

Mississippi Association of Supervisors 2024 Fall Education Conference

Legislation That Could Impact Mississippi County Budgets

Presented by: Steve Gray & Sumner Davis




Order of the Day

• Key Impact Areas of Discussion


- *Potential Broadband Ad Valorem Tax Exemption Legislation*
- *Update of Legislative Hearings as it Pertains to Tax Reform*
- *Re-evaluation of Property Structures as it Pertains to Poultry and other Farm Facilities*
- *Heighten Awareness of Potential Legislation that Could Limit County Growth*



Broadband Ad Valorem Tax Exemption Legislation



*Efforts to Mississippi's Tax Incentive to Encourage and
Improve Mississippi's Rural Broadband Access and
Services*



Potential Broadband Ad Valorem Tax Exemption Legislation

- Quick Background Refresher:

- During the 2003 Regular Legislative Session, in an effort to encourage investment in broadband infrastructure throughout the State of Mississippi, legislation (*Senate Bill 2979*) was passed into law that offered an incentive for those companies that invested in broadband infrastructure while meeting the legislation requirements.
- The technology addressed in the 2003 legislation was NOT designed for addressing wireless cell phone broadband technology. Remember, the iPhone was not brought to the market until 2007.
- The internet speed levels addressed in the 2003 legislation measured speeds in Kilobits Per Second (KPS). Today we measure internet speed in Megabits Per Second (MPS). To put that into further clarity see the chart below. (*Note: The 2003 legislation required **no less than 384 Kilobits Per Second***)

Kilobits Per Second	Megabits Per Second
1000	1
2000	2
3000	3 (<i>Nextflix Minimum</i>) (Today's Minimum Requirement for Most Online Streaming Services)

Potential Broadband Ad Valorem Tax Exemption Legislation (Cont'd)

- Current Problem:

- There are counties losing an enormous amount of ad valorem revenue due to the tax exemption of equipment of cell phone companies that are technically not legally eligible to benefit from the exemption provide for in Mississippi Code
- In an addition, the intent of this ad valorem exemption was to encourage major broadband infrastructure investments throughout Mississippi. There is nothing mandated in the current law that require these companies to disclose anything to the county boards of supervisors to show where these investments (if any) were taking place. Basically, there are no accountability measures in place to show broadband infrastructure investments.
- The other issue encompassed internet speed and outdated equipment. This law must be updated with mandates for faster internet speeds and the modern equipment to accommodate those speeds if telecommunication companies are going to be exempt from ad valorem taxes through the merit of broadband services

- Effort to Address the Problem :

- The Mississippi Association of Supervisors (MAS) are currently in talks with the telecommunication providers to reach a negotiated agreement. The providers have submitted proposed language to MAS. MAS is in the process of incorporating additional issues that must be addressed with the provider's language to reach a compromise before the 2025 Regular Legislative Session begins. *(NOTE: The current exemption is set to sunset in 2025 if no action is taken during the 2025 Regular Legislative Session)*



Potential Tax Reform Legislation



*Update on recent Hearings, Testimonies, and
Discussions Around Cutting Taxes at the State Level*



Potential Tax Reform Legislation

- September 4th Hearing: HOUSE CHAMBER ONLY
 - The newly established ad hoc House Select Committee on Tax Reform debuted their first series of discussions regarding tax reform at the Mississippi State Capitol in room 113.
 - This select committee hearing was co-chaired by Rep. Trey Lamar and Rep. Scott Bounds. The committee heard from MDOT, Dept. of Revenue, Supervisors Association, and the Municipal League.
 - This hearing began with establishing three (3) key focal points: (1) Establish a competitive and fair tax structure; (2) Be sensitive to the needs of local government; (3) Fix the funding model for the Mississippi Department of Transportation for the long haul.
 - MDOT: MDOT's advocate was able to identify that MDOT has been short of money to just maintain their roadways much less build new ones to keep up with demand. MDOT's primary funding comes from an 18.4 cents gasoline tax which represents the second lowest in the nation. MDOT's advocate asked the State to consider diverting more existing dollars or creating new dollars
 - Dept. of Revenue: The Department of Revenue (DOR) discussed state and local government revenue structures, but also made a point to note that Mississippi was the only state that allow sales tax diversions to municipalities. DOR stated that other states allow cities to levy their own "local option" sales tax on top of the state's sales tax.
 - MS Association of Supervisors (MAS): MAS stressed how important and valuable the "use tax" been for county government infrastructure. MAS also heavily discussed the emergency need for increased State Aid Funding for county roads. The select committee also discussed the idea of counties receiving sales tax in the unincorporated areas.
 - MS Municipal League: MML also aligned their position with the need for more infrastructure funding. Infrastructure needs such as water pipes, sewer pipes, sidewalks, and roads were the main concerns

Potential Tax Reform Legislation

- **September 24th Tax Summit: HOUSE POSITION**

- This summit event was established and outlined by the Office of the Speaker of the Mississippi House of Representative. But both the Senate and House Chamber participated in the tax discussions.
- Speaker White noted that as long as Mississippi continues to experience a surplus with revenue growth, policy makers will continue to talk about ways to cut the personal income tax.
- Ways and Means Chairman Trey Lamar stated that it is time for historic transformational change to tax policy to remain competitive to other states. (NOTE: States identified that either eliminated or significantly reduced their state income tax were Texas, Florida, Missouri, and Tennessee.)

