

# **A Tax Burden Comparison of the Memphis MSA**

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## Executive Summary

The local tax burden is but one factor to consider when determining where to locate geographically. All other factors being equal, tax avoidance is rational behavior for an individual when it is possible for him to change his tax liability via geographic choice. What follows is an estimate of different tax liabilities within the Memphis Metropolitan Statistical Area (MSA). The estimates presented were generated given what might be considered a “typical” household, which is described more fully in the Assumptions section.

Table 1 contains estimated state and local taxes for selected locations within the Memphis MSA. In the tri-state Memphis MSA area, unincorporated Fayette County in Tennessee has the lowest expected total state and local tax burden, while Coldwater, Mississippi, has the highest. The earned income taxes levied in both Arkansas and Mississippi have a greater impact on the total amount of taxes to be paid locally than do the higher property and sales tax rates seen in Tennessee.

**Table 1. Estimated 2012 State And Local Taxes, Locations Within Memphis MSA, Largest To Smallest**

Location	Property Taxes	Sales Taxes	Auto Registration (Renewal)	Income Taxes	Total Taxes
Coldwater, MS	\$1,862.40	\$1,322.93	\$742.32	\$2,744	\$6,671.70
Holly Springs, MS	\$1,693.16	\$1,322.93	\$662.42	\$2,744	\$6,422.55
Senatobia, MS	\$1,577.40	\$1,322.93	\$607.77	\$2,744	\$6,252.15
Unincorporated Tate County, MS	\$1,493.99	\$1,322.93	\$568.38	\$2,744	\$6,129.35
Potts Camp, MS	\$1,462.25	\$1,322.93	\$553.40	\$2,744	\$6,082.63
Southaven, MS	\$1,412.01	\$1,322.93	\$527.41	\$2,744	\$6,006.40
Byhalia, MS	\$1,372.10	\$1,322.93	\$510.84	\$2,744	\$5,949.92
Marion, AR*	\$888.06	\$1,537.98	\$302.15	\$3,132	\$5,859.86
Olive Branch, MS	\$1,301.06	\$1,322.93	\$475.03	\$2,744	\$5,843.07
Unincorporated Marshall County, MS	\$1,053.57	\$1,322.93	\$360.45	\$2,744	\$5,481.00
West Memphis, AR*	\$577.94	\$1,461.95	\$234.32	\$3,132	\$5,405.88
Unincorporated DeSoto County, MS	\$910.41	\$1,322.93	\$292.86	\$2,744	\$5,270.25
Crittenden County, AR*	\$486.59	\$1,233.86	\$216.98	\$3,132	\$5,069.10
North Tunica, MS	\$509.43	\$1,322.93	\$103.54	\$2,744	\$4,679.95
Tunica, MS	\$449.33	\$1,322.93	\$75.17	\$2,744	\$4,591.47
Unincorporated Tunica County, MS	\$282.85	\$1,322.93	\$55.50	\$2,744	\$4,405.33
Memphis, TN	\$2,142.57	\$1,600.44	\$106.00	\$0.00	\$3,849.00
Bartlett, TN	\$1,667.78	\$1,600.44	\$202.00	\$0.00	\$3,470.21
Germantown, TN	\$1,649.75	\$1,600.44	\$202.00	\$0.00	\$3,452.18
Millington, TN	\$1,589.65	\$1,600.44	\$202.00	\$0.00	\$3,392.08
Collierville, TN	\$1,574.62	\$1,600.44	\$206.00	\$0.00	\$3,381.06
Arlington, TN	\$1,520.53	\$1,600.44	\$152.00	\$0.00	\$3,272.97
Lakeland, TN	\$1,220.03	\$1,600.44	\$152.00	\$0.00	\$2,972.47
Unincorporated Shelby County, TN	\$1,220.03	\$1,600.44	\$152.00	\$0.00	\$2,972.47
Covington, TN	\$1,060.77	\$1,676.47	\$174.00	\$0.00	\$2,911.23
Unincorporated Tipton County, TN	\$703.17	\$1,600.44	\$174.00	\$0.00	\$2,477.61
Unincorporated Fayette County, TN	\$444.41	\$1,600.44	\$212.00	\$0.00	\$2,256.85

