

**Tax Division  
Arkansas  
Public Service Commission  
P.O. Box 8021  
Little Rock, Arkansas 72203**



**Biennial Report**

**For The Years**

**2005 - 2006**

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TAX DIVISION**

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**Sarah M. Bradshaw**  
Director  
(501) 682-1231

December 1, 2006

The Honorable Mike Huckabee  
Governor  
State Capitol Building  
Little Rock, AR 72201

Dear Governor Huckabee:

Pursuant to the provisions of Ark. Code. Ann. §26-24-121, the Tax Division of the Arkansas Public Service Commission submits herewith its Biennial Report for the years 2005 - 2006. This report shows the assessed value of the property of utilities and carriers certified to the various 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 an important source of 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 upon utility and carrier property in Arkansas as determined by the Tax Division have increased from \$2,534,462,854 in 2004 to approximately \$2,807,404,766 in 2006. This is an increase of \$272,941,912 in the two-year period and represents, an approximate gain of 9.72% in assessed value.

Sincerely,

A handwritten signature in black ink, reading "Sarah M. Bradshaw".

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

SMB/st

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## 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 performing all functions and duties regarding the annual assessment, for property tax purposes, of public utilities and carriers operating in Arkansas.

During 2006, the Tax Division evaluated the real and personal property of 391 telecommunications companies and their operating subsidiaries, 31 cable television companies and their operating subsidiaries, 30 electric companies and cooperatives, 13 gas companies, 7 pipeline companies, 3 water companies, 25 railroads, 392 private car companies, 19 airlines, 13 barge lines and 58,428 motor carriers for the purpose of ad valorem assessment. The market value of the utilities and carriers evaluated by the Tax Division in 2006 was approximately \$14,035,000,000, which represents an assessed value of approximately \$2,807,000,000 and an estimated property tax of approximately

\$123,508,000.

In 2005, the Tax Division evaluated the real and personal property of over 57,470 utilities and carriers. The assessed value of the utilities and carriers in 2005 was \$2,653,000,000 and the estimated property tax on the assessed value was \$118,297,270.

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 Trust Fund, which is funded from revenues resulting from the Tax Division's assessments on carriers. The Ad Valorem Trust Fund is used to fund the Counties and Municipalities Section of Legislative Audit, the Assessment Coordination Department, and the Tax Division. The State Treasurer may transmit the remainder of the Fund to the respective counties in the state.

## HISTORY

The origin of the Tax Division of the Arkansas Public Service Commission can be traced to Act 114 of 1883. That year, the General Assembly, under the authority of Article 16, Section 5, of the Constitution of 1874, created the Board of Railroad Commissioners. The Board was vested with 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. In the years following the passage of Act 114 of 1883, 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 2005 - 2006 is \$1.4 million. However, \$400,000 of the Tax Division budget is in a contingency fund 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 and five part-time employees. The Tax Division's positions include a Director, an Assistant Director, an Assistant Director Motor Carrier Programs, a Financial Analyst, a Program Support Manager, two Management Project Analysts, a Research Project Analyst, an Accountant, an Administrative Assistant, two Tax Division Valuation Analyst II positions, and three Tax Division Valuation Analyst I positions, and five part-time positions.

## ASSESSMENT PROCESS

Each year, the Tax Division mails Annual Report forms to the utilities and carriers to obtain the information needed for the assessment process. The companies are required to file the completed forms with the Tax Division by March 1, with the exception of motor carrier companies, which are required to file the completed report forms by March 31, and private railroad car companies, which are required to file the completed report forms by April 1. For good cause, utilities and carriers may be granted an extension of not more than sixty days to file Annual Report forms. Companies that fail to file their Annual Report form within the time required are considered delinquent and are subject to penalties prescribed by law.

After the Annual Report forms are filed, the Tax Division begins the assessment process. In assessing each of the various types of utilities and carriers, the Tax Division must consider the economic and financial factors,

which impact the various industries, as well as those factors, which may affect a specific company's valuation. To accomplish this, the personnel within the Tax Division must have specialized knowledge of the industries assessed and stay abreast of the rapid economic, regulatory and technological changes taking place in the utility and carrier industries. As part of the assessment process, the Tax Division holds pre-assessment hearings when such hearings are requested by utilities or carriers.

After the assessments are determined by the Tax Division, 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. Once the respective 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 ten (10) day period to file a formal appeal. When the appeal period

has ended, the final assessment amounts are certified on or before July 15<sup>th</sup> to the various County Assessors to be placed on the tax rolls, with the exception of the carrier assessments, which are certified at a later date to the Department of Finance and Administration. Appropriate millage rates are later applied to the assessments by the proper officials to produce the tax amounts to be billed and collected.

