

"AN ACT TO REQUIRE CHURCHES TO LIST FOR ASSESSMENT AND PAY AD VALOREM PROPERTY TAXES ON ALL PROPERTY USED FOR BUSINESS, COMMERCIAL, INVESTMENT OR PURPOSES OTHER THAN CHURCH PURPOSES; TO REQUIRE CHURCHES TO PAY STATE INCOME TAX ON ALL INCOME DERIVED FROM OPERATIONS OF ANY BUSINESS ACTIVITY; AND FOR OTHER PURPOSES."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Hereafter, all real or personal property owned by any church and held for, or used for, commercial, business, rental, or investment purposes or purposes other than church purposes, shall be listed for assessment annually for ad valorem tax purposes between the first Monday in January and April 10 of each year and the ad valorem tax paid thereon at the same rate and at the time and in the same manner now provided by law for any other property owner. Under the provisions of this Act, all dedicated church property, including the church building used as a place of worship, buildings used for administrative or missional purposes, the land upon which such church buildings are located, all church parsonages, any church educational building operated in connection with such church, including a family life or activity center, a recreation center, a youth center, a church association building, a day-care center, a kindergarten, or private church school, shall be exempt from such tax. Provided, however, that in the event any property is used partially for church purposes and partially for investments or other commercial or business purposes, such property shall be exempt from such tax.

SECTION 2. The church or its governing official or board shall annually list for assessment for ad valorem tax purposes all property which is not exempted from such tax under the provisions of this Act. The Assessment Coordination Division of the Public Service Commission shall promulgate reasonable rules and regulations to effectuate the provisions of this Act. Such Division shall certify to the various county assessors, and to each church in this State, upon request therefor, guidelines to be used in listing non-exempt property for assessment under the provisions of this Act.

SECTION 3. Hereafter, all income derived from the operation of any business or commercial enterprise, or the sale, rental or other disposition of any property used by a church in its operation of a business or commercial enterprise in this State shall be subject to the Arkansas Income Tax, except where such income is re-invested in similar property, and shall be reported and the Arkansas Income Tax paid thereon. Income from the interest on the savings and investments from dedicated funds, from the sale of dedicated church property, and from the rental of dedicated church property shall be excluded from the provisions of this Section. It is not the intent of this Act to impose the Arkansas income tax on rentals or gains on sales of dedicated property held only as passive investment by a church.

SECTION 4. The Commissioner of Revenues is hereby authorized to promulgate reasonable rules and regulations to carry out the provisions of Section 3 of this Act.

SECTION 5. All laws and parts of laws in conflict with this Act are hereby repealed.

SECTION 6. If any provision of this Act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

SECTION 7. EMERGENCY. It is hereby found and determined by the General Assembly that many churches have engaged in the practice of investing in real and personal property, or have received donations of commercial or rental property which is not now assessed for ad valorem tax purposes and are not paying tax thereon as required by law, thereby depriving the local taxing units of thousand of dollars of much needed revenues; that under the Arkansas Constitution of 1874, Article 16, Sections 5 and 6, such property is not exempt from the provisions of the ad valorem property tax; that in many instances such churches do not report for Arkansas Income Tax purposes income derived from investments or profits derived from rental income or other commercial or business activities and do not pay taxes thereon; that this reduces the amount of revenues available for funding of State services; and that only by the immediate passage of this Act can this situation be remedied. Therefore, an emergency is hereby declared to exist, and this Act being necessary for the immediate preservation of the public peace, health, and safety, shall be in full force and effect from and after its passage and approval.

APPROVED: April 14, 1987

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