**Notes:** \*Auto registration includes personal property taxes on assumed vehicles.

## Assumptions

Before comparisons of personal tax burdens can be calculated, certain assumptions must be made in order for any estimates to be generated. The estimated tax rate comparisons are meant to be indicative of an “average” family in the Memphis MSA based on standard demographic information. All the income and other demographic information are based upon an assumed intact married family with one dependent child.<sup>1</sup> This family is assumed to make the median income for the MSA of \$62,481<sup>2</sup> and to be owners of a home valued at \$120,200, the realized 2011 median residential home sale price in the greater Memphis MSA as reported by the National Association of Realtors.<sup>3</sup>

In the state of Mississippi, auto registration fees are based on the value of the vehicle, while in Arkansas personal property taxes are levied on privately-owned automobiles. In Tennessee, auto registration fees for private passenger cars are uniform regardless of the age and value of the vehicle. In order to be able to estimate auto registration fees in Mississippi and Arkansas, fees were calculated using the *Kelly Blue Book* values of a standard model 2008 Ford F-150 pickup and a 2008 Honda Accord. In calculating sales tax payments, a simplifying assumption was made that individuals spend an assumed amount of money on consumption in the local county in which they reside. Consumption amounts relative to expected income were generated using the Bureau of Labor Statistics Consumer Expenditure Survey.<sup>4</sup> Vehicle purchase outlays are NOT included in this analysis.

There may be other taxes incurred at the local level that will not show up directly in these calculations. Business taxes, which are ultimately paid by consumers, are not accounted for, along with the costs that are borne by taxpayers due to differences in zoning and construction laws. It should also be considered that according to geographic location within the areas discussed, \$120,200 could purchase a markedly different sized and located home. While there are numerous factors that arguably could have been included, for simplicity and calculability certain simplifying assumptions have been made.

## Property Taxes

Table 2 contains property taxes per \$100 of assessed value, along with the percentage of assessed value against which these rates are applied for selected areas within the Memphis MSA. For comparison purposes, the millage rates and assessment methodologies used in Crittenden County, Arkansas, and the Mississippi counties of DeSoto, Tate, Marshall, and Tunica were converted to equal the methodology used in Tennessee.

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<sup>1</sup> Based on U.S. Census Bureau family size estimates, downloaded 5/28/2012 from <http://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf>.

<sup>2</sup> Based on the 2010 Consumer Expenditure Survey completed by the Bureau of Labor Statistics.

<sup>3</sup> Median Home Price, 2011. As reported by the National Association of Realtors. Downloaded 5/21/2012 from <http://www.realtor.org/topics/metropolitan-area-median-prices-and-affordability>.

<sup>4</sup> 2010 Consumer Expenditure Survey completed by the Bureau of Labor Statistics retrieved 5/17/2012 from <http://bls.gov/cex/>.