When a utility or carrier files a timely petition for review disputing its assessment, a hearing on the petition is held before the appropriate commission. The decisions of the Public Service Commission and the decisions of the Highway Commission on review of utility or carrier assessments may be appealed to the Pulaski County Circuit Court. The Circuit Court's decision on an assessment appeal may be appealed to the Arkansas Supreme Court.



### THREE YEAR COMPARISON 2004 - 2006

CLASS OF PROPERTY	2004 ASSESSED VALUE	2005 ASSESSED VALUE	2006 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	1,010,680	0	0	-
AIRLINE (SITUS)	1,675,020	1,137,610	1,251,210	113,600
BARGE LINE (SITUS)	28,820	32,050	36,880	4,830
BRIDGE	0	0	0	-
CABLE TELEVISION	90,580,830	98,396,700	101,062,010	2,665,310
CELLULAR TELEPHONE	147,294,970	201,007,580	247,060,020	46,052,440
ELECTRIC COOPERATIVE	392,812,980	398,319,770	423,243,810	24,924,040
GAS TRANSMISSION	195,327,700	210,636,760	227,574,000	16,937,240
MOTOR CARRIER (REAL)	5,403,880	5,381,020	6,242,920	861,900
PRIVATE CAR (SITUS)	4,413,950	2,921,450	1,270,650	(1,650,800)
PRIVATE ELECTRIC	734,497,800	766,894,500	793,570,500	26,676,000
PIPELINE	31,630,750	27,857,820	29,394,940	1,537,120
RAILROAD	186,482,510	181,143,800	190,973,720	9,829,920
RESELLER TELEPHONE	769,390	843,650	1,327,200	483,550
TELEPHONE	422,207,500	411,587,620	398,733,590	(12,854,030)
WATER COMPANY	4,081,430	4,124,900	4,122,800	(2,100)
<b>TOTAL CERTIFIED TO COUNTIES</b>	<b>2,218,218,210</b>	<b>2,310,285,230</b>	<b>2,425,864,250</b>	<b>115,579,020</b>
AIRLINE	23,008,880	30,078,380	32,762,230	2,683,850
BARGE LINE	3,574,160	3,609,930	10,981,270	7,371,340
MOTOR CARRIER	280,704,744	299,399,283	327,805,146	28,405,863
PRIVATE CAR	8,956,860	9,713,300	9,991,870	278,570
				-
<b>TOTAL CERTIFIED TO D.F.A.</b>	<b>316,244,644</b>	<b>342,800,893</b>	<b>381,540,516</b>	<b>38,739,623</b>
<b>GRAND TOTAL</b>	<b>2,534,462,854</b>	<b>2,653,086,123</b>	<b>2,807,404,766</b>	<b>154,318,643</b>

## TEN YEAR COMPARISON 1996-2006

CLASS OF PROPERTY	1996 ASSESSED VALUE	2006 ASSESSED VALUE	GAIN OR LOSS
BRIDGE	665,000	-	(665,000)
CABLE TELEVISIONS	30,536,440	101,062,010	70,525,570
CELLULAR TELEPHONES	33,392,860	247,060,020	213,667,160
ELECTRIC COOPERATIVES	271,056,840	423,243,810	152,186,970
GAS TRANSMISSION	181,738,850	227,574,000	45,835,150
PIPELINE COMPANIES	24,979,740	29,394,940	4,415,200
PRIVATE ELECTRICS	668,037,500	793,570,500	125,533,000
RAILROAD COMPANIES	123,845,140	190,973,720	67,128,580
RESELLER TELEPHONES	1,227,710	1,327,200	99,490
TELEPHONES	373,198,840	398,733,590	25,534,750
WATER COMPANIES	2,886,270	4,122,800	1,236,530
<b>TOTAL CERTIFIED TO COUNTIES</b>	<b>1,711,565,190</b>	<b>2,417,062,590</b>	<b>705,497,400</b>

