow these governments to provide important services such as infrastructure, education, recreation, fire protection, and law enforcement.

### **In Mississippi, Property Tax Revenues are Used to Fund:**

- 1,055 Public Schools in 163 School Districts, educating 493,540 students (source: EducationBug.com)
- 241 Public Libraries (source: publiclibraries.com)
- 15 Community and Junior Colleges (source: Mississippi Community College Board)
- The general services provided by all 82 county and 297 municipal governments in Mississippi

The aim of this primer is to offer a brief introduction into how property taxes are determined and utilized in Mississippi. The following discussion of the different classes of property, the formulation of a tax bill, and the distribution of property tax revenues should provide a better understanding of Mississippi's property tax system, ultimately leading to a better educated and more engaged citizenry.

## What Is Taxed

Mississippi law lists five categories of property that are taxed for ad valorem purposes. Real property (land, buildings, and other permanent improvements to the land) is divided into the first two classes of taxable property.

Class I real property is single-family, owner-occupied, residential property. (The property class to which homestead exemption is applied.) In order for a property to qualify for Class I, it must meet each of these requirements exactly. All other property that does not meet the exact definition for Class I falls into the Class II category. Therefore, all agricultural property, rental property, business property, and most vacant property are considered Class II. A property can be part Class I and part Class II.

In order to assess Class I and II properties, the assessor must first determine who owns each parcel of land in the county. This is accomplished by taking inventory of the county with a mapping system that identifies ownership from deeds, wills, court decrees, and other documents. Once ownership is determined, the assessor visits each parcel to value the property and any buildings or other improvements that add value to the land. The assessor must accomplish this task by using guidelines provided by the Mississippi Department of Revenue (DOR).

Class III property is business personal property. This class includes furniture, fixtures, machinery, equipment, and inventory used by a business in its operations. The local tax assessor must list each item in every business, value the item according to DOR rules, and depreciate and revalue each item annually.

Class IV property is public utility property. Examples of public utility property include property owned by pipeline companies, electric companies, telephone companies, railroads, etc. This property is assessed on an annual basis by the DOR.

Class V property is motor vehicle property (including mobile homes). When a person purchases a motor vehicle tag in Mississippi, they actually pay three separate items: a registration fee, a privilege license, and an ad valorem tax. The registration fee for a new tag is \$14.00; there is a \$12.75 renewal registration fee to purchase a decal alone. Most of this fee money is sent to the State. The privilege license for a car is \$15.00 and the privilege license for a truck is \$7.20. The proceeds from the sale of privilege licenses are retained primarily by the county. The ad valorem tax is based on the value of the motor vehicle; all values are established statewide by the DOR. Ad valorem tax dollars collected go to support local government functions where the vehicle is domiciled (city, county, school district).

### The Ad Valorem Tax Formula

With only minor adjustments for homesteaded real property, the tax formula for ad valorem taxes is the same for all five (5) classes of property:

$\text{"true value"} \times \text{"ratio"} = \text{"assessed value"}$ $\text{"assessed value"} \times \text{"millage rate"} = \text{"taxes"}$
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True value is defined in § 27-35-50 of the Code:

"True value shall mean and include, but shall not be limited to, market value, cash value, actual cash value, property value and value for the purposes of appraisal for ad valorem taxation. . . . In arriving at the true value of all Class I and Class II property and improvements, the appraisal shall be made according to current use, regardless of location. In arriving at the true value of any land used for agricultural purposes, the appraisal shall be made according to its use on January 1 of each year, regardless of its location; in making the appraisal, the assessor shall use soil types, productivity and other criteria. . . "

The point here is that true value and market value are not the same. Agricultural values, for example, can be much less than the actual market value of the property.

