

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



Biennial Report

For The Years

2015 - 2016

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Sarah M. Bradshaw
Director
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November 21, 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 2015 - 2016. 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 \$4,335,459,325 in 2015 to approximately \$4,471,708,365 in 2016. This is an increase of \$136,249,040 and represents, an approximate gain of 3.05% in assessed value.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah M. Bradshaw". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

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 the annual valuation and ad valorem assessment of public utilities and carriers operating in Arkansas.

During 2016, the Tax Division valued and assessed the real and personal property of 296 telecommunications companies and their operating subsidiaries, 25 cable television companies and their operating subsidiaries, 33 electric companies and cooperatives, 17 gas companies, 11 pipeline companies, 3 water companies, 25 railroads, 387 private car companies, 19 airlines, 52 barge lines and 31,454 motor carriers. The market value of the utilities and carriers valued by the Tax Division in 2016 was approximately \$22,360,000,000, which represents an assessed value of approximately \$4,472,000,000 and an estimated property tax of \$211,480,880.

In 2015, the Tax Division valued the real and personal property of over 31,442 utilities and carriers. The

assessed value of the utilities and carriers in 2015 was approximately \$4,335,000,000 and the estimated property tax on the assessed value was approximately \$205,002,150.

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 2016 - 2017 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 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, 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 and one tax appeal is pending before the Arkansas Supreme Court at this time.

THREE YEAR COMPARISON 2014 - 2016

CLASS OF PROPERTY	2014 ASSESSED VALUE	2015 ASSESSED VALUE	2016 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0	0	0
AIRLINE (SITUS)	397,620	426,280	459,230	32,950
BARGE LINE (SITUS)	1,799,820	750,320	1,178,120	427,800
CABLE TELEVISION	186,617,980	192,945,300	189,977,270	(2,968,030)
CELLULAR TELEPHONE	440,618,960	438,777,100	438,126,190	(650,910)
ELECTRIC COOPERATIVE	604,906,960	621,126,860	643,140,300	22,013,440
GAS TRANSMISSION	530,980,250	549,422,950	536,994,690	(12,428,260)
MOTOR CARRIER (REAL)	7,720,250	8,723,150	8,722,860	(290)
PRIVATE CAR (SITUS)	2,886,000	1,720,300	709,900	(1,010,400)
PRIVATE ELECTRIC	1,180,626,630	1,232,706,420	1,264,714,770	32,008,350
PIPELINE	26,638,500	35,623,950	50,754,990	15,131,040
RAILROAD	415,118,360	464,401,840	505,904,800	41,502,960
RESELLER TELEPHONE	4,860,830	2,079,440	2,806,260	726,820
TELEPHONE	292,752,120	279,305,840	297,107,530	17,801,690
WATER COMPANY	7,784,330	7,067,880	7,274,670	206,790
TOTAL CERTIFIED TO COUNTIES	3,703,708,610	3,835,077,630	3,947,871,580	112,793,950
AIRLINE	22,568,640	26,472,710	25,603,500	(869,210)
BARGE LINE	71,979,320	71,180,520	77,575,880	6,395,360
MOTOR CARRIER	396,404,400	390,970,945	409,213,535	18,242,590
PRIVATE CAR	11,571,820	11,757,520	11,443,870	(313,650)
				0
TOTAL CERTIFIED TO D.F.A.	502,524,180	500,381,695	523,836,785	23,455,090
GRAND TOTAL	4,206,232,790	4,335,459,325	4,471,708,365	136,249,040

TEN YEAR COMPARISON 2006 - 2016

CLASS OF PROPERTY	2006 ASSESSED VALUE	2016 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	-	-	0
AIRLINE (SITUS)	1,251,210	459,230	(791,980)
BARGE LINE (SITUS)	36,880	1,178,120	1,141,240
CABLE TELEVISIONS	101,062,010	189,977,270	88,915,260
CELLULAR TELEPHONES	247,060,020	438,126,190	191,066,170
ELECTRIC COOPERATIVES	423,243,810	643,140,300	219,896,490
GAS TRANSMISSION	227,574,000	536,994,690	309,420,690
MOTOR CARRIER (REAL)	6,242,920	8,722,860	2,479,940
PIPELINE COMPANIES	29,394,940	709,900	(28,685,040)
PRIVATE CARS (SITUS)	1,270,650	1,264,714,770	1,263,444,120
PRIVATE ELECTRICS	793,570,500	50,754,990	(742,815,510)
RAILROAD COMPANIES	190,973,720	505,904,800	314,931,080
RESELLER TELEPHONES	1,327,200	2,806,260	1,479,060
TELEPHONES	398,733,590	297,107,530	(101,626,060)
WATER COMPANIES	4,122,800	7,274,670	3,151,870
TOTAL CERTIFIED TO COUNTIES	2,425,864,250	3,947,871,580	1,522,007,330

