

# A Study of Inventory Tax and Its Potential Losses to Cities, Counties, and School Districts

Presenters

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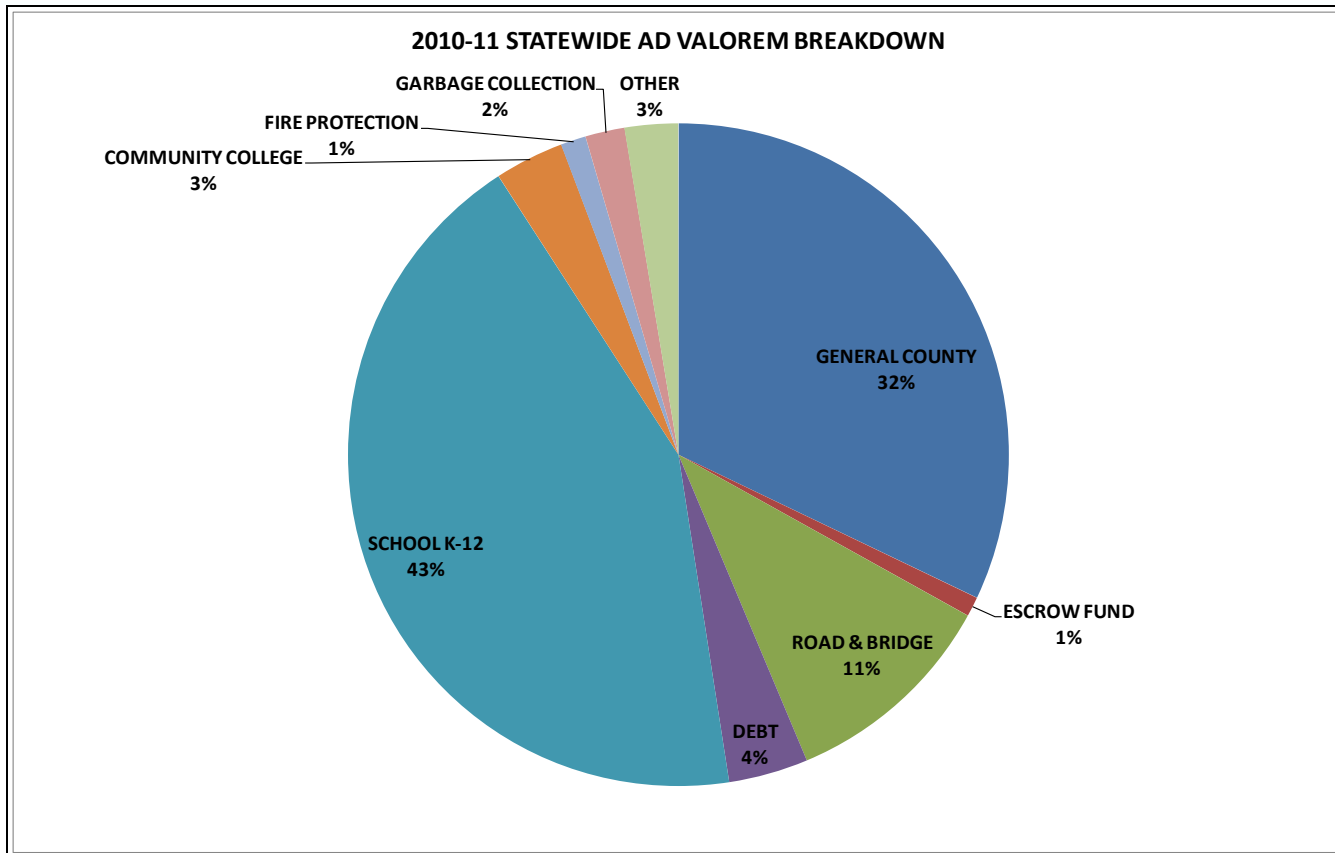
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Municipal taxes are an additional levy and go directly to the municipality.



