

## CHAPTER VIII AD VALOREM TAX ADMINISTRATION

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Ad valorem taxes – property taxes levied according to the value of the property – are the main source of income for county government. While cities receive ad valorem taxes and eighteen and one-half percent (18½%) of sales tax revenue collected within their boundaries, county governments receive no sales tax funds. Counties do receive some tax revenue rebates from state government. (See Chapter VII for a discussion of county revenue sources.)

The board of supervisors possesses considerable authority with respect to ad valorem tax administration. The jurisdiction and power to levy taxes by the board of supervisors is found in § 19-3-41 of the *Mississippi Code of 1972*:

They shall have the power to levy such taxes as may be necessary to meet the demands of their respective counties . . . not exceeding the limits that may be prescribed by law. . . .

The ad valorem tax administration process involves three main, inter-related activities: assessment of property, setting the ad valorem tax levy, and collecting the ad valorem taxes. This chapter surveys these three activities and discusses special ad valorem tax exemptions.

### PROPERTY ASSESSMENT<sup>536</sup>

#### Classes of Property<sup>537</sup>

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 State Tax Commission (STC).

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<sup>536</sup>*Code*, §§ 27-35-1 through 27-35-167.

<sup>537</sup>*Const.*, § 112.

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 STC 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 STC.

Class V property is motor vehicle property. 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 \$10.00; there is an \$8.75 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 car; all values are established statewide by the STC. Ad valorem tax dollars collected go to support local government functions where the car is domiciled.

### Audits and Responsibilities

In order to make sure the county is maintaining its values on Class I, II, and III property, the STC conducts annual audits called assessment ratio studies. The STC will divide the values placed on the roll by the county by an arms-length market-sale or by an appraisal made by STC personnel. The tax commission then evaluates these ratios with three (3) statistical tests. If the county fails any one of the three (3) tests, it is given a period of time to bring its records into compliance. If this deadline is not met, the STC withholds county homestead exemption reimbursement funds until the county is in compliance.

Each county is required by STC Rule 6 to update all real and personal property within a four-year cycle. A minimum of 25% of all personal property parcels must be physically reviewed and updated each year. All real property must be physically visited within the four-year period and all land schedules and building indexes must be updated within this time period to meet current sales data. Each county must also fly aerial photography and update all county tax maps within a specific time period as established by the STC rule.

In addition, in order to spend the proceeds of the special one mill tax levy, the board must see that the county has the minimum number of state certified appraisers on staff and meets other certification requirements. Application must be made annually to the STC to approve the spending of this money; it is escrowed until approval is received.

The board of supervisors works with the assessor in insuring equity in its tax rolls. While the assessor is required to do these tasks, he simply cannot complete them without the support and funding necessary to establish equity. Once the assessor files the assessment rolls with the board on the first Monday in July, the board is then responsible by law to make sure all assessments are equitable. After equalizing the rolls, the board opens them up for public inspection. The board of supervisors then acts as a board of equalization in hearing assessment appeals at the August meeting. After the assessor delivers the tax rolls to the board (on or before the first Monday in July), any changes to an assessment must be made by the board of supervisors. Any taxpayer dissatisfied after the August assessment hearings may appeal the decision of the board to the circuit court. In case of such an appeal, the suit is filed against the board of supervisors.

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:

<p>“true value” X “ratio” = “assessed value” “assessed value” X “millage rate” = “taxes”</p>
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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:

Class I . . . . .	10%
Class II . . . . .	15%
Class III . . . . .	15%
Class IV . . . . .	30%
Class V . . . . .	30%

True value multiplied by these ratios equals assessed value. It is necessary to understand the difference in market value, true value, and assessed value. Assessed value is used to determine everything from millage rates to salary levels for some county officials, including that of supervisors.

Once the assessed value has been determined, it must be multiplied by the appropriate millage rate for the tax district in which the property is located. The millage rate may vary from one taxing district to another, depending upon what services are rendered in that particular district, in what school district the property is located, and whether or not the property lies within or outside municipalities.

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.

Example	
Let's say a piece of Class II property is being valued. The assessor appraises the property at \$50,000 of true value. The millage rate in the district where the property is located is 84.56 mills. What is the tax bill?	
<i>Facts:</i>	\$50,000 = true value 15% = Class II ratio .08456 = millage rate of 84.56 mills
<i>Formula:</i>	"true value" X "ratio" = "assessed value" "assessed value" X "millage rate" = "taxes"
<i>Application of Formula to Facts:</i>	\$50,000 X 15% = \$7,500 \$7,500 X .08456 = \$634.20
Thus, in this example, the ad valorem tax bill is \$634.20.	

