By: Representatives Mangold, Barnett, Blackwell, Bounds, Carpenter, Ladner, Mansell, Pigott, Tubb, Varner, Wallace

To: Ways and Means

HOUSE BILL NO. 1878

AN ACT TO AMEND SECTION 27-35-50, MISSISSIPPI CODE OF 1972, TO SPECIFY PROVISIONS FOR DETERMINING THE TRUE VALUE OF RURAL STRUCTURES FOR AD VALOREM TAX ASSESSMENT PURPOSES; TO REQUIRE THAT THE TRUE VALUE OF ANY RURAL STRUCTURE APPRAISED BEFORE JANUARY 1, 2025, BE RECALCULATED FOR 2025 AND SUBSEQUENT TAX YEARS IN ACCORDANCE WITH THIS ACT, BEGINNING WITH A REAPPRAISAL OF THE TRUE VALUE AS OF THE YEAR OF THE INITIAL APPRAISAL; TO REQUIRE THE TAX ASSESSOR TO FOLLOW GUIDELINES IN THE DEPARTMENT OF REVENUE APPRAISAL MANUAL IN USE PRIOR TO THE REVISED DECEMBER 2020 VERSION TO ARRIVE AT THE TRUE VALUE OF RURAL STRUCTURES IN OPERATION ON OR BEFORE JANUARY 1, 2025; TO REQUIRE TAX ASSESSORS TO USE THE MOST CURRENT VERSION OF DOR'S APPRAISAL MANUAL TO ARRIVE AT THE TRUE VALUE OF RURAL STRUCTURES PLACED INTO OPERATION AFTER JANUARY 1, 2025; TO PROVIDE THAT, AFTER THE INITIAL APPRAISAL, THE TRUE VALUE OF SUCH A RURAL STRUCTURE SHALL BE BASED SOLELY ON DEPRECIATION AT A RATE OF 7% PER YEAR; TO PROVIDE THAT NET DEPRECIATION SHALL NOT FALL BELOW 20% OF THE ORIGINAL TRUE VALUE OF THE POULTRY HOUSE; TO REQUIRE THAT AN ADJUSTMENT OF 45% FOR ECONOMIC OBSOLESCENCE BE APPLIED TO ALL POULTRY HOUSES USED IN COMMERCIAL FARMING OPERATIONS; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. Section 27-35-50, Mississippi Code of 1972, is amended as follows:

27-35-50. (1) True value shall mean and include, but shall not be limited to, market value, cash value, actual cash value, proper value and value for the purposes of appraisal for ad valorem taxation.

(2) With respect to each and every parcel of property subject to assessment, the tax assessor shall, in ascertaining true value, consider whenever possible the income capitalization approach to value, the cost approach to value and the market data approach to value, as such approaches are determined by the Department of Revenue. For differing types of categories of property, differing approaches may be appropriate. The choice of the particular valuation approach or approaches to be used should be made by the assessor upon a consideration of the category or nature of the property, the approaches to value for which the highest quality data is available, and the current use of the property.

(3) Except as otherwise provided in subsection (4) of this section, in determining the true value of land and improvements thereon, factors to be taken into consideration are the proximity to navigation; to a highway; to a railroad; to a city, town, village or road; and any other circumstances that tend to affect its value, and not what it might bring at a forced sale but what the owner would be willing to accept and would expect to receive for it if he were disposed to sell it to another able and willing to buy.

(4) (a) 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.

(b) <u>(i)</u> 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 set forth in the land appraisal manuals of the Department of Revenue, which criteria shall include, but not be limited to, an income capitalization approach with a capitalization rate of not less than ten percent (10%) and a moving average of not more than ten (10) years; however, for the year 2022 and thereafter, the moving average for such land, except land devoted to the production of timber, shall be as follows: for the year 2022, four (4) years; for the year 2023, five (5) years; for the year 2024, six (6) years; for the year 2025, seven (7) years; for the year 2026, eight (8) years; for the year 2027, nine (9) years; and for the year 2028 and thereafter, ten (10) years. However, for the year 1990, the moving average shall not be more than five (5) years; for the year 1991, not more than six (6) years; for the year 1992, not more than seven (7) years; for the year 1993, not more than eight (8) years; and for the year 1994, not more than nine (9) years; and for the year 1990, the variation up or down from the previous year shall not exceed twenty percent (20%) and thereafter, the variation, up or down, from a previous year shall not exceed ten percent (10%) through the year 2018; and for the year 2019 and thereafter, the variation, up or down, from a previous year shall not exceed four percent (4%). Government payments and crop insurance indemnities shall not be included in determining the true value of such land, and a charge for management of each crop equal to twenty-five percent (25%) of the sum of a crop's estimated variable cost, machinery ownership cost, and general farm overhead cost, shall be deducted in determining the true value of such land. The land shall be deemed to be used for agricultural purposes when it is devoted to the commercial production of crops and other commercial products of the soil, including, but not limited to, the production of fruits and timber or the raising of livestock and poultry; however, enrollment in the federal Conservation Reserve Program or in any other United States Department of Agriculture conservation program or the fact that the land is leased for hunting or fishing purposes shall not preclude land being deemed to be used for agricultural purposes solely on the ground that the land is not being devoted to the production of commercial products of the soil, and income derived from participation in the federal program or income derived from a hunting or fishing lease may be used in combination with other relevant criteria to determine the true value of such land. The true value of aquaculture shall be determined in the same manner as that used to determine the true value of row crops.