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# What is taxed?

- 10% - Class I - Single Family Owner Occupied Residential
- 15% - Class II - All Real Property not classified Class I
- 15% - Class III - Business Personal Property
- 30% - Class IV - Public Utilities
- 30% - Class V - Motor Vehicles



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# How are these Classes taxed?

## Basic Formula:

$$\text{True Value} \times (\text{Ratio set by Law}) \% = \text{Assessed Value} \\ \times \underline{\text{Millage Rate}}$$

**Gross Taxes**



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# What is a Mill & How is it calculated?

- A Mill is a unit used in calculating money but is not a coin.
- A Mill is a tenth of a penny or a thousandth of a dollar.
- A tenth of one dollar or a dime is written \$.10.
- A hundredth of one dollar or a penny is written \$.01.
- One mill is a thousandth of one dollar and is written \$.001.



# Example:

A Class II property has a true value of \$75,000 and is in a taxing district in which the tax levy is 117.72 mills. Calculate the tax bill.

$$117.72 \text{ Mills} = \$.11772$$

True Value-	\$75,000
Class II Ratio-	$x \quad .15$
Assessed Value-	\$11,250
Mill Rate-	$x \quad .11772$
Tax Bill-	\$ 1,324.35



# "Some County" Assessed Value

	GROSS	EXEMPT	NET	
	ASSESSED VALUE	SPECIAL HOMESTEAD	ASSESSED VALUE	
REAL	77,624,832	13,426,719	64,198,113	46.8%
PERSONAL	19,713,578		19,713,578	14.4%
MOTOR VEHICLE	35,237,311		35,237,311	25.7%
PUBLIC UTILITY	15,250,169		15,250,169	11.1%
MOBILE HOMES	2,855,269		2,855,269	2.1%
	-----		-----	
TOTAL	150,681,159		137,254,440	



Assessed Value x Millage= Budget

Therefore:

Millage=

Budget / Assessed Value



Assume Budget = \$4,000,000

$$\text{Millage} = \frac{\$4,000,000 \quad (\text{BUDGET})}{\$137,254,440 \quad (\text{ASSESSED VALUE})}$$

Millage = .0291 or 29.1 Mills



# Homestead Exemption for City Taxes

Homestead exemption for cities involves only those applicants that qualify for "Special Homestead Exemption". That is the applicants must be over 65 years of age or disabled. The applicants are tax exempt on \$7,500 of "assessed value". The State of Mississippi reimburses the city a flat \$200 per applicant.

*In recent years the state has not reimbursed the cities all of the \$200 because of budget cuts*