<b>Location</b>	<b>% of appraised value on which tax is levied</b>	<b>Assessed Value</b>	<b>Tax per \$100 of assessed value</b>	<b>Estimated tax</b>
Memphis	25.0%	\$30,050.00	\$7.13	\$2,142.57
Coldwater, MS	10.0%	\$12,020.00	\$15.49	\$1,862.40
Holly Springs, MS	10.0%	\$12,020.00	\$14.09	\$1,693.16
Bartlett	25.0%	\$30,050.00	\$5.55	\$1,667.78
Germantown	25.0%	\$30,050.00	\$5.49	\$1,649.75
Millington	25.0%	\$30,050.00	\$5.29	\$1,589.65
Senatobia, MS	10.0%	\$12,020.00	\$13.12	\$1,577.40
Collierville	25.0%	\$30,050.00	\$5.24	\$1,574.62
Arlington	25.0%	\$30,050.00	\$5.06	\$1,520.53
Unincorporated Tate County, MS	10.0%	\$12,020.00	\$12.43	\$1,493.99
Potts Camp, MS	10.0%	\$12,020.00	\$12.17	\$1,462.25
Southaven, MS	10.0%	\$12,020.00	\$11.75	\$1,412.01
Byhalia, MS	10.0%	\$12,020.00	\$11.42	\$1,372.10
Olive Branch, MS	10.0%	\$12,020.00	\$10.82	\$1,301.06
Lakeland	25.0%	\$30,050.00	\$4.06	\$1,220.03
Shelby County	25.0%	\$30,050.00	\$4.06	\$1,220.03
Covington, TN	25.0%	\$30,050.00	\$3.53	\$1,060.77
Unincorporated Marshall County, MS	10.0%	\$12,020.00	\$8.77	\$1,053.57
Unincorporated DeSoto County	10.0%	\$12,020.00	\$7.57	\$910.41
Marion, AR	20.0%	\$24,040.00	\$5.15	\$888.06
Tipton County	25.0%	\$30,050.00	\$2.34	\$703.17
West Memphis, AR	20.0%	\$24,040.00	\$3.86	\$577.94
North Tunica, MS	10.0%	\$12,020.00	\$4.24	\$509.43
Unincorporated Crittenden County, AR	20.0%	\$24,040.00	\$3.48	\$486.59
Tunica, MS	10.0%	\$12,020.00	\$3.74	\$449.33
Fayette County	25.0%	\$30,050.00	\$1.48	\$444.41
Unincorporated Tunica County, MS	10.0%	\$12,020.00	\$2.35	\$282.85

**Notes:** Mississippi taxes calculated with homestead exemption, who reside in the home and pay all local and state taxes in the taxing district in which they reside. The assessment rate for the homestead exemption is 10.0% vs. the non-exemption rate of 15.0%. The homestead exemption also entitles the homeowner to an additional \$300 credit.

Crittenden County taxes are calculated as if the individuals live in an unincorporated section of the county in the West Memphis school district number 4 rural. Additionally, the \$350 homestead exemption for primary residence has been subtracted for all Arkansas localities included.

Within the Memphis MSA, the city of Memphis has the highest rate of those compared in Tennessee at \$7.13 per \$100 of assessed value, while the unincorporated areas of Tipton and Fayette counties have the lowest rates of those compared in Tennessee at \$2.34 and \$1.48 per \$100 of assessed value, respectively. Similarly, Coldwater, Mississippi, has the highest rate at \$15.49 per \$100 of assessed value within the Mississippi jurisdictions, while unincorporated Tunica County, Mississippi, has the lowest at \$2.35 per \$100. The city of Marion has the highest rate of the Arkansas jurisdictions at \$5.15, while unincorporated Crittenden County has the lowest at \$3.48. However, differences in assessment rates (10.0%, 20.0%, and 25.0%) and homestead

exemptions result in vastly different total property taxes, with Memphis topping the list at \$2,142.57 and unincorporated Tunica County, Mississippi, taking the bottom at \$282.85.

**Sales Taxes**

Table 3 contains estimated sales taxes paid in geographic areas within the Memphis, Tennessee, MSA. The cities of Marion, Arkansas, and Covington, Tennessee have the highest sales tax rates at 9.75 percent, while DeSoto County has the lowest at 7.0 percent. Other than unincorporated Crittenden County and all of the Mississippi locations analyzed, the remaining areas in the study have a sales tax rate of at least 9.25 percent. Additionally, Arkansas and Tennessee tax unprepared food at rates of 1.5 percent and 5.5 percent, respectively.

