

Tax Division



Arkansas Public Service Commission

BIENNIAL REPORT

2019 - 2020

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ARKANSAS
PUBLIC SERVICE COMMISSION

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Sarah M. Bradshaw
Director
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December 1, 2020

The Honorable Asa Hutchinson
Governor
State Capitol Building
Little Rock, AR 72201

Dear Governor Hutchinson:

Pursuant to the provisions of Ark. Code. Ann. §26-24-121, the Tax Division of the Arkansas Public Service Commission submits its Biennial Report for the years 2019 - 2020. This report shows the assessed value of the property of utilities and carriers certified to the county assessors for placement on the tax rolls, and the assessed value of the property of certain carriers certified to the Department of Finance and Administration for collection of the tax.

The tax revenue resulting from utility and carrier assessments provides monetary support for the schools, cities, and counties of Arkansas. The annual tax revenue resulting from the assessments certified to the Department of Finance and Administration is used to partially fund the Tax Division, the Assessment Coordination Department, and the Counties and Municipalities Section of Legislative Audit.

The assessments on utility and carrier property in Arkansas as determined by the Tax Division have increased from \$5,263,105,213 in 2019 to approximately \$5,572,252,556 in 2020. This is an increase of \$309,147,343 and represents an approximate gain of 5.5% in assessed value.

Sincerely,

A handwritten signature in black ink, reading "Sarah M. Bradshaw". The signature is fluid and cursive, with a large loop at the end.

Sarah M. Bradshaw
Director
Tax Division, P.S.C.

SMB/rsc



MISSION STATEMENT

The Arkansas Public Service Commission is a pro-active, solutions-oriented agency that maximizes customer value and enhances the economic environment of the state. This is done by ensuring safe, reliable and reasonably-priced utility service; educating consumers to make independent and informed choices; and ensuring the fair and equitable ad valorem assessment and equalization of public utility and carrier property.

It is the mission of the Arkansas Public Service Commission Tax Division to efficiently and effectively render ad valorem assessments for utilities and carriers; to perform all duties regarding the ad valorem assessment of public utility and carrier property in a manner that is fair and equitable to all stakeholders; and to conduct its business in a manner that is responsive to all stakeholders and worthy of public trust.

INTRODUCTION

The Tax Division of the Arkansas Public Service Commission is responsible for the annual valuation and ad valorem assessment of public utilities and carriers operating in Arkansas.

During 2020, the Tax Division valued and assessed the real and personal property of 229 telecommunications companies and their operating subsidiaries, 29 cable television companies and their operating subsidiaries, 32 electric companies and cooperatives, 16 gas companies, 12 pipeline companies, 3 solar companies, 4 water companies, 25 railroads, 368 private car companies, 23 airlines, 78 barge lines and 20,324 motor carriers. The market value of the utilities and carriers valued by the Tax Division in 2020 was approximately \$27,811,970,000, which represents an assessed value of approximately \$5,562,394,000 and an estimated property tax of \$268,169,000.

In 2019, the Tax Division valued the real and personal property of over 23,942 utilities and carriers. The assessed value of the utilities and carriers in 2019 was approximately \$5,263,100,000 and the estimated property tax on the assessed value was approximately \$253,739,000.

The property tax revenue resulting from the assessments made by the Tax Division is a significant source of monetary support for the schools, cities, and counties of Arkansas. In addition, Ark. Code Ann. § 26-26-1616 provides for an Ad Valorem Tax Fund, funded by revenues resulting from the Tax Division's assessments on carriers. The Ad Valorem Tax Fund is used to fund the Counties and Municipalities Section of Legislative Audit, the Assessment Coordination Division, and the Tax Division. The taxes and penalties collected from water transportation companies in excess of \$2,550,000 are deposited in the State Treasury and credited to the Arkansas Waterways Commission, the Arkansas Port, Intermodal, and Waterways Development Grant Program, and the Arkansas River Navigation System Fund. The State Treasurer may transmit the remainder of the Fund to the respective counties in the state.

HISTORY

The Tax Division of the Arkansas Public Service Commission's origin can be traced to Act 114 of 1883. The General Assembly created the Board of Railroad Commissioners in 1883. The Board was given the power of original assessment of certain railroad properties for the purpose of taxation. Subsequent acts have broadened the responsibilities of the Tax Division and placed the administration and enforcement of the property tax laws related to public utilities and carriers under the direction and supervision of the Arkansas Public Service Commission. The Tax Division's assessment responsibilities have been expanded to include the assessment of airlines, motor carriers, barge lines and utilities operating within the state of Arkansas, as well as railroads.

AGENCY ORGANIZATION

The Tax Division's authorized budget for fiscal year 2019 – 2020 is \$1.4 million. The budget includes a contingency fund of \$400,000 for tax assessment appeals. The Tax Division must have prior approval to access the contingency fund. The Division is authorized to employ a staff of fifteen full-time employees including a Director, an Assistant Director, an Assistant Director of Motor Carrier Programs, a Financial Analyst, a Fiscal Support Manager, a Tax Valuation Supervisor, a Research Project Analyst, an Administrative Analyst, a Finance Program Analyst, and six Tax Valuation Analysts. The Division is also allowed five part-time positions.