Millage rates change annually. These rates are set by the board of supervisors in September for the next fiscal year beginning October 1<sup>st</sup>.

#### SETTING THE AD VALOREM TAX LEVY

Title 27, Chapter 39, Article 3 of the *Code* gives general authority to the board of supervisors to administer local ad valorem tax levies. The board must levy ad valorem taxes on or before September 15 at an adjourned or special meeting.<sup>538</sup> 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 county, including the assessment of motor vehicles as provided by the Motor Vehicle Ad Valorem Tax Law of 1958 (*Code*, § 27-51-1 *et seq.*).<sup>539</sup> In general terms, the board of supervisors must multiply the dollar valuation (assessed value) of the county or respective taxing district (whichever applies) times the millage (levy) to produce the necessary dollars to support the budget that has been adopted.

#### Purposes for Which Ad Valorem Taxes May Be Levied

The purpose of levying ad valorem taxes is to support the budget that has been adopted by the board of supervisors at its September meeting. (The budget must be adopted by September 15 and published by September 30.<sup>540</sup>) Ad valorem taxes are produced from the assessment rolls, which contain the assessments of county property.<sup>541</sup>

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<sup>538</sup> *Code*, § 27-39-317.

<sup>539</sup> *Ibid.*

<sup>540</sup> *Code*, § 19-11-7.

<sup>541</sup> *Code*, § 27-35-55 *et seq.*

In its order adopting the ad valorem tax levy, the board must specify the purpose for each levy, including:

1. For general county purposes (current expense and maintenance taxes), as authorized by § 27-39-303 of the *Code*;
2. For roads and bridges, as authorized by § 27-39-305 of the *Code*;
3. For schools, including the county wide minimum education program levy . . . as authorized by Chapter 57, Title 37 of the *Code*. . . . The levy for schools shall apply to assessed value of property in the respective school districts, including special municipal separate school districts, but excluding other municipal separate school districts, . . .;<sup>542</sup>
4. For road bonds and the interest thereon, separately for county wide bonds and for the bonds of each road district (*Code*, § 19-9-1 *et seq.*);
5. For school bonds and the interest thereon, separately for countywide bonds and for the bonds of each school district [*Code*, § 27-39-317(e)];
6. For countywide bonds and interest thereon, other than for road bonds and school bonds [*Code*, § 27-39-317(f)];
7. For loans, notes, and any other obligation, and the interest thereon, if permitted by law [*Code*, § 27-39-317(g)];
8. For any other purpose for which a levy is lawfully made [*Code*, 27-39-317(h)].

If a countywide levy is made for any general or special purpose under the provisions of any law other than § 27-39-303, each levy shall be separately stated in the board order adopting the tax levy.<sup>543</sup> The resolution levying ad valorem taxes must be published in a local newspaper within ten (10) days after adoption.<sup>544</sup>

#### Limits on the Levying of Ad Valorem Taxes

There are limits placed on the levying of ad valorem taxes. The authority of boards of supervisors to levy taxes is restricted by statutory limits that have been placed on the amount of any increase in receipts from taxes levied. The board is limited when levying ad valorem taxes to a 10% cap. Thus, a board of supervisors 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...an increase not to exceed ten percent (10%) of such receipts.<sup>545</sup> 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

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<sup>542</sup>*Code*, § 27-35-317(c).

<sup>543</sup>*Code*, § 27-39-317.

<sup>544</sup>*Code*, § 27-39-319.

<sup>545</sup>*Code*, §§ 27-39-305, 27-39-320, and 27-39-321.

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 county funds.

The board of supervisors is required by § 27-39-203 of the *Code* to advertise to the general public its intent to increase ad valorem tax revenue. The form and procedure is outlined in § 27-39-205 of the *Code*.

#### Advertising Prerequisite to Budgeting Increased Ad Valorem Revenue

If the board of supervisors increases the budget from the preceding year, *excluding revenue from new growth*, or increases the ad valorem tax levy from the preceding year, an advertisement of the intent to increase the budget or the ad valorem tax must be published in a newspaper of general circulation in the county. The notice that must be published is outlined as to form and content in § 27-39-205 of the *Code*.