**Table 3. Estimated 2012 Sales Taxes For Selected Locations Within Memphis MSA, Largest To Smallest.**

<b>Geographic Area</b>	<b>Tax Rate, Goods and Prepared Food</b>	<b>Tax Rate, Unprepared Food</b>	<b>Amount, Goods and Prepared Food</b>	<b>Amount, Unprepared Food</b>	<b>Total Sales Taxes</b>
Covington, Tennessee*	9.75%	5.25%	\$1,482.59	\$193.88	\$1,676.47
Shelby County, Tennessee	9.25%	5.25%	\$1,406.56	\$193.88	\$1,600.44
Fayette County, Tennessee	9.25%	5.25%	\$1,406.56	\$193.88	\$1,600.44
Tipton County, Tennessee	9.25%	5.25%	\$1,406.56	\$193.88	\$1,600.44
Marion, Arkansas	9.75%	1.50%	\$1,482.59	\$55.40	\$1,537.98
West Memphis, Arkansas	9.25%	1.50%	\$1,406.56	\$55.40	\$1,461.95
Senatobia, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Coldwater, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Unincorporated Tate County, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Holly Springs, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Unincorporated Marshall County, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Tunica, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
North Tunica, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Unincorporated Tunica County, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
DeSoto County, Mississippi	7.00%	7.00%	\$1,064.42	\$258.51	\$1,322.93
Unincorporated Crittenden County, Arkansas	7.75%	1.50%	\$1,178.47	\$55.40	\$1,233.86

**Notes:** Based on \$48,109 of consumer spending contained within the assumed resident’s home county, of which a total of \$18,899 were considered eligible for sales taxes.

\*The Tipton County local option rate is 2.25% while the city of Covington has a higher local option rate of 2.5%.

**Auto Registration**

Table 4 contains estimates of registration fees for selected locations within the Memphis MSA. Fees within the state of Tennessee are uniform regardless of the value of the vehicle and differ by municipality and/or county. In Arkansas, personal property taxes are levied on automobiles and are included in the estimates below. In Mississippi, auto registration fees are based on a depreciated portion of the initial vehicle MSRP. Arkansas and Mississippi have notably higher automobile registration fees than do any of the locations within the state of Tennessee, with Coldwater and Holly Springs having the two highest calculated renewal rates.

<b>Town/Geographic Area</b>	<b>Renewal</b>	<b>Initial</b>
Coldwater, MS	\$742.32	\$744.82
Holly Springs, MS	\$662.42	\$664.92
Senatobia, MS	\$607.77	\$610.27
Unincorporated Tate County, MS	\$568.38	\$570.88
Potts Camp, MS	\$553.40	\$555.90
Southaven, MS	\$527.41	\$529.91
Byhalia, MS	\$510.84	\$513.34
Olive Branch, MS	\$475.03	\$477.53
Unincorporated Marshall County, MS	\$360.45	\$362.95
Marion, AR	\$302.15	\$322.15
Unincorporated DeSoto County, MS	\$292.86	\$295.36
West Memphis, AR	\$234.32	\$254.32
Crittenden County, AR*	\$216.98	\$236.98
Memphis, TN (City Fee \$30)	\$212.00	\$234.00
Collierville, TN (City Fee \$27)	\$206.00	\$228.00
Bartlett, TN (City Fee \$25)	\$202.00	\$224.00
Germantown, TN (City fee \$25)	\$202.00	\$224.00
Millington, TN (City Fee \$25)	\$202.00	\$224.00
Bartlett, TN (City Fee \$25)	\$202.00	\$224.00
Tipton County, TN	\$174.00	\$192.00
Covington, Tennessee	\$174.00	\$192.00
Fayette County, TN	\$212.00	\$190.00
Lakeland, TN (No City Fee)	\$152.00	\$174.00
Unincorporated Shelby, TN (No City Fee)	\$152.00	\$174.00
Arlington, TN (No City Fee)	\$152.00	\$174.00
North Tunica, MS	\$103.54	\$106.04
Tunica, MS	\$75.17	\$77.67
Unincorporated Tunica County, MS	\$55.50	\$58.00

**Notes:** For Crittenden County, uses county millage rate as if in West Memphis school district #4 Rural. Crittenden County also includes personal property taxes which are levied in Arkansas on motor vehicles.