# Regular Homestead \$7,500 Table

ASSESSED VALUE OF HOMESTEAD		CREDIT AMOUNT	ASSESSED VALUE OF HOMESTEAD		CREDIT AMOUNT
\$ 1	\$ 150	\$ 6.00	\$ 3,751	\$ 3,900	\$ 156.00
\$ 151	\$ 300	\$ 12.00	\$ 3,901	\$ 4,050	\$ 162.00
\$ 301	\$ 450	\$ 18.00	\$ 4,051	\$ 4,200	\$ 168.00
\$ 451	\$ 600	\$ 24.00	\$ 4,201	\$ 4,350	\$ 174.00
\$ 601	\$ 750	\$ 30.00	\$ 4,351	\$ 4,500	\$ 180.00
\$ 751	\$ 900	\$ 36.00	\$ 4,501	\$ 4,650	\$ 186.00
\$ 901	\$ 1,050	\$ 42.00	\$ 4,651	\$ 4,800	\$ 192.00
\$1,051	\$ 1,200	\$ 48.00	\$ 4,801	\$ 4,950	\$ 198.00
\$1,201	\$ 1,350	\$ 54.00	\$ 4,951	\$ 5,100	\$ 204.00
\$1,351	\$ 1,500	\$ 60.00	\$ 5,101	\$ 5,250	\$ 210.00
\$1,501	\$ 1,650	\$ 66.00	\$ 5,251	\$ 5,400	\$ 216.00
\$1,651	\$ 1,800	\$ 72.00	\$ 5,401	\$ 5,550	\$ 222.00
\$1,801	\$ 1,950	\$ 78.00	\$ 5,551	\$ 5,700	\$ 228.00
\$1,951	\$ 2,100	\$ 84.00	\$ 5,701	\$ 5,850	\$ 234.00
\$2,101	\$ 2,250	\$ 90.00	\$ 5,851	\$ 6,000	\$ 240.00
\$2,251	\$ 2,400	\$ 96.00	\$ 6,001	\$ 6,150	\$ 246.00
\$2,401	\$ 2,550	\$ 102.00	\$ 6,151	\$ 6,300	\$ 252.00
\$2,551	\$ 2,700	\$ 108.00	\$ 6,301	\$ 6,450	\$ 258.00
\$2,701	\$ 2,850	\$ 114.00	\$ 6,451	\$ 6,600	\$ 264.00
\$2,851	\$ 3,000	\$ 120.00	\$ 6,601	\$ 6,750	\$ 270.00
\$3,001	\$ 3,150	\$ 126.00	\$ 6,751	\$ 6,900	\$ 276.00
\$3,151	\$ 3,300	\$ 132.00	\$ 6,901	\$ 7,050	\$ 282.00
\$3,301	\$ 3,450	\$ 138.00	\$ 7,051	\$ 7,200	\$ 288.00
\$3,451	\$ 3,600	\$ 144.00	\$ 7,201	\$ 7,350	\$ 294.00
\$3,601	\$ 3,750	\$ 150.00	\$ 7,351	\$ 7,500	\$ 300.00



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# Example 1

## ALL CLASS I RESIDENTS WITH REGULAR HOMESTEAD EXEMPTION

COUNTY MILLS	59.48	\$	100,000	TRUE VALUE
CITY MILLS	34.37	X	10%	ASSESSMENT RATIO
SCHOOL MILLS	48.29			
		\$	10,000	ASSESSED VALUE
		\$	10,000	ASSESSED VALUE
TOTAL MILLS	142.1	X	0.14214	
		\$	1,421.40	GROSS TAX
		\$	1,421.40	GROSS TAX
		- \$	<u>300.00</u>	REGULAR HOMESTEAD CREDIT
		\$	1,121.40	NET TAX DUE



# Example 2

## ALL CLASS I RESIDENTS WITH SPECIAL HOMESTEAD EXEMPTION

COUNTY MILLS	59.48	\$	100,000	TRUE VALUE
CITY MILLS	34.37	X	10%	ASSESSMENT RATIO
SCHOOL MILLS	48.29			
		\$	10,000	ASSESSED VALUE
		-	7500	SPECIAL HOMESTEAD CREDIT
		\$	2,500	NET ASSESSED VALUE
TOTAL MILLS	142.14	X	0.14214	
		\$	355.35	NET TAX DUE



# Example 3

## ALL CLASS II RESIDENTS WITH NO HOMESTEAD EXEMPTION

COUNTY MILLS	59.48	\$	100,000	TRUE VALUE
CITY MILLS	34.37	X	15%	ASSESSMENT RATIO
SCHOOL MILLS	48.29			
			<hr/>	
		\$	15,000	ASSESSED VALUE
		\$	15,000	ASSESSED VALUE
TOTAL MILLS	142.14	X	0.14214	
			<hr/>	
		\$	2,132.10	GROSS TAX



# What is a tax Exemption?



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Assume Budget = \$4,000,000

Millage =	\$4,000,000	(BUDGET)
	-----	
	\$137,254,440	(ASSESSED VALUE)

Millage = .0291 or 29.1 Mills



Assume Budget = \$4,000,000

$$\text{Millage} = \frac{\$4,000,000 \quad (\text{BUDGET})}{\$100,000,000 \quad (\text{ASSESSED VALUE})}$$

Millage = .040 or 40 Mills



# What is Inventory Tax?

Class III is business personal property. It consists of furniture, fixtures, machinery, equipment, and inventory. Mobile homes are also considered Class III property.

