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Willow Bend Estates, LLC v. Humphreys County Bd. of Sup'rs **Supreme Court of Mississippi - October 17, 2013 - So.3d - 2013 WL 5649041**

Low-income housing developments appealed county's real property tax assessments.

The instant case arose out of a dispute regarding local ad valorem taxes on real estate developments that use federal tax credits to construct and maintain restrictive properties that rent only to lower-income households. The question was whether local governments may include the value of federal tax credits in their valuation of the properties for tax assessment purposes.

In 2005, the Mississippi Legislature enacted Mississippi Code Section 27-35-50(4)(d). The statute requires local tax assessors to determine the true value of affordable rental housing by using the appraisal method set forth in the manual of the State Tax Commission and that such procedure shall implement the "actual net operating income" methodology.

Despite the new law, Humphreys County continued to include the federal tax credits through the "cost" methodology in its valuation of low-income housing development. The different types of valuation result in extreme variations. For example, using the income method as prescribed by the statute, the development would have paid nothing in taxes for 2009, but under the county's approach, it would have owed \$74,038.

The Supreme Court of Mississippi held that Mississippi Code Section 27-35-50(4)(d) prohibits local governments from including the value of federal tax credits in their valuation of the properties for tax assessment purposes.