- **SENATE POSITION**

- Senate participants were Sen. Jeremy England (Elections Committee Chairman) and Sen. Josh Harkins (Finance Committee Chairman)
- Sen. England urged caution not in opposition to the tax cuts but with the mindset to slow walk the approach. Sen. Harkins also noted that the federal COVID-19 funding was a one-time event that helped the state, but other expenses are now on the rise such as the states health insurance, PERS, Medicaid, etc.

- **GOVERNOR'S POSITION**

- Governor Tate Reeves remained a strong advocate of eliminating the State's income tax.



Potential Legislation Impacting the Valuation of Agricultural Facilities/Property

*Update regarding the recent activities of the State
Department of Revenue*



- The new sq. ft. rates being implemented were captured in 2019.
- Normally, an index is applied to the rates in the manual. An index brings values in the appraisal manual up to the current cost for your county. The county updates the index rate every 4 years with the reappraisal process.
- Poultry Houses have a statewide index applied of 1.0 whereas all other property has a new index applied every four years to keep costs aligned with the current market.
- When counties use the updated DOR Manual values Poultry properties feel a much higher increase compared to other properties due to the 1.0 index.
- MACA (Mississippi Assessor & Collector Association) & Department of Revenue (DOR) have met to explore possible solutions, but DOR will not be implementing any changes until the current reappraisal cycle has been completed statewide.



POULTRY HOUSES

It is recommended that poultry houses be depreciated on a straight line basis at a rate of 5% per year. For as long as the structure remains usable and in production, net depreciation (percent good) should not be less than 40%.

Due to the consistency of construction costs of poultry houses among various locations, a 1.00 index shall be used when valuing all poultry houses and compost buildings. ~~All poultry schedules will be updated periodically to account for inflation in construction costs.~~

Beginning with land roll 2009 there are only three classes of poultry houses. Poultry houses will be classed into only three groups. The classes are B-74 (conventional poultry houses), ~~B-75 (Broiler and pullet cool-celled or tunnel ventilation houses)~~ and B-76 (Breeder and/or egg houses). Starting with land roll 2009, a 45% adjustment for economic obsolescence shall be used on the B-74, B-75, and B-76 poultry houses.

An example is:

The B-74 rate of $\$4.84 \times 55\% = \2.66 the adjusted square foot rate to be used.

Note: A 1.00 index must be used on all poultry rates.



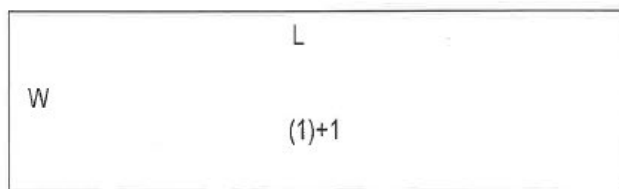
B-75



B-75

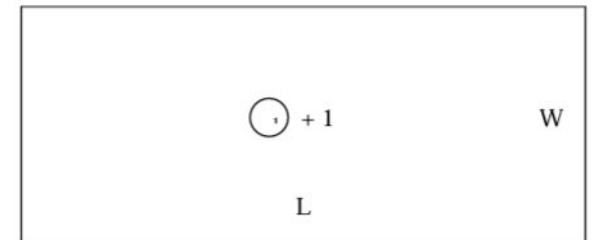
Specifications
Broiler and/or Pullet House

The cost below is for the newer designed poultry houses that maximize poultry production. The cost includes a 6" thick concrete perimeter foundation, light pre-fabricated steel framing, and/or wood framing. This class is for broiler and pullet cool-celled or tunnel ventilation houses. The cost per square foot is \$4.35.



B-75
Specifications
Broiler and/or Pullet House

The cost below is for the newer designed poultry houses that maximize poultry production. The cost includes a 6" thick concrete perimeter foundation, light pre-fabricated steel framing, and/or wood framing. This class is for broiler and pullet cool-celled or tunnel ventilation houses. The cost per square foot is \$8.96.



- **Old Rates: B-75**

- B-75 $\$4.35 \times .55\% = \2.39

- $18,900 \text{ sq ft} \times 2.39 = \$45,171.00 \times .4 \text{ (60\% Depreciation)} = \$18,068.4$

- $\$18,068.4 \times .15 \text{ Class II} = 2,710.26 \times .110 \text{ Millage rate} = \$298.12 \text{ (Taxes Due)}$

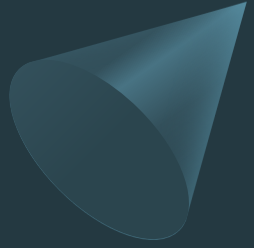
- **New Rates: B-75**

- B75 $\$8.96 \times .55\% = \4.92

- $18,900 \text{ sq ft} \times 4.92 = \$92,988 \times .4 \text{ (60\% Depreciation)} = \$37,195.2$

- $\$37,195.2 \times .15 \text{ Class II} = 5,579.28 \times .110 \text{ Millage rate} = \$613.72 \text{ (Taxes Due)}$





Questions?