## 2005 - 2006 COUNTY COMPARISON

COUNTY	2005 REAL	2005 PERSONAL	2005 TOTAL	2006 REAL	2006 PERSONAL	2006 TOTAL	GAIN/LOSS
ARKANSAS	1,710,030	16,503,538	18,213,568	1,730,830	17,484,417	19,215,247	1,001,679
ASHLEY	679,660	19,469,793	20,149,453	692,580	18,259,572	18,952,152	(1,197,301)
BAXTER	1,738,160	27,480,878	29,219,038	1,818,820	27,512,006	29,330,826	111,788
BENTON	15,379,680	90,253,759	105,633,439	16,534,440	92,208,465	108,742,905	3,109,466
BOONE	2,232,860	19,239,868	21,472,728	2,283,420	18,630,982	20,914,402	(558,326)
BRADLEY	586,870	6,913,511	7,500,381	600,540	6,912,950	7,513,490	13,109
CALHOUN	342,050	10,510,696	10,852,746	342,920	9,039,218	9,382,138	(1,470,608)
CARROLL	1,844,730	19,053,327	20,898,057	1,970,790	16,994,530	18,965,320	(1,932,737)
CHICOT	571,970	14,463,396	15,035,366	549,470	14,643,022	15,192,492	157,126
CLARK	1,853,850	21,007,713	22,861,563	2,011,680	22,268,905	24,280,585	1,419,022
CLAY	1,013,860	15,113,248	16,127,108	1,042,640	15,509,675	16,552,315	425,207
CLEBURNE	1,177,780	13,969,049	15,146,829	1,232,900	14,026,846	15,259,746	112,917
CLEVELAND	505,530	7,325,622	7,831,152	489,600	7,876,367	8,365,967	534,815
COLUMBIA	1,533,580	18,387,471	19,921,051	1,637,270	19,512,776	21,150,046	1,228,995
CONWAY	8,111,760	18,333,407	26,445,167	8,632,020	19,105,831	27,737,851	1,292,684
CRAIGHEAD	5,244,370	34,832,857	40,077,227	5,306,110	35,322,596	40,628,706	551,479
CRAWFORD	8,651,380	29,676,771	38,328,151	9,609,810	31,031,388	40,641,198	2,313,047
CRITTENDEN	4,446,460	33,858,649	38,305,109	4,731,790	35,975,834	40,707,624	2,402,515
CROSS	1,555,730	14,566,445	16,122,175	1,563,880	14,934,298	16,498,178	376,003
DALLAS	425,520	8,243,029	8,668,549	475,390	8,251,059	8,726,449	57,900
DESHA	14,794,440	19,521,626	34,316,066	14,794,830	20,284,626	35,079,456	763,390
DREW	987,670	12,342,947	13,330,617	1,015,300	12,739,074	13,754,374	423,757
FAULKNER	1,775,670	29,153,725	30,929,395	1,943,530	31,841,699	33,785,229	2,855,834
FRANKLIN	2,663,270	27,259,489	29,922,759	2,689,990	28,983,535	31,673,525	1,750,766
FULTON	517,820	9,666,476	10,184,296	519,950	10,392,863	10,912,813	728,517
GARLAND	3,482,630	35,543,829	39,026,459	3,716,140	36,125,421	39,841,561	815,102
GRANT	715,950	11,494,362	12,210,312	732,840	11,906,284	12,639,124	428,812
GREENE	1,481,790	16,271,151	17,752,941	1,503,110	17,059,023	18,562,133	809,192
HEMPSTEAD	1,718,130	18,831,412	20,549,542	1,836,080	18,873,141	20,709,221	159,679
HOT SPRING	4,791,620	37,811,476	42,603,096	4,879,250	40,022,607	44,901,857	2,298,761
HOWARD	1,008,750	10,226,165	11,234,915	1,076,730	10,573,771	11,650,501	415,586
INDEPENDENCE	18,292,680	86,163,910	104,456,590	18,337,520	88,250,368	106,587,888	2,131,298
IZARD	570,230	11,554,540	12,124,770	602,930	12,198,240	12,801,170	676,400
JACKSON	770,490	20,882,629	21,653,119	841,080	20,891,587	21,732,667	79,548
JEFFERSON	47,011,500	100,474,840	147,486,340	47,936,380	87,661,880	135,598,260	(11,888,080)
JOHNSON	501,130	14,800,656	15,301,786	556,660	16,292,869	16,849,529	1,547,743
LAFAYETTE	1,276,080	9,282,306	10,558,386	1,321,180	9,362,327	10,683,507	125,121
LAWRENCE	1,299,620	18,498,464	19,798,084	1,299,940	20,015,861	21,315,801	1,517,717