Therefore inventory is simply defined as Class III property for local tax purposes. Inventory in retail establishments is generally the goods or products for sale. Inventory in manufacturing facilities can be in the form of finished goods, raw materials, or work in progress.



What would be the effect on ad valorem taxes in Mississippi if the legislature chose to exempt inventory?

\*Assessed Values would decrease

\*Counties, Cities, and School Districts would have to increase millage rates or reduce budgets.



# The Big Question?

## How Much???

- How much assessed value is placed on inventory in the State of Mississippi?
- How much revenue is collected annually on inventory?
- How much would this exemption affect my county, city, and school district?
- How much would this exemption raise the taxes on my home, business, car tag?



# Results of previous Study

A previous study by the Stennis Institute of Government to answer these questions was released in 2008. The study was based on data collected for the 2005 Tax Year.

Results:

- Total Assessed Value in 2005 of inventory in the state was \$735,788,505.
- Total Revenue collected on inventory taxes for counties, cities, and schools for 2005 was \$141,966,463.



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# Updated Study

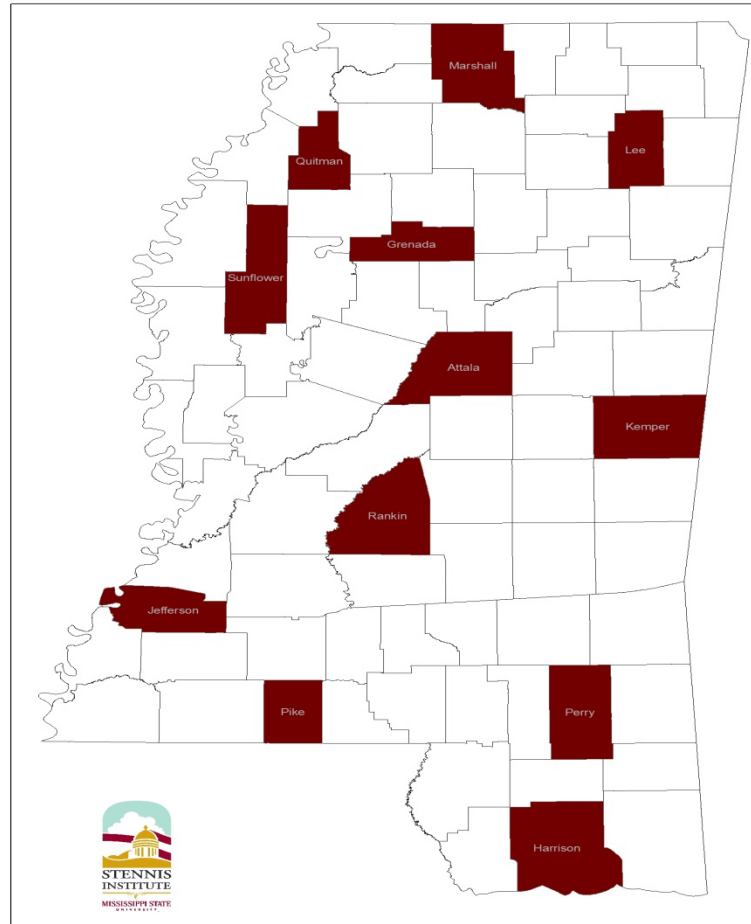
In August of 2011, the Stennis Institute was contacted by the Mississippi Association of Supervisors, the Mississippi Municipal League, the Mississippi Association of School Superintendents, and the Mississippi Association of School Boards to update the 2005 data study with 2010 data.

