



SOUTHERN AGCREDIT

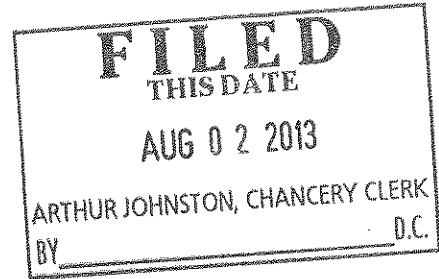
Corporate Office

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August 2, 2013

Board of Supervisors of Madison County, Mississippi
146 West Center Street
P. O. Box 608
Canton, MS 39046
Attn: Arthur Johnson, Clerk of the Board



Re: Southern AgCredit –Tax Assessment Protest
PPIN 7502

Dear Mr. Johnson:

This letter shall serve as the formal protest of Southern AgCredit FLCA, a federal land bank association, of the assessment by Madison County, Mississippi of Southern AgCredit's personal property, PPIN 7502.

The basis for the protest is that the personal property of federal land bank associations is exempt from all taxation. The principal grounds for the protest are:

1. In a series of cases going back to 1819, the United States Supreme Court has ruled that the Supremacy Clause of the United States Constitution mandates that states have no power to tax federal instrumentalities absent Congressional authorization. McCullough v. Maryland, 17 U.S. 316 (1819). This constitutional principle is known as preemption.

As recently as 1975, the Supreme Court applied the same preemption principle to overturn a tax sought to be imposed by the Mississippi State Tax Commission. U.S. v. State Tax Comm'n of Mississippi, 421 U.S. 599 (1975).

2. The Supreme Court has held that this same preemption principle applies to state and local taxation of federal land banks. Examples include:

- a) In Federal Land Bank v. Bd. of County Comm'n, 368 U.S. 146 (1961) the United States Supreme Court overturned a Kansas personal property tax on a federal land bank, finding that the land bank was a federal instrumentality which enjoyed immunity from taxation as provided under the federal statute which is now codified at 12 U.S.C. § 2098.

Southern AgCredit – Tax Assessment Protest PPIN 7502

Page | 2

b) In Federal Land Bank v. Bismarck Lumber Co., 314 U.S. 95 (1941), the Supreme Court found that land banks were constitutionally created “instrumentalities of the federal government” and therefore immune from a state sales tax. In so holding, the Supreme Court recognized that the scope of that immunity was to be broadly applied to taxes other than those specifically excepted by the law, such as real estate taxes.

3. The current federal law is codified at 12 U.S.C. § 2098 (copy attached as Exhibit “A”). In that statute, the Congress of the United States has mandated a tax exemption for federal land bank associations from all taxes (except real property taxes) stating: “Each Federal land bank association ... shall be exempt from Federal, State, municipal and local taxation except taxes on real estate held by a Federal land bank association” (emphasis added).

4. As stated in its Charter (attached as Exhibit “B”), Southern AgCredit FLCA is “a federal land credit association which is a federal land bank association” (emphasis added).

Southern AgCredit’s Charter was issued by the Farm Credit Administration (Farm Credit Act of 1971, as amended), pursuant to 12 U.S.C. § 2091. Southern AgCredit has been given direct lending authority pursuant to 12 U.S.C. § 2279b (Section 7.6 of the Act) by its supervising bank, the Farm Credit Bank of Texas (10th Farm Credit District). As stated in 12 CFR § 619.9155 of the Farm Credit Regulations “The term Federal land credit association refers to a Federal land bank association that has received a transfer of direct long-term real estate lending authority pursuant to section 7.6 of the Act.”

CONCLUSION

The attempt to impose a property tax on the personal property of Southern AgCredit falls squarely within the controlling federal law cited above. Consequently, any state law to the contrary is preempted and an attempt to enforce such a law is unconstitutional.

a) Southern AgCredit is a “federal land bank association” by virtue of its federal charter and federal law.

b) 12 U.S.C. § 2098 grants a specific exemption to “each federal land bank association” from “Federal, State, municipal and local taxation except real estate taxes.”

c) The federal courts have held that this tax exemption is to be broadly applied, except where specifically limited by Congress. Consequently, federal land bank associations like Southern AgCredit are exempt from the personal property taxes which Madison County seeks to assess.

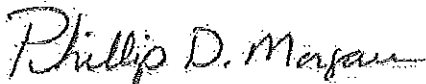
Southern AgCredit requests the opportunity to appear before the Board of Supervisors at the time set for tax protests to present its protest, requests prior notice of such time and place, and reserves the right to provide further authority and support at that time. If any additional written filing is required to properly perfect its protest, please notify the undersigned immediately.

