

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



**Biennial Report**

**For The Years**

**2014 - 2015**

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

February 26, 2016

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 2014 - 2015. 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 \$4,206,232,790 in 2014 to approximately \$4,335,459,325 in 2015. This is an increase of \$129,226,535 and represents, an approximate gain of 2.98% in assessed value.

Sincerely,

A handwritten signature in black ink, appearing to read "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 the annual valuation and ad valorem assessment of public utilities and carriers operating in Arkansas.

During 2015, the Tax Division valued and assessed the real and personal property of 299 telecommunications companies and their operating subsidiaries, 27 cable television companies and their operating subsidiaries, 31 electric companies and cooperatives, 16 gas companies, 9 pipeline companies, 2 water companies, 24 railroads, 372 private car companies, 16 airlines, 43 barge lines and 30,547 motor carriers. The market value of the utilities and carriers valued by the Tax Division in 2015 was approximately \$21,675,000,000, which represents an assessed value of approximately \$4,335,000,000 and an estimated property tax of \$205,002,150.

In 2014, the Tax Division valued the real and personal property of over 35,280 utilities and carriers. The

assessed value of the utilities and carriers in 2014 was approximately \$4,206,000,000 and the estimated property tax on the assessed value was approximately \$197,808,180.

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 Department, and the Tax Division. The taxes and penalties collected from water transportation companies in excess of \$2,500,000 are deposited in the State Treasury and credited to the Arkansas Port, Intermodal, and Waterways Development Grant Program. 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. In 1883, the General Assembly created the Board of Railroad Commissioners. 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 2015 - 2016 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 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 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 the 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 ten (10) day period to file a formal appeal of the assessment. When the appeal period ends, the final assessment amounts for utilities and

railroads are certified to the County Assessors on or before July 15<sup>th</sup> 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, one tax appeal is pending before the Public Service 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. One tax appeal is pending before the Pulaski County Circuit Court at this time. The Circuit Court's decision may be appealed to the Arkansas Supreme Court.



### THREE YEAR COMPARISON 2013 - 2015

CLASS OF PROPERTY	2013 ASSESSED VALUE	2014 ASSESSED VALUE	2015 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0	0	0
AIRLINE (SITUS)	481,870	397,620	426,280	28,660
BARGE LINE (SITUS)	160,430	1,799,820	750,320	(1,049,500)
CABLE TELEVISION	173,261,130	186,617,980	192,945,300	6,327,320
CELLULAR TELEPHONE	398,066,830	440,618,960	438,777,100	(1,841,860)
ELECTRIC COOPERATIVE	597,372,990	604,906,960	621,126,860	16,219,900
GAS TRANSMISSION	544,640,710	530,980,250	549,422,950	18,442,700
MOTOR CARRIER (REAL)	8,250,240	7,720,250	8,723,150	1,002,900
PRIVATE CAR (SITUS)	1,973,100	2,886,000	1,720,300	(1,165,700)
PRIVATE ELECTRIC	1,123,737,600	1,180,626,630	1,232,706,420	52,079,790
PIPELINE	25,516,600	26,638,500	35,623,950	8,985,450
RAILROAD	374,531,000	415,118,360	464,401,840	49,283,480
RESELLER TELEPHONE	6,049,680	4,860,830	2,079,440	(2,781,390)
TELEPHONE	285,523,360	292,752,120	279,305,840	(13,446,280)
WATER COMPANY	4,392,370	7,784,330	7,067,880	(716,450)
<b>TOTAL CERTIFIED TO COUNTIES</b>	<b>3,543,957,910</b>	<b>3,703,708,610</b>	<b>3,835,077,630</b>	<b>131,369,020</b>
AIRLINE	23,723,810	22,568,640	26,472,710	3,904,070
BARGE LINE	57,417,300	71,979,320	71,180,520	(798,800)
MOTOR CARRIER	361,356,869	396,404,400	390,970,945	(5,433,455)
PRIVATE CAR	11,169,080	11,571,820	11,757,520	185,700
				0
<b>TOTAL CERTIFIED TO D.F.A.</b>	<b>453,667,059</b>	<b>502,524,180</b>	<b>500,381,695</b>	<b>(2,142,485)</b>
<b>GRAND TOTAL</b>	<b>3,997,624,969</b>	<b>4,206,232,790</b>	<b>4,335,459,325</b>	<b>129,226,535</b>

## TEN YEAR COMPARISON 2005 - 2015

CLASS OF PROPERTY	2005 ASSESSED VALUE	2015 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	-	-	0
AIRLINE (SITUS)	1,137,610	426,280	(711,330)
BARGE LINE (SITUS)	32,050	750,320	718,270
CABLE TELEVISIONS	98,396,700	192,945,300	94,548,600
CELLULAR TELEPHONES	201,007,580	438,777,100	237,769,520
ELECTRIC COOPERATIVES	398,319,770	621,126,860	222,807,090
GAS TRANSMISSION	210,636,760	549,422,950	338,786,190
MOTOR CARRIER (REAL)	5,381,020	8,723,150	3,342,130
PIPELINE COMPANIES	27,857,820	35,623,950	7,766,130
PRIVATE CARS (SITUS)	2,921,450	1,720,300	(1,201,150)
PRIVATE ELECTRICS	766,894,500	1,232,706,420	465,811,920
RAILROAD COMPANIES	181,143,800	464,401,840	283,258,040
RESELLER TELEPHONES	843,650	2,079,440	1,235,790
TELEPHONES	411,587,620	279,305,840	(132,281,780)
WATER COMPANIES	4,124,900	7,067,880	2,942,980
<b>TOTAL CERTIFIED TO COUNTIES</b>	<b>2,310,285,230</b>	<b>3,835,077,630</b>	<b>1,524,792,400</b>

