

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



Biennial Report

For The Years

2009 - 2010

Paul Suskie
Chairman
(501) 682-1451

Daryl E. Bassett
Commissioner
(501) 682-1453

Colette D. Honorable
Commissioner
(501) 682-1455

**ARKANSAS
PUBLIC SERVICE COMMISSION
TAX DIVISION**

1000 Center Street
P.O. Box 8021

Little Rock, Arkansas 72203-8021
Phone (501) 682-1231 Fax (501) 682-6015
E-mail: tax@psc.state.ar.us



Sarah M. Bradshaw
Director
(501) 682-1231

December 1, 2010

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

Dear Governor Beebe:

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 2009 - 2010. 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 \$3,193,763,662 in 2009 to approximately \$3,275,539,859 in 2010. This is an increase of \$81,776,197 in the two-year period and represents, an approximate gain of 2.50% in assessed value.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah M. Bradshaw", written over a large, stylized flourish that extends downwards and to the right.

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

SMB/st

TABLE OF CONTENTS

Letter from the Director - - - - -	1
Table of Contents - - - - -	2
Mission Statement - - - - -	3
Introduction - - - - -	4
History and Agency Organization - - - - -	5
Assessment Process - - - - -	6
Three Year Comparison - - - - -	8
Ten Year Comparison - - - - -	9
County Comparison - - - - -	10

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 2010, the Tax Division valued the real and personal property of 343 telecommunications companies and their operating subsidiaries, 35 cable television companies and their operating subsidiaries, 31 electric companies and cooperatives, 14 gas companies, 7 pipeline companies, 2 water companies, 25 railroads, 374 private car companies, 18 airlines, 11 barge lines and 41,023 motor carriers for the purpose of ad valorem assessment. The market value of the utilities and carriers evaluated by the Tax Division in 2010 was approximately \$16,380,000,000, which represents an assessed value of approximately \$3,276,000,000 and an estimated property tax of approximately \$150,696,000.

In 2009, the Tax Division valued the real and personal property of over 45,550 utilities and carriers. The assessed value of the utilities and carriers in 2009 was approximately \$3,194,000,000 and the estimated property tax on the assessed value was approximately \$146,924,000.

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 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 2009 - 2010 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 Fiscal Support Manager, a Tax Valuation Supervisor, a Research Project Analyst, an Administrative Analyst, a Finance Program Analyst, and six Tax Valuation Analysts 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 that

impact the various industries, as well as those factors that 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 informal 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 15th 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. Currently, there are ten tax appeals pending before the Public Service 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 2008 - 2010

CLASS OF PROPERTY	2008 ASSESSED VALUE	2009 ASSESSED VALUE	2010 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0		0
AIRLINE (SITUS)	1,040,240	871,300	720,930	(150,370)
BARGE LINE (SITUS)	36,810	0		0
CABLE TELEVISION	136,160,960	143,928,940	160,126,980	16,198,040
CELLULAR TELEPHONE	333,641,000	336,597,250	361,853,740	25,256,490
ELECTRIC COOPERATIVE	466,328,180	484,140,210	504,941,630	20,801,420
GAS TRANSMISSION	269,445,000	349,648,000	369,175,000	19,527,000
MOTOR CARRIER (REAL)	8,602,440	9,184,770	9,902,720	717,950
PRIVATE CAR (SITUS)	1,823,750	2,789,100	3,247,000	457,900
PRIVATE ELECTRIC	844,960,000	832,860,000	849,285,000	16,425,000
PIPELINE	31,214,290	29,297,300	30,078,800	781,500
RAILROAD	217,934,180	243,173,540	247,582,250	4,408,710
RESELLER TELEPHONE	1,586,040	1,567,350	1,686,050	118,700
TELEPHONE	382,754,800	348,277,940	327,374,410	(20,903,530)
WATER COMPANY	4,301,800	4,141,000	4,030,500	(110,500)
TOTAL CERTIFIED TO COUNTIES	2,699,829,490	2,786,476,700	2,870,005,010	83,528,310
AIRLINE	34,974,790	34,602,590	29,605,080	(4,997,510)
BARGE LINE	14,964,120	18,206,510	19,971,750	1,765,240
MOTOR CARRIER	359,911,784	344,863,792	347,497,729	2,633,937
PRIVATE CAR	9,745,760	9,614,070	8,460,290	(1,153,780)
				0
TOTAL CERTIFIED TO D.F.A.	419,596,454	407,286,962	405,534,849	(1,752,113)
GRAND TOTAL	3,119,425,944	3,193,763,662	3,275,539,859	81,776,197

TEN YEAR COMPARISON 2000 - 2010

CLASS OF PROPERTY	2000 ASSESSED VALUE	2010 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	1,010,680	-	(1,010,680)
AIRLINE (SITUS)	1,003,030	720,930	(282,100)
BARGE LINE (SITUS)	31,770	-	(31,770)
CABLE TELEVISIONS	48,462,420	160,126,980	111,664,560
CELLULAR TELEPHONES	70,914,390	361,853,740	290,939,350
ELECTRIC COOPERATIVES	333,000,690	504,941,630	171,940,940
GAS TRANSMISSION	188,313,910	369,175,000	180,861,090
MOTOR CARRIER (REAL)	4,289,000	9,902,720	5,613,720
PIPELINE COMPANIES	32,523,850	30,078,800	(2,445,050)
PRIVATE CARS (SITUS)	2,938,500	3,247,000	308,500
PRIVATE ELECTRICS	634,139,450	849,285,000	215,145,550
RAILROAD COMPANIES	130,397,982	247,582,250	117,184,268
RESELLER TELEPHONES	7,032,360	1,686,050	(5,346,310)
TELEPHONES	422,476,100	327,374,410	(95,101,690)
WATER COMPANIES	3,831,970	4,030,500	198,530
TOTAL CERTIFIED TO COUNTIES	1,880,366,102	2,870,005,010	989,638,908