### State Income Taxes

Table 5 contains estimates of state-level income taxes by geographic area studied. The estimates differ only at the state level so only state differences are shown. Arkansas has the highest expected tax bill at \$3,132 given a per capita family income of \$62,481. Mississippi has an expected tax payment of \$2,744. Tennessee remains one of the few states without an earned income tax, leaving the tax liability at \$0.

<b>State</b>	<b>Estimated Amount</b>
Arkansas	\$3,132
Mississippi	2,744
Tennessee	0

**Note:** Based on a per capita family income of \$62,481 with an intact, married family filing jointly and one dependent minor.

## APPENDIX

## PROPERTY TAX RATES, MEMPHIS MSA

### DeSoto County, Mississippi, Residential Property Tax Rates

Location	County Millage Rate	School Millage Rate	City Millage Rate	Total Millage Rate
Unincorporated DeSoto County	47.13	53.57	0.00	100.70
Olive Branch	45.13	53.57	34.50	133.20
Southaven	45.13	53.57	43.73	142.43

Note: \$300 is subtracted from County Taxes as Homestead Exemption.

### Tate County, Mississippi, Residential Property Tax Rates

Location	County Millage Rate	School Millage Rate	City Millage Rate	Total Millage Rate
Unincorporated Tate County	78.50	70.75	0.00	149.25
Senatobia	78.50	53.69	24.00	156.19
Coldwater	78.50	70.75	30.65	179.90

Note: \$300 is subtracted from County Taxes as Homestead Exemption.

### Marshall County, Mississippi, Residential Property Tax Rates

Location	County Millage Rate	School Millage Rate	City Millage Rate	Total Millage Rate
Unincorporated Marshall County	76.85	35.76	0.00	112.61
Byhalia	76.85	35.76	26.50	139.11
Potts Camp	76.85	35.76	34.00	146.61
Holly Springs	76.85	59.76	29.21	165.82

Note: \$300 is subtracted from County Taxes as Homestead Exemption.

### Tunica County, Mississippi, Residential Property Tax Rates

Location	County Millage Rate	School Millage Rate	City Millage Rate	Total Millage Rate
Unincorporated Tunica County	13.60	34.89	0.00	48.49
Tunica	13.60	34.89	13.85	62.34
North Tunica	13.60	34.89	18.85	67.34

Note: \$300 is subtracted from County Taxes as Homestead Exemption.

### Crittenden County, Arkansas, Residential Property Tax Rates

Location	County Millage Rate	School Millage Rate	City Millage Rate	Total Millage Rate
Unincorporated Crittenden				
County	5.80	29.00	0.00	34.80
Marion	5.80	40.70	5.00	51.50
West Memphis	5.80	29.00	3.80	38.60

Note: Unincorporated Crittenden County school millage rate was calculated as West Memphis School District 4 Rural. Arkansas residents are able to deduct \$350 as a homestead exemption on their primary residence.



**Shelby County, Tennessee, Property Tax Rates**

<b>Location</b>	<b>County</b>	<b>City</b>	<b>Total</b>
Unincorporated Shelby County	\$4.06	\$0.00	\$4.06
Arlington	4.06	1.15	5.21
Bartlett	4.06	1.49	5.55
Collierville	4.06	1.43	5.49
Germantown	4.06	1.49	5.55
Lakeland	4.06	0.00	4.06
Memphis	4.02	3.11	7.13
Millington	4.06	1.23	5.29