Due to time and budget constraints, the Institute was asked to use a representative sample of at least 10 counties to project the potential loss in revenue if inventory was exempt from ad valorem taxes and tax rates remained constant.

The Institute was also asked to project increases in millage rates if counties, cities, and school districts could not afford to absorb these revenue decreases caused by this exemption



# 12 County Sample Size & Geography



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# Results - 12 Sample Counties

## LOSS IN REVENUE DUE TO INVENTORY TAX EXEMPTION IF MILLAGE RATES ARE NOT ADJUSTED FOR THE LOSS IN ASSESSED VALUE

TOTAL LOSS IN COUNTY REVENUE	\$8,255,868
TOTAL LOSS IN MUNICIPAL REVENUE	\$4,860,842
TOTAL LOSS IN SCHOOL REVENUE	\$10,530,723
TOTAL LOSS IN REVENUE	\$23,647,432



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PIKE	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$489,298
TOTAL LOSS IN MUNICIPAL REVENUE	\$321,981
TOTAL LOSS IN SCHOOL REVENUE	\$572,533
TOTAL LOSS IN REVENUE	\$1,383,812

RANKIN	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$1,977,859
TOTAL LOSS IN MUNICIPAL REVENUE	\$982,014
TOTAL LOSS IN SCHOOL REVENUE	\$2,738,021
TOTAL LOSS IN REVENUE	\$5,697,894

LEE	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$2,010,337
TOTAL LOSS IN MUNICIPAL REVENUE	\$1,189,069
TOTAL LOSS IN SCHOOL REVENUE	\$3,335,982
TOTAL LOSS IN REVENUE	\$6,535,388



	2010 RECAP
PERRY	TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$75,044
TOTAL LOSS IN MUNICIPAL REVENUE	\$27,821
TOTAL LOSS IN SCHOOL REVENUE	\$59,303
TOTAL LOSS IN REVENUE	\$162,168

	2010 RECAP
QUITMAN	TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$62,518
TOTAL LOSS IN MUNICIPAL REVENUE	\$22,580
TOTAL LOSS IN SCHOOL REVENUE	\$28,255
TOTAL LOSS IN REVENUE	\$113,353

	2010 RECAP
GRENADA	TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$423,618
TOTAL LOSS IN MUNICIPAL REVENUE	\$280,215
TOTAL LOSS IN SCHOOL REVENUE	\$373,370
TOTAL LOSS IN REVENUE	\$1,077,204



HARRISON	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$1,893,658
TOTAL LOSS IN MUNICIPAL REVENUE	\$1,441,210
TOTAL LOSS IN SCHOOL REVENUE	\$2,536,122
TOTAL LOSS IN REVENUE	\$5,870,990

MARSHALL	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$459,526
TOTAL LOSS IN MUNICIPAL REVENUE	\$125,197
TOTAL LOSS IN SCHOOL REVENUE	\$281,766
TOTAL LOSS IN REVENUE	\$866,490

ATTALA	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$195,212
TOTAL LOSS IN MUNICIPAL REVENUE	\$82,830
TOTAL LOSS IN SCHOOL REVENUE	\$192,790
TOTAL LOSS IN REVENUE	\$470,832



SUNFLOWER	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$509,831
TOTAL LOSS IN MUNICIPAL REVENUE	\$374,545
TOTAL LOSS IN SCHOOL REVENUE	\$335,432
TOTAL LOSS IN REVENUE	\$1,219,808

JEFFERSON	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$20,596
TOTAL LOSS IN MUNICIPAL REVENUE	\$7,818
TOTAL LOSS IN SCHOOL REVENUE	\$16,259
TOTAL LOSS IN REVENUE	\$44,673

KEMPER	2010 RECAP TAX LOSS
TOTAL LOSS IN COUNTY REVENUE	\$138,371
TOTAL LOSS IN MUNICIPAL REVENUE	\$5,563
TOTAL LOSS IN SCHOOL REVENUE	\$60,888
TOTAL LOSS IN REVENUE	\$204,821



