



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: SB573

Bill Subtitle: TO AMEND THE METHOD OF VALUATION UNDER ARKANSAS CONSTITUTION, ARTICLE 16, § 5, BY DEFINING THE TERMS USED IN THE ESTABLISHED METHODS OF VALUATION FOR PURPOSES OF PROPERTY TAX.

Sponsors:

Sens. Petty and Caldwell

Rep. Jean

Basic Change:

SB573 provides definitions to be used in the valuation of property for ad valorem taxes.

Under Article 16, § 5 of the Arkansas Constitution, all real and personal property is taxed according to its value. SB573 provides definitions to be used in the valuation of property for ad valorem taxes, including:

- Cost approach;
- Economic life;
- Economic obsolescence;
- Fair Market value;
- Functional obsolescence;
- Income approach;
- Market approach;
- Physical deterioration;
- Physical life; and
- Useful life.

SB573 is effective for assessment years beginning on or after January 1, 2025.

Fiscal Impact:

No impact to state revenues. Unknown impact to property tax collections.

Taxpayer Impact:

Definitions will be provided for terms used in valuation for property tax purposes.

Resources Required:

Publication of new valuation guides by the Assessment Coordination Division will be required as well as promulgation of new rules by the ACD and the Public Service Commission (PSC). Education and training of ACD and PSC staff will be required. Revision of ACD courses and replacement of all educational materials will be required. Education and training will be required for county assessors and collection staff in addition to other county officials including county judges, boards of equalization, school boards, other local taxing entities, as well as third-party appraisers contracted for Arkansas mass appraisals.



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Time Required:

A minimum of two years to update resources once legislation regarding new methods of valuation is implemented. The state and counties contract with mass appraisal firms, and the scopes of work outlined in the contracts do not allow for changes such as SB573 would require. Depending on the schedule for implementation of new valuation methods, reappraisal of the properties would require a minimum four years to implement.

Procedural Changes:

Changes in appraisal methods of both real and personal property in all 75 counties.

Other Comments:

None.

Legal Analysis:

None.