

Arkansas Property Tax Overview

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Association of Arkansas Counties



75 Counties.

One Voice.

Under What Authority is Property Taxed in Arkansas?

Ark. Constitution Art. 16, § 5

- Real and Tangible Personal Property – methods and procedures for valuation may be established upon $\frac{3}{4}$ vote of each chamber of the General Assembly.

Exemptions

- *Ark. Constitution Art. 16, § 5*: “Public property used *exclusively* for public purposes; churches *used as such*; cemeteries used *exclusively* as such; school buildings and apparatus; libraries and grounds used *exclusively* for school purposes; and buildings and grounds and materials used *exclusively* for public charity.” These exemptions are further analyzed in *Ark. Code Ann. § 26-3-301*.
- Property owned by the federal, state, county, or municipal government is generally not subject to taxation.
- *Ark. Code Ann. § 26-3-306* exempts homestead and personal property taxes for 100% totally and permanently disabled veterans, as determined by the VA on an annual basis.

Amendment 79: Property Tax Relief

(Passed on General Election Ballot in Nov. 2000)

- Real Property Reappraisal – 10% maximum increase on first assessment after reappraisal for non-homestead real property; 5% maximum on homestead property (does not apply to new construction or substantial improvements)
- Homestead assessed values frozen if owner if 65 years or older, or is disabled per *26-26-1120*
- Annual Homestead Credit – raised to \$350 by Act 655, § 4 of 2009
- Personal Property may not be assessed at higher millage rate than Real Property

How Do County Assessors or their Appraisers Arrive at the Assessed Values?

- 20% of True Market Value - 26-24-102 et. al: Public Service Commission has power and authority to fix the percentage of true market value for assessment purposes. The percentage shall not exceed 20%. 26-26-303
- 26-26-201: All property not listed for assessment before May 31 shall be delinquent and subject to a 10% penalty as well as a 50 cent fee for each delinquent list.
- 26-26-903: Every owner must list all real and personal property they own in the county in which he/she resides (or the county in which the property is located and kept for use – 26-26-1102).
- 26-26-1123: When a property owner sells real property, it shall be assessed at 20% of the appraised value at the next assessment date after transfer of title (next Jan. 1).
- 26-26-1201: All property in this state shall be assessed according to its (true market) value on January 1.

Reappraisal

- *26-26-308*: The Assessment Coordination Department shall promulgate the appropriate rules and regulations with regards to countywide reappraisals.
- *26-26-401 et. al*: If a reappraisal results in an increase in the aggregate value of real and personal property of 10% or more, the tax rate shall be “rolled back” by the governing entity.
- All counties are currently on a 5-year reappraisal cycle. Craighead County will enter a 3-year reappraisal cycle in 2018.

“What if my taxes are too high?”

- If a taxpayer feels that their property has been valued too high, the first step is to request an informal “appeal” with the County Assessor.
- Appeal to County Equalization Board (unless exempt status, ag, pasture, or timber values)
- Appeal to County Court (County Judge)
- Appeal to Circuit Court
- Appeal to Appellate Courts

National Comparisons (2014)

Source: U of A Division of Agri Extension Service Handbook (June 2017)

- Arkansas received **18%** of total state and local tax revenue from property tax.
- National Average: Property tax makes up **31%** of total state and local revenues
- Only ND, HI, AL, and OK depended less on property tax revenues than AR.
- AR's per capita property tax average was **\$672**, which was **\$781 less than the national average** of \$1,453. Only AL and OK had a lower per capita property tax.
- Property tax as percentage of Arkansans' total personal income: **1.8%**, well below the national average of **3.1%**. Only AL and OK were lower.

Where Do the Tax Dollars Go?

- Approximately **77%** of taxes assessed are for **K-12 schools** (approximately 32% of total school district funding for 2015-16 school year).
- **County General Funds** (capped at 5 mills) account for about **7.75%** of taxes assessed. *Ark. Const. Art. 16, § 9; 26-25-101*
- **City General Funds** (capped at 5 mills) account for about **6.75%** of taxes assessed. *Ark. Const. Art. 12, § 4*
- About **4.35%** of taxes assessed are for various **“county road” funds** across the state (capped at 3 mills). *26-79-101*. However, this name is misleading as the fund is split with the cities in incorporated areas unless special legislation dictates otherwise. *Amendment 61; 26-79-104*
- About **4.15%** of taxes are assessed to fund **“other”** special funds, such as libraries, hospitals, community colleges, fire and police pensions, etc. *Amendments 31, 32, 38, 62, 72 and enabling legislation.*

School Funding

- Ark. Constitution Article 14 requires a school district to have a minimum of 25 mills, known as the Uniform Rate of Tax (URT) dedicated to maintenance and operation. Additional millage can be approved by a vote within the district.
- Formula: Total Assessments in a District (real, personal, and utility) x millage rate x 0.001. Example (using 40 mills): $\$145,000,000 \times 40 \times 0.001 = \$5,800,000$ in total assessed tax dollars.
- ADE funds tax collections short of 98% collections in most cases. In the case above, $\$5,800,000 \times .98 = \$5,684,000$ (\$3,552,500 of that amount is 25 mills URT, \$2,131,500 is from the 15 optional mills above the URT).
- Assume the district **collected** only \$5,300,000. $25/40 \times \$5,300,000 = \$3,312,500$. Since the district did not collect 98% of the URT, \$3,552,500, ADE would fund the difference of \$240,000. This funding is known as “True-Up” or “98% funding.”