2015 - 2016 COUNTY COMPARISON

COUNTY	2015 TOTAL	2016 TOTAL	GAIN/LOSS	COUNTY	2015 TOTAL	2016 TOTAL	GAIN/LOSS
ARKANSAS	26,173,861	26,545,597	371,736	LEE	38,783,684	37,150,720	(1,632,964)
ASHLEY	23,412,682	23,928,743	516,061	LINCOLN	12,863,335	13,039,711	176,376
BAXTER	32,971,267	32,989,418	18,151	LITTLE RIVER	24,889,291	26,050,131	1,160,840
BENTON	189,570,092	201,513,058	11,942,966	LOGAN	32,196,322	32,244,124	47,802
BOONE	27,847,288	28,029,894	182,606	LONOKE	53,182,117	54,770,461	1,588,344
BRADLEY	9,262,762	9,907,399	644,637	MADISON	19,172,538	20,336,023	1,163,485
CALHOUN	11,914,492	14,747,494	2,833,002	MARION	11,834,001	11,983,878	149,877
CARROLL	35,312,015	38,113,006	2,800,991	MILLER	53,847,653	57,150,748	3,303,095
CHICOT	20,536,673	20,690,186	153,513	MISSISSIPPI	72,541,025	78,954,686	6,413,661
CLARK	37,073,521	37,482,852	409,331	MONROE	16,682,502	17,603,505	921,003
CLAY	24,422,727	27,077,087	2,654,360	MONTGOMERY	6,165,700	6,152,486	(13,214)
CLEBURNE	26,418,256	26,755,064	336,808	NEVADA	18,600,940	18,514,094	(86,846)
CLEVELAND	12,635,338	13,265,781	630,443	NEWTON	9,822,063	10,202,315	380,252
COLUMBIA	33,509,398	33,180,038	(329,360)	OUACHITA	30,077,394	32,163,363	2,085,969
CONWAY	43,770,447	44,219,350	448,903	PERRY	9,116,748	9,100,904	(15,844)
CRAIGHEAD	66,085,748	71,102,649	5,016,901	PHILLIPS	39,492,200	39,181,809	(310,391)
CRAWFORD	56,099,067	57,802,499	1,703,432	PIKE	12,021,991	11,809,455	(212,536)
CRITTENDEN	68,409,312	72,128,473	3,719,161	POINSETT	30,903,559	32,925,804	2,022,245
CROSS	28,998,134	30,891,616	1,893,482	POLK	30,491,672	32,260,678	1,769,006
DALLAS	9,616,010	9,705,101	89,091	POPE	338,623,228	350,756,116	12,132,888
DESHA	38,803,942	40,234,591	1,430,649	PRAIRIE	10,901,937	11,246,090	344,153
DREW	18,759,388	20,802,988	2,043,600	PULASKI	414,291,823	419,258,137	4,966,314
FAULKNER	81,636,550	78,165,836	(3,470,714)	RANDOLPH	17,724,804	19,060,911	1,336,107
FRANKLIN	44,767,567	49,612,791	4,845,224	SALINE	57,461,907	60,183,262	2,721,355
FULTON	14,956,887	15,983,764	1,026,877	SCOTT	8,733,612	9,162,309	428,697
GARLAND	52,278,268	56,467,714	4,189,446	SEARCY	8,300,272	8,369,343	69,071
GRANT	14,623,056	14,654,641	31,585	SEBASTIAN	138,787,990	142,795,729	4,007,739
GREENE	25,882,075	27,429,465	1,547,390	SEVIER	23,817,761	22,094,529	(1,723,232)
HEMPSTEAD	196,059,408	197,979,315	1,919,907	SHARP	16,898,090	17,302,901	404,811
HOT SPRING	86,207,134	85,770,862	(436,272)	ST. FRANCIS	44,407,789	45,993,392	1,585,603
HOWARD	20,887,773	20,467,047	(420,726)	STONE	9,731,473	9,353,186	(378,287)
INDEPENDENCE	110,744,348	110,175,478	(568,870)	UNION	49,552,224	51,516,914	1,964,690
IZARD	15,413,104	14,615,811	(797,293)	VAN BUREN	13,176,994	13,411,066	234,072
JACKSON	35,535,646	37,593,461	2,057,815	WASHINGTON	164,416,668	175,276,404	10,859,736
JEFFERSON	157,863,500	160,508,132	2,644,632	WHITE	144,993,681	144,316,792	(676,889)
JOHNSON	24,156,269	26,574,385	2,418,116	WOODRUFF	59,861,154	57,897,408	(1,963,746)
LAFAYETTE	14,396,919	14,844,573	447,654	YELL	20,236,474	20,178,398	(58,076)
LAWRENCE	33,464,090	36,147,639	2,683,549	GRANDTOTAL	3,835,077,630	3,947,871,580	