### COLLECTION OF AD VALOREM TAXES

The main role of the supervisor in the collections process is one of support for the tax collector. Obviously, it is a tremendous task, annually, to collect on every item of taxable property in each county and distribute the funds accurately. The board must provide funds for adequate staff, materials, supplies, equipment, and items necessary for the tax collector to be able to perform the necessary tasks.

The board also has the authority to work with the tax collector to set up interlocal agreements for the collection of ad valorem taxes for the municipalities within the county. That authority can be found in § 27-41-2 and 17-13-7 of the *Code*.

Another collection function of the board is to approve certain reports that the tax collector presents annually. The collector is required by law to submit, for board approval, a report on personal property accounts that have been found to be insolvent.

In addition, the collector submits a list of all mobile home taxpayers who have failed to pay mobile home taxes. The collector is required to perform certain task before presenting this list to the board.

Another report that the collector must furnish to the board annually is a list of bad checks that the collector has determined to be non-collectible. This is only done after the collector has followed proper legal channels to attempt to collect on these bad checks.

### SPECIAL AD VALOREM TAX EXEMPTIONS

#### Homestead Exemption<sup>546</sup>

Up to \$7,500 of the assessed value of homesteads (not to exceed 160 acres of land) owned and actually occupied as homes by bona fide residents is exempt from the payment of the first \$300.00 of ad valorem taxes. Applicants who are over 65 or disabled are exempt from payment of all ad valorem taxes up to \$7,500 of assessed value. General administration of the homestead

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<sup>546</sup>*Code*, §§ 27-33-1 through 27-33-79.

exemption law is vested in the State Tax Commission. The board of supervisors, however, is required to perform a variety of duties (*Code*, § 27-33-37) and to exercise certain authority as follows:

1. The president of the board will receive applications for homestead exemption at each regular monthly meeting from the clerk of the board.
2. The board will pass on the correctness and eligibility of each application. The board will indicate if each application should be approved, disapproved, or if further information is needed.
3. If any application is disallowed, the board will notify the applicant immediately in writing.
4. Applicants whose applications have been disallowed will be given the opportunity to appeal the decision of the board in the next regular meeting of the board.
5. The board will review the Homestead Exemption Supplemental Roll (listing of applicants receiving homestead exemption) and vote on its approval.
6. The State Tax Commission will send notice of any homestead disallowance to the clerk of the board. The board will notify the applicant(s). A hearing will be conducted by the board to allow applicant(s) an opportunity to respond to the disallowance. The board will then respond with an acceptance or objection to the disallowance. The State Tax Commission will respond to all objections. The decision of the Tax Commission with respect to objections is final.
7. The board will order the tax collector to reassess and collect taxes for all applicants who have been denied homestead exemption.
8. The board may employ the clerk of the board to assemble the homestead data. Pay will be as described in 27-33-37(m) of the *Code*.

#### Industrial Exemptions<sup>547</sup>

At the discretion of the local governing authorities, exemptions from ad valorem taxation of certain properties may be granted to industries, with the exception of school district taxes, finished goods, and rolling stock.

The ad valorem tax exemption granted by a local government to a new enterprise shall continue even though there is a change from a leasehold to a fee title in an enterprise financed with bonds issued for the development of lands for industrial purposes or bonds issued under the Mississippi Small Business Financing Act.

Any request for an exemption must be made in writing by June 1<sup>st</sup> of the year following the year in which the enterprise is completed (*Code*, § 27-31-107). The time that such exemption may be granted is for a period not to exceed a total of ten (10) years.

New enterprises which may be granted an exemption from ad valorem taxes are as follows:

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<sup>547</sup>*Code*, §§ 27-31-101 through 27-31-117.

1. Warehouse and/or distribution centers;
2. Manufacturers, processors, and refiners;
3. Research facilities;
4. Corporate regional and national headquarters meeting minimum criteria established by the Department of Economic and Community Development;
5. Movie industry studios meeting minimum criteria established by the Department of Economic and Community Development;
6. Air transportation and maintenance facilities meeting minimum criteria established by the Department of Economic and Community Development;
7. Recreational facilities that impact tourism meeting minimum criteria established by the Department of Economic and Community Development; and,
8. Telecommunications enterprises meeting minimum criteria established by the Department of Economic and Community Development.