2014 - 2015 COUNTY COMPARISON							
COUNTY	2014 TOTAL	2015 TOTAL	GAIN/LOSS	COUNTY	2014 TOTAL	2015 TOTAL	GAIN/LOSS
ARKANSAS	24,788,801	26,173,861	1,385,060	LEE	38,160,255	38,783,684	623,429
ASHLEY	22,593,048	23,412,682	819,634	LINCOLN	12,511,562	12,863,335	351,773
BAXTER	32,571,684	32,971,267	399,583	LITTLE RIVER	24,369,399	24,889,291	519,892
BENTON	184,175,029	189,570,092	5,395,063	LOGAN	31,642,301	32,196,322	554,021
BOONE	26,955,283	27,847,288	892,005	LONoke	51,254,864	53,182,117	1,927,253
BRADLEY	9,081,586	9,262,762	181,176	MADISON	18,328,959	19,172,538	843,579
CALHOUN	12,288,807	11,914,492	(374,315)	MARION	11,308,865	11,834,001	525,136
CARROLL	31,005,706	35,312,015	4,306,309	MILLER	50,251,106	53,847,653	3,596,547
CHICOT	19,550,010	20,536,673	986,663	MISSISSIPPI	69,304,793	72,541,025	3,236,232
CLARK	34,024,811	37,073,521	3,048,710	MONROE	15,606,881	16,682,502	1,075,621
CLAY	22,021,496	24,422,727	2,401,231	MONTGOMERY	5,924,641	6,165,700	241,059
CLEBURNE	25,758,672	26,413,256	659,584	NEVADA	17,008,590	18,600,940	1,592,350
CLEVELAND	10,903,344	12,635,338	1,731,994	NEWTON	9,715,649	9,822,063	106,414
COLUMBIA	32,065,021	33,509,398	1,444,377	OUACHITA	28,000,589	30,077,394	2,076,805
CONWAY	42,839,272	43,770,447	931,175	PERRY	8,740,392	9,116,748	376,356
CRAIGHEAD	61,952,892	66,085,748	4,132,856	PHILLIPS	41,370,002	39,492,200	(1,877,802)
CRAWFORD	52,897,358	56,099,067	3,201,709	PIKE	11,836,002	12,021,991	185,989
CRITTENDEN	65,360,566	68,409,312	3,048,746	POINSETT	28,665,779	30,903,559	2,237,780
CROSS	26,654,028	28,993,134	2,344,106	POLK	28,284,631	30,491,672	2,207,041
DALLAS	9,173,977	9,616,010	442,033	POPE	325,014,411	338,623,228	13,508,817
DESHA	37,314,001	38,803,942	1,489,941	PRAIRIE	10,106,358	10,901,937	795,579
DREW	18,059,800	18,759,388	699,588	PULASKI	428,739,248	414,291,823	(14,447,425)
FAULKNER	76,264,668	81,636,550	5,371,882	RANDOLPH	17,284,919	17,724,804	439,885
FRANKLIN	42,824,761	44,767,567	1,942,806	SALINE	54,976,874	57,461,907	2,485,033
FULTON	14,453,696	14,955,887	503,191	SCOTT	8,617,695	8,733,612	115,917
GARLAND	50,024,645	52,273,268	2,253,623	SEARCY	8,300,268	8,300,272	4
GRANT	13,731,731	14,623,056	891,325	SEBASTIAN	134,926,979	138,787,990	3,861,011
GREENE	23,339,971	25,882,075	2,542,104	SEVIER	24,355,247	23,817,761	(537,486)
HEMPSTEAD	187,709,570	196,059,408	8,349,838	SHARP	16,478,117	16,898,090	419,973
HOT SPRING	82,477,318	86,207,134	3,729,816	ST. FRANCIS	39,699,138	44,407,789	4,708,651
HOWARD	20,950,757	20,887,773	(62,984)	STONE	9,748,027	9,731,473	(16,554)
INDEPENDENCE	106,641,222	110,744,348	4,103,126	UNION	44,849,432	49,552,224	4,702,792
IZARD	15,295,108	15,413,104	117,996	VAN BUREN	13,716,295	13,176,994	(539,301)
JACKSON	32,750,791	35,535,646	2,784,855	WASHINGTON	157,005,243	164,416,668	7,411,425
JEFFERSON	154,399,317	157,863,500	3,464,183	WHITE	139,367,888	144,993,681	5,625,793
JOHNSON	23,863,631	24,155,269	292,638	WOODRUFF	58,626,102	59,861,154	1,235,052
LAFAYETTE	12,823,592	14,396,919	1,573,327	YELL	18,498,628	20,236,474	1,737,846
LAWRENCE	31,526,511	33,464,090	1,937,579	GRANDTOTAL	3,703,708,610	3,835,077,630	