The true value is multiplied by a ratio that is set by state law to yield the assessed value. The ratios are as follows:

### Five (5) Classes of Taxable Property

Class	Description	Tax Ratio
Class I	Single-family owner-occupied, residential property	10%
Class II	All other real property, except real property in Class I or Class IV	15%
Class III	Personal Property, except motor vehicles and Class IV Property	15%
Class IV	Public Service property assessed by the state or county except railroad and airline property	30%
Class V	Motor vehicles	30%

### What is a Mill and How is it Used?

A mill is one-thousandth of one dollar. Just as you would write \$1.00 for one dollar; and \$.10 for a dime, or one-tenth of a dollar; or \$.01 for a penny, or one-hundredth of a dollar; you would write .001, or one-thousandth of a dollar, for one (1) mill. When you hear the expression 54.5 mills, that is the same thing as the factor .0545.

Millage rates change annually. Local taxing authorities must adjust millage rates to support the operations of government. However, inflation or increased operating costs are not the only factors driving changes in millage rates at the local level. For example, a local taxing district may need additional tax revenue to pay for a bond issue. These rates are set by the governing authorities of the respective taxing districts in September for the next fiscal year beginning October 1st.

## Setting the Ad Valorem Tax Levy

State law gives general authority to the governing authorities of the respective taxing districts to administer local ad valorem tax levies. The governing authority must levy ad valorem taxes on or before September 15 at an adjourned or special meeting. The ad valorem tax levy is expressed in mills, or a decimal fraction of a mill, and applied to the dollar value of the assessed valuation on the assessment rolls of the respective taxing district, including the assessment of motor vehicles as provided by the Motor Vehicle Ad Valorem Tax Law of 1958 (Code, § 27-51-1 et seq.). In general terms, the governing authority must multiply the dollar valuation (assessed value) of the respective taxing district times the millage (levy) to produce the necessary dollars to support the budget that has been adopted.

There are limits placed on the levying of ad valorem taxes. The authority of the respective taxing districts to levy taxes is restricted by statutory limits that have been placed on the amount of any increase in receipts from taxes levied. The specific governing authority is limited when levying ad valorem taxes to a 10% cap. Thus, a board of supervisors or board of alderman, may not levy ad valorem taxes in any fiscal year which would render in total receipts from all levies an amount more than the receipts from that source during any one (1) of the three (3) immediately preceding fiscal years of more than ten percent (10%) of such receipts. If the ten percent (10%) cap is exceeded, then the amount in excess over the cap shall be escrowed and carried over to reduce taxes by the amount of the excess in the succeeding fiscal year. Excluded from the ten percent (10%) cap is the levy for debt service (notes, bonds, and interest), the library levy found in § 39-3-5 of the Code, and any added revenue from newly constructed property or any existing properties added to the tax rolls of the county. The ten percent (10%) cap may be figured by fund groups individually or by the aggregate of all of the specific governing authority's funds.

## How To Calculate the Ad Valorem Tax on a Specific Parcel of Property

Let's say a piece of Class II property is being valued. The assessor appraises the property at \$100,000 of true value. For this example, the rate for the municipality is 35 mills, the rate for the school district is 50 mills, and the millage rate for the county is 40 mills. The following table illustrates how the tax bill would be factored and calculated showing: a municipal ad valorem tax bill of \$525; a school district ad valorem tax bill of \$750; a county ad valorem tax bill of \$600; combining for a total ad valorem tax bill of \$1875.

	City	School	County	Total Tax
True Value	\$100,000	\$100,000	\$100,000	\$100,000
Class II Ratio	.15	.15	.15	.15
Assessed Value	\$15,000	\$15,000	\$15,000	\$15,000
Millage Rate	.035	.050	.040	.125
Net Tax Due	\$525	\$750	\$600	\$1875

### Homestead Exemptions

- *Regular Homestead for Homeowners under Sixty-Five (65) Years of Age*

Homeowners that are under sixty-five (65) years of age on January 1 of the year for which the exemption is claimed, and not totally disabled shall be exempt from ad valorem taxes in the amount prescribed in MS Code §27-33-7. The amount of the exemption given is determined by a sliding scale based upon the assessed value of the property, which is capped at a maximum exemption of \$300.

One-half (1/2) of the exemption allowed shall be from taxes levied for school district purposes and one-half shall be from taxes levied for the county general fund.