Section 27-31-107 of the *Code* contains the procedure by which applications are made to local governments for ad valorem tax exemptions for additions, expansions, or equipment replacements made with reference to a new enterprise and provides that such exemption may be granted in five-year periods, not to exceed a total of ten (10) years. The properties which are available for exemption from ad valorem taxation are: (1) real property (land and improvements) and (2) personal property (machinery/equipment, furniture/fixtures, raw materials, and work in process).

For new enterprises exceeding a total true value of one hundred million dollars (\$100,000,000), local authorities may grant a fee in lieu of taxes which will be negotiated and given final approval by the Mississippi Department of Economic and Community Development.

The minimum fee allowable cannot be less than one-third (1/3) of the property tax levy, including ad valorem taxes for school district purposes.

The general steps in processing an application for ad valorem tax exemption are:

1. The proper and timely filing of the required documents to the local county and municipal authorities is essential.
2. The original and three (3) copies of the application, along with the local governing authorities' certified transcripts of resolutions of approval, must be forwarded to the State Tax Commission within thirty (30) days from the date of the Certified Transcript of the Resolution.
3. Upon investigation and determination of the property's eligibility for exemption by the State Tax Commission, the State Tax Commission shall then certify its exemption to the governing authorities by issuing a certificate of approval.
4. Upon certification by the State Tax Commission, the local governing authorities, at their discretion, may grant the exemption.

5. The local governing authorities, after receipt of the certificate by the State Tax Commission, may enter a final board order declaring such property to be exempted and the date when the exemption begins and expires. Upon proper recording, one (1) copy of the final board order shall be filed with the State Auditor’s Office and one (1) copy with the State Tax Commission.

For further information and application formats, contact the following:

<p>Robert Dampeer Bureau of Valuation &amp; Exemption State Tax Commission P. O. Box 960 Jackson, MS 39215</p> <p>Telephone: 601-923-7635 Fax: 601-923-7637</p>	<p>Rita Fisher Bureau of Valuation &amp; Exemption State Tax Commission P. O. Box 960 Jackson, MS 39215</p> <p>Telephone: 601-923-7634 Fax: 601-923-7637</p>
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Glossary of Selected Terms Related to Industrial Tax Exemptions

Manufacturing Business	A business where tangible personal property is produced or assembled.
Processing Business	An establishment engaged in services such as manufacturing-related, computer-related, communications-related, energy-related, or transportation-related services, but the term “processing facility” does not include an establishment where retail merchandise or retail services are sold directly to retail customers.
Distribution Business	A business where shipments of tangible personal property is processed for delivery to customers, but “distribution” does not include a business which operates as a location where retail sales of tangible personal property are made directly to retail customers.
Research and Development Business	A business engaged in laboratory, scientific, or experimental testing and development related to new products, new uses for existing products, or improving existing products; but research and development does not include any business engaged in efficiency surveys, management studies, consumer surveys, economic surveys, advertising, promotion, or research in connection with literary, historical or similar projects.
Warehousing Business	A business primarily engaged in the storage of tangible personal property. The term “warehousing business” does not include any establishment which operates as a location where retail sales of tangible personal property are made to retail customers.
Telecommunications Enterprises	Entities engaged in the creation, display, management, storage, processing, transmission or distribution for compensation of images, text, voice, video or data by wire or by wireless means, or entities engaged in the construction, design, development, manufacture, maintenance or distribution for compensation of devices, products,

software or structures used in the above activities. Companies organized to do business as commercial broadcast radio stations, television stations or news organizations primarily serving in-state markets shall not be included within the definition of the term “telecommunications enterprises.”

#### Free Port Warehouses<sup>548</sup>

State law currently offer eligible warehouses, public or private, a license to operate as a free port warehouse and be exempted from all ad valorem taxes subject to the following:

- a. Personal property which is consigned or transferred to such warehouse for storage in transit to a final destination outside Mississippi may be exempt, subject to the discretion of the governing authorities over the jurisdiction (city or county) in which the warehouse or storage facility is located.
- b. Caves or cavities in the earth, whether natural or artificial, do not qualify under the Free Port Warehouse definition.
- c. Licenses shall be issued by the local governing authorities.
- d. Such personal property shall not be deprived of exemption because while in a warehouse, the property is bound, divided, broken in bulk, labeled, relabeled or repackaged.
- e. Certain required annual inventory reports shall be filed with the county tax assessor.

For further information and application formats, contact the following:

Rita Fisher State Tax Commission Telephone: 601-923-7634 Fax: 601-923-7637
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<sup>548</sup>Code, §§ 27-31-51 through 27-31-61.