### 2005 - 2006 COUNTY COMPARISON (CONTINUED)

	2005	2005	2005	2006	2006	2006	
COUNTY	REAL	PERSONAL	TOTAL	REAL	PERSONAL	TOTAL	GAIN/LOSS
LEE	647,600	8,713,092	9,360,692	652,490	8,942,863	9,595,353	234,661
LINCOLN	1,388,900	7,848,143	9,237,043	1,704,050	7,857,710	9,561,760	324,717
LITTLE RIVER	887,240	10,420,358	11,307,598	951,080	10,301,678	11,252,758	(54,840)
LOGAN	757,060	16,224,704	16,981,764	849,140	17,277,125	18,126,265	1,144,501
LONOKE	1,704,600	33,359,858	35,064,458	1,920,710	33,879,211	35,799,921	735,463
MADISON	822,170	10,663,468	11,485,638	885,340	11,216,356	12,101,696	616,058
MARION	663,810	7,658,920	8,322,730	683,470	7,883,546	8,567,016	244,286
MILLER	2,254,820	27,314,413	29,569,233	2,292,730	27,777,588	30,070,318	501,085
MISSISSIPPI	5,213,590	29,603,296	34,816,886	5,401,570	29,866,841	35,268,411	451,525
MONROE	553,440	9,829,695	10,383,135	594,040	10,045,357	10,639,397	256,262
MONTGOMERY	99,190	4,077,427	4,176,617	208,110	4,271,071	4,479,181	302,564
NEVADA	683,570	10,847,316	11,530,886	736,070	11,306,066	12,042,136	511,250
NEWTON	397,810	5,555,173	5,952,983	391,050	5,746,646	6,137,696	184,713
OUACHITA	1,983,380	17,787,015	19,770,395	2,061,860	18,261,529	20,323,389	552,994
PERRY	282,360	6,519,577	6,801,937	280,050	7,954,703	8,234,753	1,432,816
PHILLIPS	4,246,200	21,408,948	25,655,148	4,273,890	21,197,027	25,470,917	(184,231)
PIKE	797,760	9,002,162	9,799,922	809,500	8,992,455	9,801,955	2,033
POINSETT	1,309,990	15,183,855	16,493,845	1,394,790	16,594,907	17,989,697	1,495,852
POLK	959,290	13,883,602	14,842,892	967,180	14,555,929	15,523,109	680,217
POPE	79,497,920	182,970,337	262,468,257	79,486,200	197,869,026	277,355,226	14,886,969
PRAIRIE	477,850	7,898,349	8,376,199	575,120	7,955,191	8,530,311	154,112
PULASKI	36,970,060	234,242,144	271,212,204	41,390,550	274,087,364	315,477,914	44,265,710
RANDOLPH	1,399,390	13,576,120	14,975,510	1,401,490	13,287,043	14,688,533	(286,977)
SALINE	2,076,520	30,133,921	32,210,441	2,546,760	32,793,392	35,340,152	3,129,711
SCOTT	377,820	7,210,333	7,588,153	362,330	6,738,881	7,101,211	(486,942)
SEARCY	216,050	5,322,643	5,538,693	207,240	5,615,124	5,822,364	283,671
SEBASTIAN-FT	6,682,020	56,155,782	62,837,802	7,172,360	62,640,436	69,812,796	6,974,994
SEBASTIAN-GR	711,690	16,726,189	17,437,879	739,120	18,626,900	19,366,020	1,928,141
SEVIER	864,360	9,867,925	10,732,285	896,150	10,072,055	10,968,205	235,920
SHARP	583,330	11,986,181	12,569,511	591,290	12,863,582	13,454,872	885,361
ST. FRANCIS	3,445,370	19,945,586	23,390,956	3,544,840	20,276,804	23,821,644	430,688
STONE	130,710	4,760,613	4,891,323	209,790	5,371,938	5,581,728	690,405
UNION	2,477,500	33,589,205	36,066,705	2,513,390	35,895,333	38,408,723	2,342,018
VAN BUREN	856,220	9,622,813	10,479,033	852,510	10,080,329	10,932,839	453,806
WASHINGTON	7,462,240	70,880,010	78,342,250	7,709,700	82,605,618	90,315,318	11,973,068
WHITE	2,360,220	42,936,024	45,296,244	2,408,210	43,971,594	46,379,804	1,083,560
WOODRUFF	1,122,410	10,081,531	11,203,941	1,160,650	10,303,200	11,463,850	259,909
YELL	884,050	9,981,662	10,865,712	950,730	11,270,029	12,220,759	1,355,047
<b>TOTAL</b>	<b>337,513,810</b>	<b>1,972,771,420</b>	<b>2,310,285,230</b>	<b>350,635,890</b>	<b>2,075,228,360</b>	<b>2,425,864,250</b>	<b>115,579,020</b>