ASSESSMENT PROCESS

Each year, the Tax Division mails Ad Valorem Report forms to the utilities and carriers to obtain the information needed for the assessment process. With the exception of motor carriers and private car companies, the companies are required to file the completed forms with the Tax Division on or before March 1. Motor carrier companies are required to file the completed report forms by March 31, and private railroad car companies are required to file the completed report forms by April 1. Utilities and carriers may be granted an extension of not more than sixty days to file the report forms. Companies that fail to file the

report form within the time required are delinquent and are subject to penalties prescribed in Ark. Code Ann. § 26-26-1604.

Once the Tax Division receives the report forms, it begins the process of valuing and assessing the companies. The Tax Division considers the economic and financial factors that impact the various industries and factors that may affect a specific company's valuation in the valuation and assessment process. The Tax Division personnel must have specialized knowledge of the industries assessed and stay abreast of the economic, regulatory, and technological changes that take place in the utility and carrier industries. As part of the assessment process, the Tax Division holds informal pre-assessment hearings with utilities or carriers that request such hearings.

Once the Tax Division completes the valuation and assessment process, the utility assessments are submitted to the Arkansas Public Service Commission for approval and the carrier assessments are submitted to the Arkansas State Highway Commission for approval. After the Commissions approve the assessments, a notice of assessment is mailed to each of the utilities and carriers assessed by the Tax Division. The utilities and carriers then have a thirty (30) day period to file a formal petition for review of the assessment. The final assessment amounts for utilities and railroads are certified to the County Assessors on or before July 15th to be placed on the county tax rolls. Motor carrier, airline, barge line and private car company assessments are certified to the Department of Finance and Administration in February of the year following the assessment. The applicable millage rates are applied to the assessments by county or state officials to produce the tax amounts to be billed and collected.

When a utility or carrier files a timely petition for review of its assessment, a hearing on the petition is held before the appropriate commission. Currently, there are no appeals pending before the Public Service Commission or the Highway Commission. The decisions of the Public Service Commission and the Highway Commission on utility or carrier assessment appeals may be appealed to the Pulaski County Circuit Court.

Three Year Comparison

Class of Property	2018 Assessed Values	2019 Assessed Values	2020 Assessed Values	GAIN OR LOSS
Airline	1,847,160	1,313,900	1,648,070	334,170
Barge Line	167,120	221,920	552,310	330,390
Cable Television	205,105,270	217,280,070	237,724,490	20,444,420
Cellular Telephone	419,465,940	408,950,400	437,774,160	28,823,760
Electric Cooperative	684,587,980	718,084,770	779,916,910	61,832,140
Gas Transmission	556,149,280	568,545,790	571,512,850	2,967,060
Motor Carrier	8,641,860	8,669,950	8,463,950	(206,000)
Private Car	2,687,600	1,114,300	1,395,200	280,900
Private Electric	1,551,316,850	1,662,144,410	1,771,038,690	108,894,280
Pipeline	183,375,150	187,810,170	193,589,230	5,779,060
Railroad	560,776,230	583,842,842	610,449,480	26,606,638
Reseller Telephone	4,324,510	4,097,460	4,908,470	811,010
Solar	4,849,320	5,874,830	12,652,200	6,777,370
Telephone	291,134,830	280,214,444	281,879,190	1,664,746
Water	7,518,040	7,534,000	6,699,190	(834,810)
Total Certified to Counties	4,481,947,140	4,655,699,256	4,920,204,390	264,505,134
Airline	25,257,550	29,161,210	33,403,260	4,242,050
Barge Line	127,013,090	117,302,535	112,946,325	(4,356,210)
Motor Carrier	390,881,388	450,198,512	493,500,411	43,301,899
Private Car	11,080,690	10,743,700	12,198,170	1,454,470
Total Certified to DFA	520,974,375	607,405,957	652,048,166	53,173,239
GRAND TOTAL	5,002,921,515	5,263,105,213	5,572,252,556	309,147,343

Ten Year Comparision 2010-2020

Class of Property	2010 Assessed Values	2020 Assessed Values	GAIN OR LOSS
Airline (Real)	0	0	0
Airline (Situs)	720,930	1,648,070	927,140
Barge Line (Real)	0	84,440	84,440
Barge Line (Situs)	0	467,870	467,870
Cable Television	160,126,980	237,724,490	77,597,510
Cellular Telephone	361,853,740	437,774,160	75,920,420
Electric Cooperative	504,941,630	779,916,910	274,975,280
Gas Transmission	369,175,000	571,512,850	202,337,850
Motor Carrier (Real)	9,902,720	8,463,950	(1,438,770)
Pipeline	30,078,800	193,589,230	163,510,430
Private Car (Situs)	3,247,000	1,395,200	(1,851,800)
Private Electric	849,285,000	1,771,038,690	921,753,690
Railroad	247,582,250	610,449,480	362,867,230
Reseller Telephone	1,686,050	4,908,470	3,222,420
Solar		12,652,200	12,652,200
Telephone	327,374,410	281,879,190	(45,495,220)
Water	4,030,500	6,699,190	2,668,690
Total Certified to Counties	2,870,005,010	4,920,204,390	2,050,199,380