## Regular Homestead \$7,500 Table

Ranges for the Assessed Value of Homestead		\$ Credit
\$1	\$150	\$6
\$151	\$300	\$12
\$301	\$450	\$18
\$451	\$600	\$24
\$601	\$750	\$30
\$751	\$900	\$36
\$901	\$1,050	\$42
\$1,051	\$1,200	\$48
\$1,201	\$1,350	\$54
\$1,351	\$1,500	\$60
\$1,351	\$1,650	\$66
\$1,501	\$1,800	\$72
\$1,651	\$1,950	\$78
\$1,801	\$2,100	\$84
\$1,951	\$2,250	\$90
\$2,101	\$2,400	\$96
\$2,251	\$2,550	\$102
\$2,401	\$2,700	\$108
\$2,551	\$2,850	\$114
\$2,701	\$3,000	\$120
\$2,851	\$3,150	\$126
\$3,001	\$3,300	\$132
\$3,151	\$3,450	\$138
\$3,301	\$3,600	\$144
\$3,451	\$3,750	\$150
\$3,601	\$3,900	\$156
\$3,751	\$4,050	\$162
\$3,901	\$4,200	\$168
\$4,051	\$4,350	\$174
\$4,201	\$4,500	\$180
\$4,351	\$4,650	\$186
\$4,501	\$4,800	\$192
\$4,801	\$4,950	\$198
\$4,951	\$5,100	\$204
\$5,101	\$5,250	\$210
\$5,251	\$5,400	\$216
\$5,401	\$5,550	\$222
\$5,551	\$5,700	\$228
\$5,701	\$5,850	\$234
\$5,851	\$6,000	\$240
\$6,001	\$6,150	\$246
\$6,151	\$6,300	\$252
\$6,301	\$6,450	\$258
\$6,451	\$6,600	\$264
\$6,601	\$6,750	\$270
\$6,751	\$6,900	\$276
\$6,901	\$7,050	\$282
\$7,051	\$7,200	\$288
\$7,201	\$7,350	\$294
\$7,351	\$7,500	\$300



## Example for the Calculation of Ad Valorem Taxes for a Parcel of Property with a Regular Homestead Exemption

This example shows how the taxes would be computed taking into account a regular homestead exemption for a home located within a municipality with a “true value” of \$100,000. Hypothetically, the rate for the municipality is 35 mills, the rate for the school district is 50 mills, and the millage rate for the county is 40 mills. The following table illustrates how the tax bill would be factored and calculated showing: a net municipal ad valorem tax bill of \$350; a net school district ad valorem tax bill of \$350 after a \$150 deduction for the homestead exemption; a net county ad valorem tax bill of \$250 after a \$150 deduction for the homestead exemption; combining for a net total ad valorem tax bill of \$950.

	City	School	County	Total Tax
True Value – Class I	\$100,000	\$100,000	\$100,000	\$100,000
Ratio	.10	.10	.10	.10
Assessed Value	\$10,000	\$10,000	\$10,000	\$10,000
Millage Rate	.035	.050	.040	.125
Gross Tax	\$350	\$500	\$400	\$1250
Homestead Credit	(0)	(\$150)	(\$150)	(\$300)
Net Tax Due	\$350	\$350	\$250	\$950

## Special Homestead Exemption for Homeowners Over Sixty-Five (65) Years of Age, or Completely Disabled

For homeowners over sixty-five (65) years of age or completely disabled, the homestead exemption does not utilize the same sliding scale that regular homestead exemptions are calculated with. Rather state law simply exempts the homeowner from ad valorem taxes for up to \$7,500 in assessed value. In other words, a home with a true value of \$75,000 or less would be exempt from all property taxes (municipal, school district, and county).

