

SUMMARY OF PROPOSAL #9
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Reappraisal of Property

Summary of Proposal for Consideration

To provide that reappraisal of property may occur only every five (5) years under Arkansas Code § 26-26-1902, effective for assessment years beginning January 1, 2019.

Fiscal Analysis

The Arkansas Assessment Coordination Department (ACD) is unable to provide a specific fiscal impact analysis for this proposal. However, ACD states that five-year reappraisals are not as responsive to market changes in markets that are growing more rapidly and are also not as responsive to declining markets due to limitations on taxable value as dictated by Arkansas Constitution, Amendment 79.

Legal Analysis

Background

Under Arkansas Code § 26-26-1902, Arkansas requires each county to appraise all market value real estate normally assessed by the county assessor at its full and fair market value at a minimum of one (1) time every three (3) years. However, any county that has completed a reappraisal within the last three (3) years or completed a reappraisal between the years 2002 through 2004 is not required to commence or complete an additional reappraisal under the three-year cycle, and instead, is required to appraise all real property normally assessed by the county assessor at its full and fair market value at a minimum of one (1) time every five (5) years from the previous assessment.

If a county in a three-year reappraisal cycle has a new market value real estate assessment that is greater than fifteen percent (15%) from the previous market value real estate assessment, a county is required to complete its next reappraisal at least one (1) time every three (3) years from the previous assessment until the new market value real estate assessment is less than fifteen percent (15%) from the previous market value real estate assessment, at which point the county is placed into a five-year reappraisal cycle.

If a county in a five-year reappraisal cycle has a new market value real estate assessment that is greater than twenty-five percent (25%) from the previous market value real estate assessment, a county is required to complete its next reappraisal at least one (1) time every three (3) years from the previous assessment until the new market value real estate assessment is less than fifteen percent (15%) from the previous market value real estate assessment, at which point the county is placed into a five-year reappraisal cycle.

A county may appeal its new or continued placement into a three-year reappraisal cycle if the increased market value real estate assessment is a result of a single property improvement. The

ACD is required to place a county in a five-year reappraisal cycle if the department concludes that the increase in the new real estate market value assessment resulted from a single property improvement in the county.

ACT 114 of 1883 provided that assessors shall assess property for value in the year 1883 and every second year thereafter.

ACT 172 of 1929 provided that each assessor was to appraise and assess urban property each odd-numbered year and rural property each even-numbered year.

ACT 385 of 1957 provided that each county assessor was required to assess for value all property, both urban and rural, on an annual basis.

ACT 758 of 1995 provided that county assessors follow a cyclical valuation review program so that property would be reappraised and revalued every five (5) years.

ACT 440 of 1997 repealed the five-year cyclical valuation review requirement.

ACT 1185 of 1999 was enacted to promote a uniform system of real property assessments within each county of the state. This act provided that each county is required to appraise all market value real estate normally assessed by the county assessor at its full and fair market value at least one (1) time every three (3) years. The act also provided that approximately one-third (1/3) of the state's counties complete reappraisal in each of the years 2002, 2003, and 2004. This act was codified under Arkansas Code § 26-26-1902.

ACT 1058 of 2001 amended Arkansas Code § 26-26-1902 to provide that a county that has completed a reappraisal within the last three (3) years or a county that has completed a reappraisal between the years 2002 through 2004 is not required to commence or complete an additional reappraisal under the three-year cycle and is instead required to appraise all real property normally assessed by the county assessor at its full and fair market value at least one (1) time every five (5) years from the previous assessment. The act further provided the conditions under which a county may be placed in a three-year or five-year appraisal cycle, depending on the new market value real estate assessment percentage increase from the preceding reappraisal cycle.

ACT 2259 of 2005 amended Arkansas Code § 26-26-1902 to repeal the provisions relating to one-third (1/3) of the state's counties completing reappraisal in each of the years 2002, 2003, and 2004.

ACT 1520 of 2013 provided that property producing mineral interests must be reappraised annually for ad valorem property tax purposes under Arkansas Code § 26-26-1308(a). The provisions relating to reappraisal have not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Iowa requires that all real estate be listed and reassessed every two (2) years in odd-numbered years. (IA St. § 428.4(1)). Under Iowa law, when reassessments are conducted, the assessor will revalue the property similar to how other states conduct reappraisals of property at the county level. (IA St. § 428.4(1)). [Awaiting further information from the Iowa Department of Revenue to determine if the reappraisal is countywide.] Further, the department is responsible for determining the actual value of all property under the department's jurisdiction on an annual basis. Property under the department's jurisdiction includes centrally assessed properties, such as railroads and public utilities. (IA St. §§ 428.28, 428.29, and 441.18).
- Louisiana: Louisiana requires that all real property subject to taxation is reappraised and valued at least every four (4) years. The quadrennial cycle appraisal date is determined solely by the Louisiana Tax Commission. (LA Const. art. 7, § 18(F), LA St. § 47:2331, and La. Admin. Code. Tit. 61, PTV, § 213(C)).
- Mississippi: Mississippi requires that all real property is reappraised at least every four (4) years. However, a county may establish an update schedule to revalue property in cycles less than four (4) years. The method of reappraisal is determined by the rules and regulations of the Mississippi Department of Revenue. (MS St. § 27-35-165 and MR 35.VI.2.06).
- Missouri: Missouri requires that all real property is reappraised every two (2) years in odd-numbered years. (MO St. § 137.115(1)).
- Oklahoma: Oklahoma requires an annual reappraisal of the value of real property by the county assessor. Additionally, each county assessor must conduct a visual inspection of all taxable property within the county at least one (1) time every four (4) years. (OK Const. art. 10, § 8, and 68 OK St. §§ 2817(B) and 2820).
- Tennessee: Tennessee requires that each county establish periodic reappraisal programs on either a six-year, five-year, or four-year cycle. In the third year of a six-year reappraisal cycle, a county is required to update all real property values if the overall level of appraisal for the jurisdiction is less than ninety percent (90%) of fair market value. (TN St. § 67-5-1601(a)).
- Texas: Texas requires an appraisal district to reappraise property at least once every three (3) years. (TX St. Tax Code § 25.18(b)).