2019 - 2020 COUNTY COMPARISON

COUNTY	2019 TOTAL	2020 TOTAL	GAIN/LOSS	COUNTY	2019 TOTAL	2020 TOTAL	GAIN/LOSS
ARKANSAS	31,332,312	33,689,691	2,357,379	LEE	38,115,678	35,750,422	(2,365,256)
ASHLEY	27,668,206	28,621,796	953,590	LINCOLN	15,195,153	15,649,372	454,219
BAXTER	36,908,096	39,410,216	2,502,120	LITTLE RIVER	29,511,497	30,500,903	989,406
BENTON	228,580,651	245,734,042	17,153,391	LOGAN	40,679,731	42,352,779	1,673,048
BOONE	32,597,079	36,006,906	3,409,827	LONOKE	62,539,459	65,745,165	3,205,706
BRADLEY	11,550,800	13,609,728	2,058,928	MADISON	25,451,577	29,677,572	4,225,995
CALHOUN	18,850,023	20,273,464	1,423,441	MARION	14,080,770	15,254,189	1,173,419
CARROLL	42,941,247	46,917,476	3,976,229	MILLER	61,407,175	65,147,955	3,740,780
CHICOT	26,838,706	28,564,920	1,726,214	MISSISSIPPI	85,323,865	91,331,923	6,008,058
CLARK	43,339,619	48,172,410	4,832,791	MONROE	19,486,882	21,013,909	1,527,027
CLAY	36,086,458	41,681,414	5,594,956	MONTGOMERY	7,284,037	7,996,846	712,809
CLEBURNE	31,011,795	32,030,910	1,019,115	NEVADA	20,653,815	22,137,398	1,483,583
CLEVELAND	15,163,891	15,800,802	636,911	NEWTON	11,700,780	12,171,401	470,621
COLUMBIA	39,726,559	43,697,246	3,970,687	OUACHITA	38,895,025	43,830,045	4,935,020
CONWAY	53,933,114	55,367,475	1,434,361	PERRY	10,886,726	10,986,892	100,166
CRAIGHEAD	86,105,961	93,214,280	7,108,319	PHILLIPS	40,342,478	39,182,211	(1,160,267)
CRAWFORD	64,902,499	70,797,343	5,894,844	PIKE	12,946,740	14,329,211	1,382,471
CRITTENDEN	85,129,631	87,748,218	2,618,587	POINSETT	37,842,092	40,455,002	2,612,910
CROSS	36,656,747	38,626,376	1,969,629	POLK	37,241,726	40,453,468	3,211,742
DALLAS	11,028,954	11,904,074	875,120	POPE	438,305,403	463,645,566	25,340,163
DESHA	44,651,287	48,501,268	3,849,981	PRAIRIE	16,948,595	17,450,827	502,232
DREW	26,031,729	28,954,418	2,922,689	PULASKI	434,538,988	457,440,323	22,901,335
FAULKNER	80,766,150	85,549,580	4,783,430	RANDOLPH	22,545,799	24,140,968	1,595,169
FRANKLIN	63,973,050	69,461,104	5,488,054	SALINE	66,012,576	70,995,337	4,982,761
FULTON	16,895,003	18,268,393	1,373,390	SCOTT	11,133,490	12,035,142	901,652
GARLAND	64,776,525	68,353,483	3,576,958	SEARCY	8,598,916	8,989,372	390,456
GRANT	17,544,461	18,693,006	1,148,545	SEBASTIAN	150,450,476	157,987,033	7,536,557
GREENE	33,586,563	36,657,175	3,070,612	SEVIER	24,741,434	27,836,014	3,094,580
HEMPSTEAD	195,041,319	195,548,315	506,996	SHARP	18,151,050	19,575,170	1,424,120
HOT SPRING	100,102,322	109,381,450	9,279,128	ST. FRANCIS	61,354,614	61,356,064	1,450
HOWARD	23,161,633	24,366,340	1,204,707	STONE	10,321,520	10,755,819	434,299
INDEPENDENCE	113,145,543	118,881,038	5,735,495	UNION	204,621,981	215,974,108	11,352,127
IZARD	15,849,294	16,532,768	683,474	VAN BUREN	24,940,221	25,508,432	568,211
JACKSON	45,714,430	48,875,657	3,161,227	WASHINGTON	224,902,053	241,388,564	16,486,511
JEFFERSON	175,839,909	186,630,978	10,791,069	WHITE	164,989,217	162,635,649	(2,353,568)
JOHNSON	38,369,853	41,405,050	3,035,197	WOODRUFF	65,450,401	60,700,890	(4,749,511)
LAFAYETTE	16,856,211	17,649,315	793,104	YELL	22,528,685	23,633,874	1,105,189
LAWRENCE	42,879,341	48,403,010	5,523,669	GRAND TOTAL	4,655,657,596	4,919,996,950	264,339,354