## Example of Homestead Exemption for Homeowners Over Sixty Five (65) Years of Age, or Completely Disabled

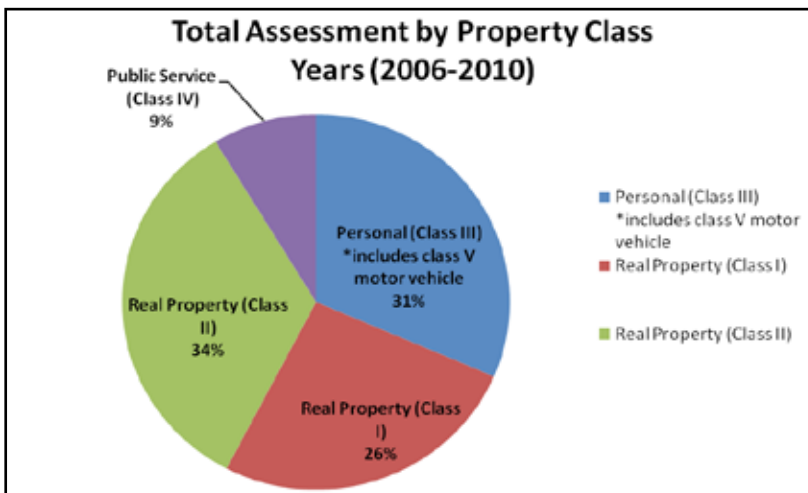
The following table shows how the taxes would be calculated on a home owned by someone over sixty five (65) years of age or completely disabled. The home is located in a municipality and has a “true value” of \$100,000. For this example, the rate for the municipality is 35 mills, and the rate for the school district is 50 mills, and the millage rate for the county is 40 mills. The first \$7,500 of assessed value is exempted. Therefore, to calculate the net tax due, rather than multiplying the millage rates by the normal \$10,000 of assessed value, the millage rates will be multiplied by \$2,500 to reflect the \$7,500 special homestead exemption. After the special homestead exemption is applied to this parcel of property, the net municipal ad valorem tax bill is \$87.50; the net school district ad valorem tax bill is \$125; the net county ad valorem tax bill is \$100; combining for a total net ad valorem tax bill of \$312.50.

	City	School	County	Total Tax
True Value – Class I	\$100,000	\$100,000	\$100,000	\$100,000
Ratio	.10	.10	.10	.10
Assessed Value	\$10,000	\$10,000	\$10,000	\$10,000
Homestead Exemption	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)
Adjusted Assessed Value	\$2,500	\$2,500	\$2,500	\$2,500
Millage Rate	.035	.050	.040	.125
Net Tax Due	\$87.50	\$125	\$100	\$312.50

Units of local government do receive a partial reimbursement from the state for ad valorem tax revenue lost due to homestead exemptions. For each qualified applicant, counties and school districts receive \$50 each. Municipalities are reimbursed up to the amount of the actual exemption allowed, not to exceed \$200 per qualified applicant.

## Property Tax Revenue

As discussed previously, revenue from property tax is determined by both the assessment of property and the local millage rates. Overall, property tax assessments in Mississippi have increased over the last decade. The cause for the increase in property tax assessments can be traced back to increases in property values. Property values are influenced by several factors which include, but are not limited to, physical changes to the property or economic factors such as inflation. Millage rates have fluctuated across the state during the same time period, with local taxing districts changing millage rates as budgetary needs arise. Typically, millage rates have been set at levels which allow the local taxing districts to keep up with the cost of inflation and the increased costs of providing services.



Source: MS Dept. of Revenue

The total assessment of each property tax class contributes in varying amounts to the tax revenues of taxing entities in Mississippi. This is due to both the different tax rates assigned to each class and the types of properties which are included in each separate class. The class of property that contributes the most to total assessment is Class II Real Property. From years 2006 through 2010, Class II Real Property contributed 34% of total assessment in Mississippi. Over the same time period Class I Real Property, Class

III Personal Property (includes Class V motor vehicle), and Class IV Public Service contributed 26%, 31%, and 9% respectively.

### Property Taxes in Mississippi Compared to the other States

Property tax collections in Mississippi were among the lowest in the nation during 2008. Per capita, Mississippi collected \$785.00 in fiscal year 2008. This ranked the state 40th in per capita property tax collections.