2009 - 2010 COUNTY COMPARISON

	2009	2010			2009	2010	
COUNTY	TOTAL	TOTAL	GAIN/LOSS	COUNTY	TOTAL	TOTAL	GAIN/LOSS
ARKANSAS	21,465,368	21,157,402	(307,966)	LEE	16,838,805	18,943,113	2,104,308
ASHLEY	20,105,314	20,367,572	262,258	LINCOLN	10,955,106	11,382,168	427,062
BAXTER	29,646,105	31,154,911	1,508,806	LITTLE RIVER	13,361,247	14,185,929	824,682
BENTON	134,796,967	141,260,778	6,463,811	LOGAN	23,689,021	25,462,687	1,773,666
BOONE	24,278,195	23,343,836	(934,359)	LONOKE	40,735,020	40,775,333	40,313
BRADLEY	7,582,537	7,742,256	159,719	MADISON	15,255,134	15,943,352	688,218
CALHOUN	10,475,545	11,149,895	674,350	MARION	9,181,222	9,306,489	125,267
CARROLL	22,970,326	23,010,165	39,839	MILLER	36,331,283	38,158,219	1,826,936
CHICOT	16,182,082	17,688,334	1,506,252	MISSISSIPPI	42,422,893	44,859,747	2,436,854
CLARK	26,711,172	28,228,863	1,517,691	MONROE	11,505,236	11,309,303	(195,933)
CLAY	18,060,820	18,604,944	544,124	MONTGOMERY	4,993,287	5,144,412	151,125
CLEBURNE	18,915,650	19,437,456	521,806	NEVADA	13,399,695	13,956,830	557,135
CLEVELAND	9,213,531	9,391,815	178,284	NEWTON	7,995,305	7,803,512	(191,793)
COLUMBIA	25,240,267	26,080,670	840,403	OUACHITA	21,195,171	21,725,226	530,055
CONWAY	32,900,681	32,561,619	(339,062)	PERRY	9,416,917	8,750,862	(666,055)
CRAIGHEAD	44,710,455	49,090,066	4,379,611	PHILLIPS	30,438,817	31,941,471	1,502,654
CRAWFORD	46,334,859	47,509,026	1,174,167	PIKE	9,932,294	10,370,605	438,311
CRITTENDEN	50,779,634	52,499,418	1,719,784	POINSETT	21,940,580	21,767,965	(172,615)
CROSS	18,315,139	18,942,452	627,313	POLK	20,381,083	21,242,649	861,566
DALLAS	8,223,203	8,038,722	(184,481)	POPE	281,521,433	278,801,892	(2,719,541)
DESHA	35,623,472	35,813,291	189,819	PRAIRIE	9,042,800	8,753,251	(289,549)
DREW	14,397,013	15,059,011	661,998	PULASKI	362,500,380	376,238,603	13,738,223
FAULKNER	48,478,970	48,717,432	238,462	RANDOLPH	15,736,633	17,909,594	2,172,961
FRANKLIN	37,754,864	35,976,342	(1,778,522)	SALINE	40,865,163	41,871,958	1,006,795
FULTON	12,157,418	12,344,553	187,135	SCOTT	8,047,457	8,286,878	239,421
GARLAND	41,486,641	42,714,305	1,227,664	SEARCY	7,227,998	7,067,690	(160,308)
GRANT	13,253,341	12,998,841	(254,500)	SEBASTIAN	108,028,726	115,885,360	7,856,634
GREENE	19,378,634	19,330,682	(47,952)	SEVIER	11,964,772	13,295,722	1,330,950
HEMPSTEAD	48,649,266	57,386,729	8,737,463	SHARP	14,553,402	13,933,169	(620,233)
HOT SPRING	46,307,824	47,338,023	1,030,199	ST. FRANCIS	27,418,395	27,681,896	263,501
HOWARD	12,564,020	12,882,939	318,919	STONE	7,483,251	7,462,786	(20,465)
INDEPENDENCE	100,604,442	102,451,793	1,847,351	UNION	39,149,754	41,308,141	2,158,387
IZARD	15,107,547	14,596,577	(510,970)	VAN BUREN	12,581,134	12,010,209	(570,925)
JACKSON	24,839,915	26,267,750	1,427,835	WASHINGTON	123,634,369	125,766,868	2,132,499
JEFFERSON	135,746,839	135,322,629	(424,210)	WHITE	69,145,401	76,085,178	6,939,777
JOHNSON	21,296,772	21,263,813	(32,959)	WOODRUFF	23,446,134	26,152,068	2,705,934
LAFAYETTE	11,588,736	11,393,107	(195,629)	YELL	13,021,261	13,644,188	622,927
LAWRENCE	24,996,557	25,701,670	705,113	GRANDTOTAL	2,786,476,700	2,870,005,010	