Southern AgCredit – Tax Assessment Protest PPIN 7502

Page | 3

Respectfully,

On behalf of Southern AgCredit, FLCA,



Phillip D. Morgan, CPA
Vice President/Chief Financial Officer

Enclosure: FCA Charter and Amendment
Statute 12 USC Sec. 2098

Cc. Gerald R. Barber, County Tax Assessor



Charter

Southern AgCredit, FLCA Rankin County, Mississippi

The Farm Credit Administration, in accordance with the Farm Credit Act of 1971, as amended (Act), hereby amends and restates the charter for Land Bank South, FLCA, whose name is changed to Southern AgCredit, FLCA (Association). The Association is a federal land credit association, which is a federal land bank association possessing authority to make and participate in long-term real-estate mortgage loans. The Association is a subsidiary of Southern AgCredit, ACA, and is affiliated with the Farm Credit Bank of Texas. The location of the principal office of the Association is in the city of Flowood, county of Rankin, state of Mississippi. The Association is a Farm Credit Institution and a federally chartered instrumentality.

By this amended and restated federal charter, the Farm Credit Administration hereby reauthorizes said Association to exercise all powers conferred on the Association under the Act and the regulations of the Farm Credit Administration within the following territory:

In the state of Mississippi, the counties of Adams, Amite, Carroll, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Leflore, Lincoln, Madison, Marion, Montgomery, Neshoba, Newton, Pearl River, Perry, Pike, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Walthall, Warren, Washington, Wayne, Wilkinson, and Yazoo, and in the state of Texas, the county of Rains.

The Association is subject to the Conditions of Approval imposed by the Farm Credit Administration.

IN WITNESS WHEREOF, the Chairman of the Farm Credit Administration has executed this amended and restated charter and caused the seal of the Farm Credit Administration to be affixed this 30th day of December 2008. This charter shall be effective January 1, 2009.

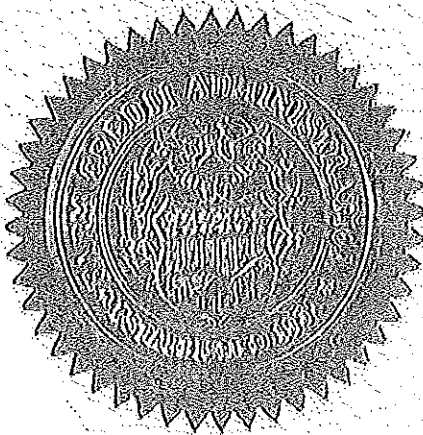
Charter No. 7897

FARM CREDIT ADMINISTRATION
McLean, Virginia

Leland A. Strom
Chairman

Attest

Roland E. Smith
Secretary to the Board





Amendment to Charter and Articles of Association

Southern AgCredit, FLCA
Madison County, Mississippi

The charter of Southern AgCredit, FLCA (Association), which is a subsidiary of Southern AgCredit, ACA, is hereby amended so that the headquarters location of said Association shall be in the City of Ridgeland, County of Madison, State of Mississippi.

The second Article of the Articles of Association for the Association, which now reads:

"SECOND: The headquarters of the Association shall be located in the City of Flowood, County of Rankin, State of Mississippi, and such other office and offices as determined by the Board of Directors to be necessary and convenient to the business of the Association."

Is amended to read:

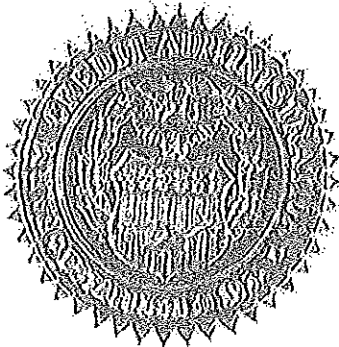
"SECOND: The headquarters of the Association shall be located in the City of Ridgeland, County of Madison, State of Mississippi, and such other office and offices as determined by the Board of Directors to be necessary and convenient to the business of the Association."

The foregoing amendments are effective November 1, 2010.

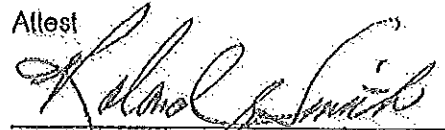
IN WITNESS WHEREOF, this Amendment to Charter and Articles of Association has been signed and the seal of the Farm Credit Administration has been affixed this 9th day of November 2010.

Charter No. 7897

FARM CREDIT ADMINISTRATION
McLean, Virginia




Leland A. Strom
Chairman

Attest

Roland E. Smith
Secretary to the Board



1 of 1 DOCUMENT

UNITED STATES CODE SERVICE
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*** Current through PL 113-22, approved 7/25/13 ***

TITLE 12. BANKS AND BANKING
CHAPTER 23. FARM CREDIT SYSTEM
FARM CREDIT ASSOCIATIONS
FEDERAL LAND BANK ASSOCIATIONS

Go to the United States Code Service Archive Directory

12 USCS § 2098

§ 2098. Taxation

Each Federal land bank association and the capital, reserves, and surplus thereof, and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate held by a Federal land bank association to the same extent, according to its value, as other similar property held by other persons is taxed. The mortgages held by the Federal land bank associations and the notes, bonds, debentures, and other obligations issued by the associations shall be considered and held to be instrumentalities of the United States and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1941 (*31 U.S.C. 3124*).