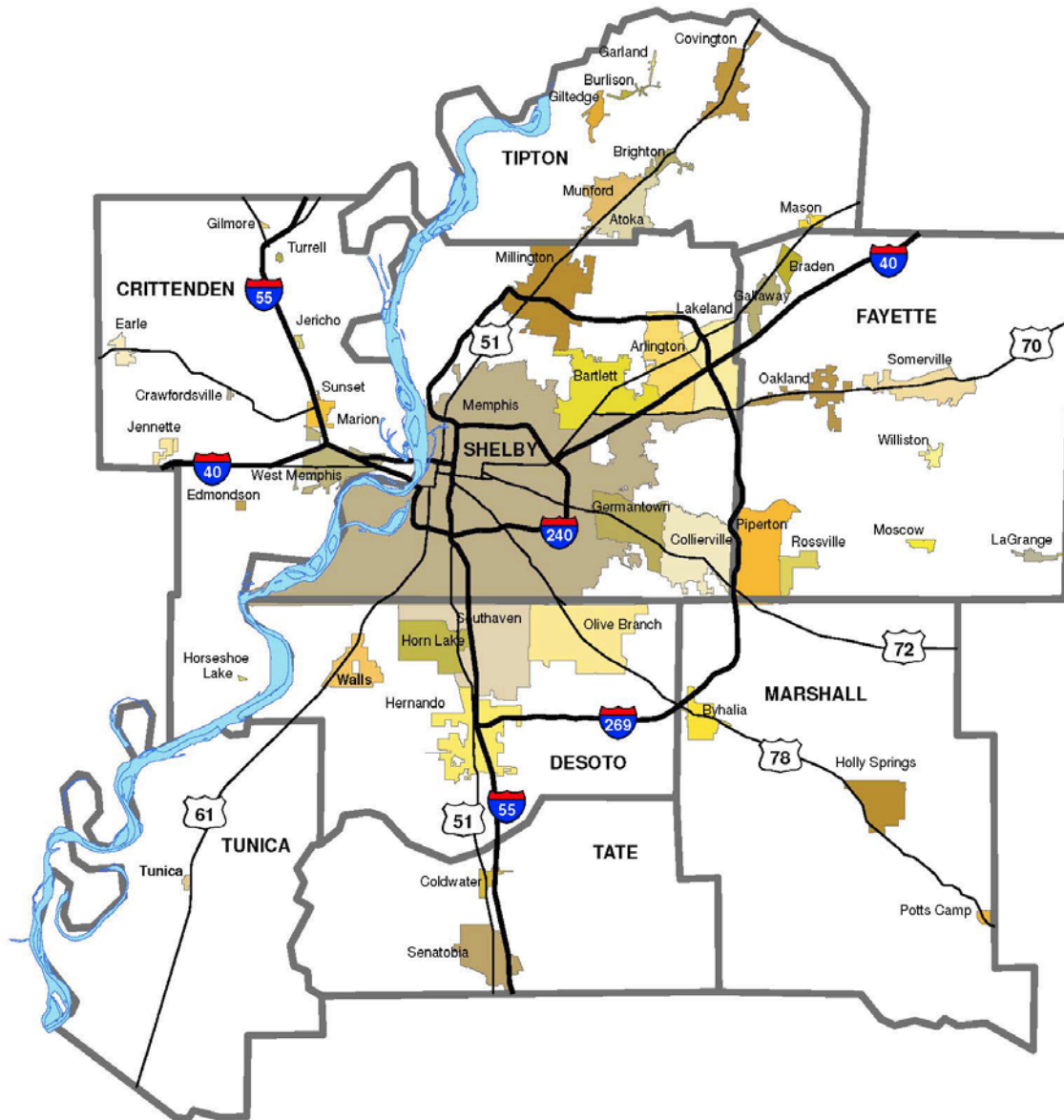
Rates as of August 2012.

**Tipton County, Tennessee, Property Tax Rates**

<b>Location</b>	<b>County</b>	<b>City</b>	<b>Total</b>
Unincorporated Shelby County	\$2.34	\$0.00	\$2.34
Covington	2.34	1.19	3.53

Rates as of August 2012.

# The Memphis Metropolitan Statistical Area



Map: Sparks Bureau of Business and Economic Research, University of Memphis, 2012