# Projected Losses Statewide

Using 2010 Data and a 12 County Sample

	2010 RECAP TAX LOSS	PROJECTED STATEWIDE
TOTAL LOSS IN COUNTY REVENUE	\$ 8,255,868	0.34912 \$ 56,415,096
TOTAL LOSS IN MUNICIPAL REVENUE	\$ 4,860,842	0.20555 \$ 33,215,752
TOTAL LOSS IN SCHOOL REVENUE	\$ 10,530,723	0.44532 \$ 71,959,939
TOTAL LOSS IN REVENUE	\$ 23,647,432	\$ 161,590,787
	\$ 23,647,432	
 STATEWIDE PROJECTION	 \$161,590,787	

## Secondary Projection Method

Projected Changes from 2005 to 2010 USING DOR VALUES & 2005 STUDY

YEAR	2005	2010	% INCREASE
INVENTORY ASSESSED VALUE	\$735,788,505	\$ 870,701,013	18%
STATEWIDE PROJECTION	\$141,966,464	\$167,997,112	



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# Possible Tax Shift in Sample Counties

If the counties, cities, and school districts could not absorb the loss in revenue due to an exemption on inventory, how would that shift the tax burden to the local citizens?

The following example is based on an individual in the sample counties that own a regular homesteaded property worth \$100,000 and two vehicles valued at a total of \$40,000:

Total Assessed Value: \$22,000



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CITY	TOTAL MILL INCREASE	TAX INCREASE FOR JOHN & JANE DOE
MCCOMB	8.02	\$176.48
MAGNOLIA	8.12	\$178.62
SUMMIT	7.70	\$169.37
OSYKA	5.04	\$110.78
BRANDON	3.78	\$83.11
FLORENCE	3.66	\$80.51
FLOWOOD	4.36	\$95.82
PEARL	7.70	\$169.35
PELAHATCHIE	4.67	\$102.70
RICHLAND	6.21	\$136.53
BALDWYN	9.85	\$216.68
GUNTOWN	7.32	\$161.00
NETTLETON	6.38	\$140.47
PLANTERSVILLE	7.53	\$165.63
SALTILLO	7.95	\$174.87
SHANNON	9.01	\$198.13
SHERMAN	9.56	\$210.25
TUPELO	10.33	\$227.19
VERONA	8.74	\$192.29
RIGHTON	5.79	\$127.33
BEAUMONT	2.04	\$44.85
NEW AUGUSTA	2.21	\$48.62
MCLAIN	9.42	\$207.33
CRENSHAW	1.59	\$34.87
SLEDGE	3.70	\$81.42
FALCON	1.63	\$35.87
MARKS	4.38	\$96.31
LAMBERT	1.92	\$42.32
CROWDER	2.62	\$57.71
GRENADA	8.04	\$176.88

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CITY	TOTAL MILL INCREASE	TAX INCREASE FOR JOHN AND JANE DOE
BILOXI	2.33	\$51.20
GULFPORT	4.23	\$93.16
LONG BEACH	3.76	\$82.71
PASS CHRISTIAN	5.45	\$119.85
D'IBERVILLE	3.96	\$87.09
HOLLY SPRINGS	12.31	\$270.89
BYHALIA	6.66	\$146.45
POTTS CAMP	7.39	\$162.63
KOSCIUSKO	5.71	\$125.58
ETHEL	1.53	\$33.62
MCCOOL	1.50	\$32.92
SALLIS	1.50	\$32.97
INDIANOLA	14.96	\$329.17
DREW	6.34	\$139.55
INVERNESS	6.33	\$139.26
MOORHEAD	5.71	\$125.52
SHAW	4.66	\$102.57
SUNFLOWER	5.09	\$111.98
RULEVILLE	7.22	\$158.93
DODDSVILLE	4.66	\$102.57
FAYETTE	2.57	\$56.58



For more information, or to have this presented in your municipality:

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