HISTORY:

(Dec. 10, 1971, P.L. 92-181, Title II, Part B, § 2.16 [2.17], as added Jan. 6, 1988, P.L. 100-233, Title IV, Subtitle A, § 401, 101 Stat. 1637; Aug. 17, 1988, P.L. 100-399, Title IV, § 401(w), (x), 102 Stat. 999.)

HISTORY; ANCILLARY LAWS AND DIRECTIVES

Explanatory notes:

A prior § 2098 (Act Dec. 10, 1971, P.L. 92-181, Title II, Part B, § 2.17, 85 Stat. 602; Dec. 23, 1985, P.L. 99-205, Title II, § 205(e)(16), 99 Stat. 1705; Jan. 6, 1988, P.L. 100-233, Title VIII, § 805(j), 101 Stat. 1715) was replaced in the general amendment of Title II of Act Dec. 10, 1971, P.L. 92-181, by Act Jan. 6, 1988, P.L. 100-233, Title IV, Subtitle A, § 401, 101 Stat. 1622. It related to taxation.

A prior § 2.16 of Act Dec. 10, 1971, P.L. 92-181, Title II, Part B, which appears as *12 USCS § 2097*, was redesignated § 2.15 of such Act by Act Aug. 17, 1988, P.L. 100-399, Title IV, § 401(w), 102 Stat. 999, effective as provided by § 1001(b) of such Act, which appears as *12 USCS § 2002* note.

Effective date of section:

12 USCS § 2098

This section took effect six months after enactment of Act Jan. 6, 1988, P.L. 100-233, as provided by § 401 of such Act.

Amendments:

1988. Act Aug. 17, 1988 (effective as provided by § 1001(b) of such Act, which appears as *12 USCS § 2002* note) inserted the comma following "therefrom", substituted "associations" for "banks" following "issued by the", and substituted "3124" for "742(a)".

Redesignation:

This section, enacted as § 2.17 of Part B of Title II of Act Dec. 10, 1971, was redesignated § 2.16 of such Part by Act Aug. 17, 1988, P.L. 100-399, Title IV, § 401(w), 102 Stat. 999, effective as provided by § 1001(b) of such Act, which appears as *12 USCS § 2002* note.

NOTES:**Related Statutes & Rules:**

This section is referred to in *12 USCS § 2214*.



P. O. Box 203850
Austin, TX 78720-3850
Tel. 512-380-9065

August 15, 2013

Board of Supervisors of Madison County, Mississippi
146 West Center Street
P. O. Box 608
Canton, MS 39046

Attn: Mr. Arthur Johnson, Clerk of the Board

RE: Southern AgCredit – Tax assessment Protest
PPIN 7502
Supplement to letter from Mr. Phillip D. Morgan, dated August 2, 2013

Dear Board Members:

Southern AgCredit, FLCA is a federal land credit association, which is a federal land bank association which has direct lending authority.

Historically, Congress has made FLBAs (and by extension FLCAs) virtually tax exempt, but has not extended that to production credit associations “PCAs”.

Associations which originated and evolved as FLBAs have always had the tax exemption, and that covers associations from Alaska to Puerto Rico. Associations which originated and evolved as PCAs have not had the exemption. As each evolved into their current structure, they generally kept the primary focus of their ongoing business, i.e., former FLBAS (FLCAs) operate primarily as that structure and former PCAs operate primarily as a PCA.

However, as stated above, the FLBAs have historically been tax exempt while PCAs have not, and that has carried over into how they continue today. Southern AgCredit, FLCA is tax exempt (except as to taxes on real property owned by Congressional action).

Prior to relocating its main office to Madison County, Southern AgCredit was located in Rankin County, and did not pay personal property taxes there. In addition to Madison County, we currently have offices in Lincoln, Washington, Newton, Leflore, Pearl River and Lamar Counties in Mississippi and in Caddo and Lincoln parishes, Louisiana. We do not pay personal property tax in any of those jurisdictions

I have been with the Farm Credit System for about 25 years now, and to the best of my knowledge we have never had a jurisdiction fail to recognize the tax exempt status of an FLBA or FLCA.

We do acknowledge that we had a comptroller at the Madison office who was apparently unaware of the exemption, and did pay Madison County taxes one year. By the time this error was discovered, we deemed it too late to file a protest to reclaim that payment.

Letter to Madison County Board of Supervisors
August 15, 2013
Page 2

In summary, Southern AgCredit, FLCA is exempt from personal property tax and the inadvertent payment one year of the tax does not change that.

Sincerely,

A handwritten signature in black ink that reads "Donald G. Barlow". The signature is written in a cursive style with a large initial "D".

Donald G. Barlow
General Counsel
Miss. Bar No. 2013
Texas Bar No. 01753510
don.barlow@farmcreditbank.com

Cc: Gerald R. Barber, Madison County Tax Assessor
Phillip D. Morgan, CPA
VP/CFO