

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



Biennial Report

For The Years

2010 - 2011

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Sarah M. Bradshaw
Director
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January 6, 2012

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 its Biennial Report for the years 2010 -2011. 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 \$3,275,370,679 in 2010 to approximately \$3,527,652,933 in 2011. This is an increase of \$252,282,254 in the two-year period and represents, an approximate gain of 7.15% in assessed value.

Sincerely,

A handwritten signature in cursive script, reading "Sarah M. Bradshaw".

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

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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 2011, the Tax Division valued the real and personal property of 321 telecommunications companies and their operating subsidiaries, 37 cable television companies and their operating subsidiaries, 31 electric companies and cooperatives, 15 gas companies, 7 pipeline companies, 2 water companies, 25 railroads, 362 private car companies, 18 airlines, 11 barge lines and 40,901 motor carriers for the purpose of ad valorem assessment. The market value of the utilities and carriers evaluated by the Tax Division in 2011 was approximately \$17,640,000,000, which represents an assessed value of approximately \$3,528,000,000 and an estimated property tax of approximately \$162,288,000.

In 2010, the Tax Division valued the real and personal property of over 41,940 utilities and carriers. The assessed value of the utilities and carriers in 2010 was approximately \$3,275,000,000 and the estimated property tax on the assessed value was approximately \$150,650,000.

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 2010 - 2011 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 eleven 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 2009 - 2011

CLASS OF PROPERTY	2009 ASSESSED VALUE	2010 ASSESSED VALUE	2011 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0	0	0
AIRLINE (SITUS)	871,300	720,930	655,600	(65,330)
BARGE LINE (SITUS)	0	0	0	0
CABLE TELEVISION	143,928,940	160,126,980	160,136,210	9,230
CELLULAR TELEPHONE	336,597,250	361,853,740	397,215,170	35,361,430
ELECTRIC COOPERATIVE	484,140,210	504,941,630	536,165,490	31,223,860
GAS TRANSMISSION	349,648,000	369,175,000	495,380,000	126,205,000
MOTOR CARRIER (REAL)	9,184,770	9,733,290	8,282,990	(1,450,300)
PRIVATE CAR (SITUS)	2,789,100	3,247,000	2,882,350	(364,650)
PRIVATE ELECTRIC	832,860,000	849,285,000	894,810,000	45,525,000
PIPELINE	29,297,300	30,078,800	24,605,680	(5,473,120)
RAILROAD	243,173,540	247,582,250	300,811,330	53,229,080
RESELLER TELEPHONE	1,567,350	1,686,050	2,312,830	626,780
TELEPHONE	348,277,940	327,374,410	308,570,090	(18,804,320)
WATER COMPANY	4,141,000	4,030,500	4,031,360	860
TOTAL CERTIFIED TO COUNTIES	2,786,476,700	2,869,835,580	3,135,859,100	266,023,520
AIRLINE	34,602,590	29,605,080	28,168,920	(1,436,160)
BARGE LINE	18,206,510	19,971,750	24,342,200	4,370,450
MOTOR CARRIER	344,863,792	347,497,729	329,890,773	(17,606,956)
PRIVATE CAR	9,614,070	8,460,540	9,391,940	931,400
				0
TOTAL CERTIFIED TO D.F.A.	407,286,962	405,535,099	391,793,833	(13,741,266)
GRAND TOTAL	3,193,763,662	3,275,370,679	3,527,652,933	252,282,254

TEN YEAR COMPARISON 2001 - 2011

CLASS OF PROPERTY	2001 ASSESSED VALUE	2011 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	1,010,680	-	(1,010,680)
AIRLINE (SITUS)	3,798,000	655,600	(3,142,400)
BARGE LINE (SITUS)	29,400	-	(29,400)
CABLE TELEVISIONS	65,681,330	160,136,210	94,454,880
CELLULAR TELEPHONES	96,622,540	397,215,170	300,592,630
ELECTRIC COOPERATIVES	349,515,020	536,165,490	186,650,470
GAS TRANSMISSION	185,378,830	495,380,000	310,001,170
MOTOR CARRIER (REAL)	4,777,110	8,282,990	3,505,880
PIPELINE COMPANIES	32,934,540	24,605,680	(8,328,860)
PRIVATE CARS (SITUS)	3,111,050	2,882,350	(228,700)
PRIVATE ELECTRICS	658,481,840	894,810,000	236,328,160
RAILROAD COMPANIES	140,871,630	300,811,330	159,939,700
RESELLER TELEPHONES	9,046,440	2,312,830	(6,733,610)
TELEPHONES	476,640,070	308,570,090	(168,069,980)
WATER COMPANIES	4,007,600	4,031,360	23,760
TOTAL CERTIFIED TO COUNTIES	2,031,906,080	3,135,859,100	1,103,953,020