(ii) 1. From and after January 1, 2025, the provisions of this subparagraph (ii) shall govern the valuation of rural structures. The true value of any rural structure appraised before January 1, 2025, shall be recalculated for 2025 and subsequent tax years in accordance with this subparagraph (ii), beginning with a reappraisal of the true value as of the year of the initial appraisal.

2. For purposes of this subparagraph (ii), "rural structure" means any rural secondary building covered in Chapter V of the Department of Revenue appraisal manual, as revised December 2020. The term "rural structure" includes, but is not limited to, silos, grain storage bins, barns and poultry houses, but does not include rural dwellings.

3. In arriving at the true value of a rural structure in operation on or before January 1, 2025, the assessor shall follow the guidelines in the Department of Revenue appraisal manual in use immediately prior to the version revised December 2020. In arriving at the true value of a rural structure placed in operation after January 1, 2025, the assessor shall follow the guidelines in the most current version of the Department of Revenue appraisal manual.

4. After the initial appraisal, the true value of a rural structure shall be based solely on depreciation on a straight-line basis at a rate of seven percent (7%) per year. For as long as the poultry house remains usable and in production, net depreciation shall not fall below twenty percent (20%) of the original true value. Once the twenty-percent threshold is

reached, no further depreciation shall be applied for the duration of the operational life of the poultry house.

5. Starting with land roll 2009, an adjustment of forty-five percent (45%) for economic obsolescence shall be applied to all poultry houses used in commercial farming operations.

6. If any provision in this subparagraph (ii) is found to conflict with any other provision in this section, the provision of this subparagraph (ii) shall control.

(c) In determining the true value based upon current use, no consideration shall be taken of the prospective value such property might have if it were put to some other possible use.

(d) In arriving at the true value of affordable rental housing, the assessor shall use the appraisal procedure set forth in land appraisal manuals of the Department of Revenue. Such procedure shall prescribe that the appraisal shall be made according to actual net operating income attributable to the property, capitalized at a market value capitalization rate prescribed by the Department of Revenue that reflects the prevailing cost of capital for commercial real estate in the geographical market in which the affordable rental housing is located adjusted for the enhanced risk that any recorded land use regulation places on the net operating income from the property. The owner of affordable rental housing shall provide to the county tax assessor on or before April 1 of each year, an accurate statement of the actual net operating income attributable to the property for the immediately preceding year prepared in accordance with generally acceptable accounting principles. As used in this paragraph:

(i) "Affordable rental housing" means residential housing consisting of one or more rental units, the construction and/or rental of which is subject to Section 42 of the Internal Revenue Code (26 USC 42), the Home Investment Partnership Program under the Cranston-Gonzalez National Affordable Housing Act (42 USC 12741 et seq.), the Federal Home Loan Banks Affordable Housing Program established pursuant to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 (Public Law 101-73), or any other federal, state or similar program intended to provide affordable housing to persons of low or moderate income and the occupancy and maximum rental rates of such housing are restricted based on the income of the persons occupying such housing.

(ii) "Land use regulation" means a restriction imposed by an extended low-income housing agreement or other covenant recorded in the applicable land records or by applicable law or regulation restricting the maximum income of residents and/or the maximum rental rate in the affordable rental housing.

(e) In arriving at the true value of ground leases on real property leased by the Mississippi State Port at Gulfport, the assessor shall use the appraisal procedure set forth in land appraisal manuals of the Department of Revenue. Such procedure shall prescribe that the appraisal shall be made according to actual net ground rent attributable to the leased premises, capitalized at a market value capitalization rate prescribed by the Department of Revenue that reflects the prevailing cost of capital of commercial real estate in the geographical market in which the Mississippi State Port at Gulfport is located. As used in this paragraph (e):

(i) "Ground leases" means those leases of land where the Mississippi State Port at Gulfport is the landlord and a person or business entity is the tenant.

(ii) "Ground rent" means the rent paid to the Mississippi State Port at Gulfport in a set amount for a specific length of tenancy where the amount of rent may be adjusted from time to time based upon market indices, such as the consumer price index. Ground rent does not include percentage rent and rent based on improvements or any other type of rental payment.

(iii) "Percentage rent" means the rent paid to the Mississippi State Port at Gulfport that is calculated based upon revenue generated by the tenant by virtue of the ground lease.

(iv) "Rent based on improvements" means the rent paid to the Mississippi State Port at Gulfport that is calculated based upon investments in improvements to the leased premises made by tenant.

(5) The true value of each class of property shall be determined annually.

(6) The Department of Revenue shall have the power to adopt, amend or repeal such rules or regulations in a manner consistent with the Constitution of the State of Mississippi to implement the duties assigned to the department in this section.

SECTION 2. This act shall take effect and be in force from and after January 1, 2025.

ST: Ad valorem tax; specify provisions for determining the true value of rural structures.