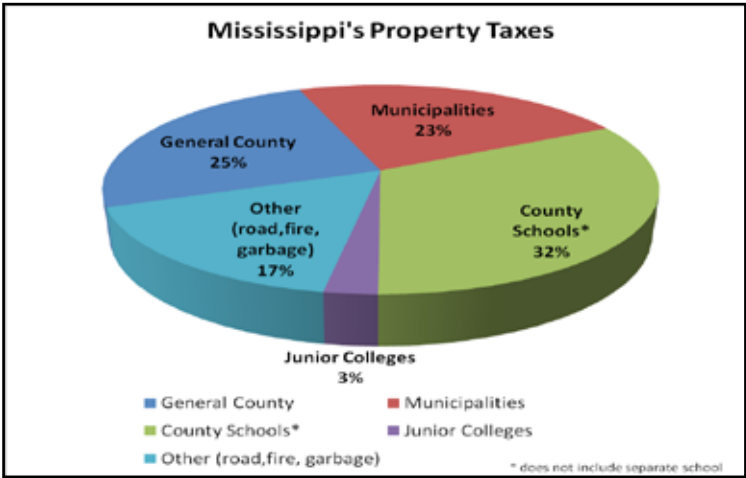
State and Local Property Tax Collections Per Capita by State (Fiscal Year 2008)		
	Collections per capita	Rank
United States	\$1352	-
Alabama	\$495	50
Georgia	\$1063	33
Louisiana	\$643	46
Mississippi	\$785	40
Tennessee	\$752	42

Source: [www.thetaxfoundation.org](http://www.thetaxfoundation.org)

### Property Tax Contributions/Distribution to Local Governments and Schools

There are several sources of revenue that county governments rely on to provide funding for the services that are provided to citizens. These sources of revenue include property taxes, road and bridge privilege taxes, grants and contributions, gifts and donations, investment income, as well as other miscellaneous income. Of these sources of revenue, property taxes are the most important revenue generator for a county government. This statement is reinforced by the fact that county governments in Mississippi do not receive any revenue from sales tax. For a typical county in Mississippi, over seventy five percent (75%) of revenue is derived from property tax. Therefore, the bulk of county budgetary needs are met using property tax revenue.

For Mississippi's municipal governments, typical sources of revenues are privilege taxes, fees for services, utility system rates, franchise fees, permit fees, and ad valorem taxes. These sources of revenues are supplemented with an eighteen and one half percent (18.5%) share of the state's sales tax collected within the corporate limits of the municipality. This infusion of revenue from sales tax collections typically reduces ad valorem taxes as a percentage of municipal revenues, and therefore, municipalities' reliance upon ad valorem taxes as a major source of revenue in general.



Source: MS Dept. of Revenue

In Mississippi's county and separate school districts, property tax revenues are combined with other sources of revenue to fund basic school services and to pay for the particular district's expenses. Sources of revenues for school districts within the state include property tax revenues, grants and contributions, investment earnings, sixteenth section sources, and other miscellaneous sources. The revenue gained from these sources is used to support such functions as instruction support services, non-instructional services, and interest on long-term debt. In some instances, but not all, revenues are used to fund sixteenth section expenses that the county may incur.

Due to the fact that municipal governments, county governments, and school districts rely on property tax revenues as a significant source of income for general operations, it is important to gauge ex-

actly how these tax revenues are distributed. In Mississippi, county governments rely more heavily upon property tax revenues as a percentage of overall revenues than either municipalities or school districts. Yet, the percentage of overall ad valorem taxes received by local taxing districts shows school districts receiving the most, with counties receiving only slightly more than municipalities for general operations.

## **Conclusion**

Property tax revenues in Mississippi play a large role in government on the county and municipal levels. While many citizens may not clearly understand how their property tax bill is derived, it is important that they are informed as to where their property tax payments are going and what services these payments are funding. Property tax revenues provide the people of Mississippi with needed public services at the local level such as infrastructure, recreation, education, and police and fire protection. Considering the multitude of services funded through ad valorem taxes, Mississippi's taxpayers receive a good return on investment.

It is important for the citizens of Mississippi to understand the state's property tax system. This understanding of ad valorem taxes will lead to better engagement between citizen and local taxing districts, fostering a better overall quality of life for the state.