

**MINUTES**  
**TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**  
**DECEMBER 6, 2017**

The Tax Reform and Relief Legislative Task Force met Wednesday, December 6, 2017, at 9:00 a.m., in Room A-MAC, Little Rock, Arkansas.

**Task Force members present:** Senators Jim Hendren, chair, Jonathan Dismang, Joyce Elliott, Bart Hester, Missy Irvin, Larry Teague, and David Wallace; Representatives Lane Jean, chair, Frances Cavanaugh, Jim Dotson, Kenneth B. Ferguson, Joe Jett, Bob Johnson, and Warwick Sabin.

**Other legislators present:** Senators Ronald Caldwell, Jimmy Hickey, Jr., and Bill Sample, Representatives Fred Allen, Charles Blake, Ken Bragg, Bruce Coleman, Andy Davis, Charlotte Douglas, Dan M. Douglas, Vivian Flowers, Jimmy Gazaway, Steve Hollowell, Douglas House, Roger Lynch, John Maddox, Ron McNair, Aaron Pilkington, Marcus Richmond, Johnny Rye, Brandt Smith, Nelda Speaks, Danny Watson, Jeff Williams, and Carlton Wing.

Representative Jean called the meeting to order.

Representative Ferguson made a motion to allow the tax reform co-chairs approve PFM's preliminary draft report that is due December 31, 2017, and with a second by Senator Hester, the motion carried.

**Comparison of Tax Reform Efforts in Various States [Exhibit E]**

**Mr. Randy Bauer, Project Manager, and Ms. Deanna Yocco, Senior Analyst, PFM Group Consulting, LLP**, were recognized to speak on Arkansas tax structure in comparison to the benchmark states with similar population and demographics. Mr. Bauer noted that all bordering states have higher sales tax rates compared to Arkansas. Since 2008, 18 states cut individual income taxes and 15 states reduced their corporate income taxes. Between fiscal years 1979 and 2018, recessions drove 15 states to increase net tax and fees totaling \$4.9 billion, while 12 states proposed net decreases totaling \$1.2 billion. Mr. Bauer was asked to include in the benchmarking, Indiana, North Carolina, and states that have diversity and doing well.

**Presentation on Arkansas' Property Tax and Exemptions [Exhibit C]**

**Mr. Bauer and Ms. Yocco** gave an overview regarding property taxes in Arkansas and comparison to other states, how property taxes relate to funding education in the state, and state provisions for reassessment of real estate for tax purposes. Compared to other states, Arkansas property taxes are lower than benchmark states while funding education is on the higher end. K-12 education is uniformly the largest component of local property taxes among 49 states.

**Discussion on the Impact of Property Tax on Schools and State Variances**

**Mr. Bear Chaney, Executive Director, Ms. Angela Hill, Deputy Director, John Nichols, Staff Attorney, Assessment Coordination Division**, were recognized to answer questions regarding Arkansas inventory and property tax collections, and assessing minerals. Mr. Chaney said the state's inventory tax collections totaled \$64.9 million, in which \$51.2 million was distributed to schools and \$13.7 million was distributed to counties. Mr. Chaney will send staff inventory by county list and yearly overall growth report for distribution to task force members. Ms. Hill explained that ACD works with the county clerk's

office each year with computing roll-back evaluations. Millage rates are evaluated of an aggregate increase of 10% or greater.

**Dr. Richard Abernathy, Executive Director, Ms. Robyn Keene, School Finance Consultant, and Mike Mertens, Assistant Executive Director, Arkansas Association of Educational Administrators (AAEA)**, to give a PowerPoint presentation [Exhibit D2] regarding how the Foundation Funding and Partnership Program are funded in part by property taxes and used as stable resources to pay for building projects and educational needs. Ms. Keene spoke about the difficulty school districts face financially due to low property tax assessments and property assessment disputes.

**Mr. Johnny Key, Commissioner, Arkansas Department of Education**, was recognized to answer questions regarding school funding, forecasting, and budgeting.

### **Discussion on the Impact of Local Property Taxes and the Collection Process**

**Mr. Chris Villines, Executive Director, Ms. Lindsey Bailey, General Legal Counsel, Association of Arkansas Counties**, were recognized. Mr. Villines explained that the property tax collections is split 80% goes to schools and 20% is divided between cities, counties, libraries, county hospitals, and various other entities. Mr. Villines noted that many who pay in state property taxes live out of state. Ms. Bailey presented a PowerPoint presentation [Exhibit E1] on Real and Tangible Person Property, exemptions, how counties determine assessed property values, and constitutional amendments.

**Mr. Mark Hayes, Director of Legal Services, Arkansas Municipal League**, was introduced and explained that sales tax is the primary funding source for cities and counties. The Quorum court has the authority to set the millage cap. Not all city millage rates are capped at 5%. Municipalities are allowed to levy an additional 2 mills but must go through a general election process. 1 mill for police pension funds and 1 mill for fire pension fund.

### **Discussion on the Impact of Property Tax on Agriculture and Business Interests**

**Mr. Jeff Pitchford, State Affairs Director of Public Affairs and Government Relations, Arkansas Farm Bureau**, was introduced and gave an overview of how Amendment 59 to the Arkansas Constitution of 1980, overhauled the system of valuing and taxing agriculture, pasture, crop, and timber land based on Use value not Market value regardless of location. Mr. Pitchford stated that Arkansas Farm Bureau supports tax reform efforts and continuation of review of assessment rates and reappraisal processes but is concerned about equitable treatment and fairness to taxing agriculture. Mr. Pitchford suggested the task force study exempting parts and labor on farm equipment as the task force bench marks competitiveness with other states.

The next Tax Reform task force meeting will be Monday, January 8, 2018.

The meeting adjourned at 2:00 p.m.