2010 - 2011 COUNTY COMPARISON

COUNTY	2010 TOTAL	2011 TOTAL	GAIN/LOSS	COUNTY	2010 TOTAL	2011 TOTAL	GAIN/LOSS
ARKANSAS	21,157,402	21,470,832	313,430	LEE	18,943,113	33,210,558	14,267,445
ASHLEY	20,367,572	20,627,223	259,651	LINCOLN	11,382,168	11,557,932	175,764
BAXTER	31,154,911	31,708,140	553,229	LITTLE RIVER	14,185,929	15,142,827	956,898
BENTON	141,260,778	149,430,543	8,169,765	LOGAN	25,462,687	27,293,135	1,830,448
BOONE	23,343,836	24,869,237	1,525,401	LONOKE	40,775,333	43,034,657	2,259,324
BRADLEY	7,742,256	8,059,197	316,941	MADISON	15,943,352	16,524,730	581,378
CALHOUN	11,149,895	10,642,200	(507,695)	MARION	9,306,489	9,409,923	103,434
CARROLL	23,010,165	25,249,800	2,239,635	MILLER	38,158,219	40,134,676	1,976,457
CHICOT	17,688,334	17,910,374	222,040	MISSISSIPPI	44,859,747	66,117,650	21,257,903
CLARK	28,228,863	29,940,281	1,711,418	MONROE	11,309,303	12,490,755	1,181,452
CLAY	18,604,944	19,411,255	806,311	MONTGOMERY	5,144,412	5,010,844	(133,568)
CLEBURNE	19,437,456	23,595,955	4,158,499	NEVADA	13,956,830	14,616,874	660,044
CLEVELAND	9,391,815	9,484,951	93,136	NEWTON	7,803,512	8,471,612	668,100
COLUMBIA	26,080,670	27,455,506	1,374,836	OUACHITA	21,725,226	22,673,957	948,731
CONWAY	32,561,619	39,311,711	6,750,092	PERRY	8,750,862	8,636,163	(114,699)
CRAIGHEAD	49,090,066	51,170,638	2,080,572	PHILLIPS	31,941,471	41,773,375	9,831,904
CRAWFORD	47,629,226	48,963,260	1,334,034	PIKE	10,370,605	10,418,329	47,724
CRITTENDEN	52,499,418	57,716,879	5,217,461	POINSETT	21,767,965	23,854,284	2,086,319
CROSS	18,942,452	20,126,268	1,183,816	POLK	21,242,649	21,972,580	729,931
DALLAS	8,038,722	7,807,424	(231,298)	POPE	278,801,892	292,004,377	13,202,485
DESHA	35,813,291	36,700,657	887,366	PRAIRIE	8,753,251	9,084,181	330,930
DREW	15,059,011	16,056,670	997,659	PULASKI	375,948,973	386,240,850	10,291,877
FAULKNER	48,717,432	65,319,707	16,602,275	RANDOLPH	17,909,594	17,962,157	52,563
FRANKLIN	35,976,342	37,853,226	1,876,884	SALINE	41,871,958	44,816,889	2,944,931
FULTON	12,344,553	13,176,136	831,583	SCOTT	8,286,878	8,141,609	(145,269)
GARLAND	42,714,305	42,298,056	(416,249)	SEARCY	7,067,690	7,818,505	750,815
GRANT	12,998,841	12,933,377	(65,464)	SEBASTIAN	115,885,360	119,253,328	3,367,968
GREENE	19,330,682	19,931,113	600,431	SEVIER	13,295,722	16,367,216	3,071,494
HEMPSTEAD	57,386,729	68,404,258	11,017,529	SHARP	13,933,169	15,243,352	1,310,183
HOT SPRING	47,338,023	50,211,098	2,873,075	ST. FRANCIS	27,681,896	35,066,710	7,384,814
HOWARD	12,882,939	15,115,862	2,232,923	STONE	7,462,786	10,714,628	3,251,842
INDEPENDENCE	102,451,793	102,398,507	(53,286)	UNION	41,308,141	39,317,641	(1,990,500)
IZARD	14,596,577	15,807,053	1,210,476	VAN BUREN	12,010,209	12,746,178	735,969
JACKSON	26,267,750	28,004,989	1,737,239	WASHINGTON	125,766,868	130,294,535	4,527,667
JEFFERSON	135,322,629	141,022,108	5,699,479	WHITE	76,085,178	122,143,097	46,057,919
JOHNSON	21,263,813	22,073,482	809,669	WOODRUFF	26,152,068	50,150,084	23,998,016
LAFAYETTE	11,393,107	12,044,731	651,624	YELL	13,644,188	14,293,200	649,012
LAWRENCE	25,701,670	27,552,998	1,851,328	GRANDTOTAL	2,869,835,580	3,135,859,100	