

Tax Division



Arkansas Public Service Commission

BIENNIAL REPORT

2018 - 2019

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ARKANSAS
PUBLIC SERVICE COMMISSION

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Sarah M. Bradshaw
Director
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February 7, 2020

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 2018 - 2019. 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 \$5,036,088,778 in 2018 to approximately \$5,263,105,213 in 2019. This is an increase of \$227,016,435 and represents an approximate gain of 4.3% in assessed value.

Sincerely,

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

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

SMB/rsc



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 2019, the Tax Division valued and assessed the real and personal property of 247 telecommunications companies and their operating subsidiaries, 29 cable television companies and their operating subsidiaries, 33 electric companies and cooperatives, 16 gas companies, 12 pipeline companies, 3 solar companies, 4 water companies, 25 railroads, 393 private car companies, 19 airlines, 55 barge lines and 23,106 motor carriers. The market value of the utilities and carriers valued by the Tax Division in 2019 was approximately \$26,315,500,000, which represents an assessed value of approximately \$5,263,100,000 and an estimated property tax of \$253,739,314.

In 2018, the Tax Division valued the real and personal property of over 34,357 utilities and carriers. The assessed value of the utilities and carriers in 2018 was approximately \$5,036,000,000 and the estimated property tax on the assessed value was approximately \$242,795,000.

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 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 Waterways Commission, the Arkansas Port, Intermodal, and Waterways Development Grant Program, and the Arkansas River Navigation System Fund. The State Treasurer may transmit the remainder of the Fund to the respective counties in the state.

HISTORY

The Tax Division of the Arkansas Public Service Commission's origin can be traced to Act 114 of 1883. The General Assembly created the Board of Railroad Commissioners in 1883. 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 2018 - 2019 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 including a Director, an Assistant Director, an Assistant Director of 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. The Division is also allowed 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 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 thirty (30) day period to file a formal petition for review of the assessment. 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, there are no appeals pending before the Public Service Commission or the Highway 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.

Three Year Comparison

Class of Property	2017 Assessed Values	2018 Assessed Values	2019 Assessed Values	GAIN OR LOSS
Airline (Real)	0	0	0	0
Airline (Situs)	2,550,870	1,847,160	1,313,900	(533,260)
Barge Line (Real)	0	41,660	41,660	0
Barge Line (Situs)	154,800	125,460	180,260	54,800
Cable Television	190,833,950	205,105,270	217,280,070	12,174,800
Cellular Telephone	412,413,140	419,465,940	408,950,400	(10,515,540)
Electric Cooperative	657,546,320	684,587,980	718,084,770	33,496,790
Gas Transmission	554,841,210	556,149,280	568,545,790	12,396,510
Motor Carrier (Real)	8,548,740	8,641,860	8,669,950	28,090
Private Car (Situs)	3,671,450	2,687,600	1,114,300	(1,573,300)
Private Electric	1,528,790,830	1,551,316,850	1,662,144,410	110,827,560
Pipeline	85,287,280	183,375,150	187,810,170	4,435,020
Railroad	533,722,630	560,776,230	583,842,842	23,066,612
Reseller Telephone	2,814,170	4,324,510	4,097,460	(227,050)
Solar	4,280,470	4,849,320	5,874,830	1,025,510
Telephone	298,574,340	291,134,830	280,214,444	(10,920,386)
Water	7,842,820	7,518,040	7,534,000	15,960
Total Certified to Counties	4,291,873,020	4,481,947,140	4,655,699,256	173,752,116
Airline	22,561,740	25,257,550	29,161,210	3,903,660
Barge Line	69,391,310	127,013,090	117,302,535	(9,710,555)
Motor Carrier	418,699,985	390,881,388	\$450,198,512	59,317,124
Private Car	10,321,340	11,080,690	10,743,700	(336,990)
Total Certified to DFA	520,974,375	554,232,718	607,405,957	53,173,239
GRAND TOTAL	4,812,847,395	5,036,179,858	5,263,105,213	226,925,355

Ten Year Comparision 2009-2019

Class of Property	2009	2019	GAIN OR LOSS
	Assessed Values	Assessed Values	
Airline (Real)	0	0	0
Airline (Situs)	871,300	1,313,900	442,600
Barge Line (Real)	0	41,660	41,660
Barge Line (Situs)	0	138,600	138,600
Cable Television	143,928,940	217,280,070	73,351,130
Cellular Telephone	336,597,250	408,950,400	72,353,150
Electric Cooperative	484,140,210	718,084,700	233,944,490
Gas Transmission	349,648,000	568,545,790	218,897,790
Motor Carrier (Real)	9,184,770	8,674,950	(509,820)
Pipeline	29,297,300	187,810,170	158,512,870
Private Car (Situs)	2,789,100	1,114,300	(1,674,800)
Private Electric	832,860,000	1,662,144,410	829,284,410
Railroad	243,173,540	583,842,842	340,669,302
Reseller Telephone	1,567,350	4,097,460	2,530,110
Solar		5,874,830	5,874,830
Telephone	348,277,940	280,214,444	(68,063,496)
Water	4,141,000	7,534,000	3,393,000
Total Certified to Counties	2,786,476,700	4,655,662,526	1,869,185,826

2018 - 2019 County Comparison

COUNTY	2018 Total	2019 Total	GAIN/LOSS	COUNTY	2018 Total	2019 Total	GAIN/LOSS
Arkansas	29,590,162	31,332,312	1,742,150	Lee	37,849,377	38,115,678	266,301
Ashley	26,019,681	27,668,206	1,648,525	Lincoln	14,456,281	15,195,153	738,872
Baxter	36,160,167	36,908,096	747,929	Little River	27,342,900	29,511,497	2,168,597
Benton	215,583,879	228,580,651	12,996,772	Logan	40,188,760	40,679,731	490,971
Boone	31,405,495	32,597,079	1,191,584	Lonoke	60,725,442	62,539,459	1,814,017
Bradley	10,417,830	11,550,800	1,132,970	Madison	23,182,729	25,451,577	2,268,848
Calhoun	18,900,340	18,850,023	(50,317)	Marion	13,254,762	14,080,770	826,008
Carroll	41,593,928	42,941,247	1,347,319	Miller	59,859,674	61,407,175	1,547,501
Chicot	25,731,359	26,838,706	1,107,347	Mississippi	87,347,812	85,323,865	(2,023,947)
Clark	40,428,507	43,339,619	2,911,112	Monroe	18,735,257	19,486,882	751,625
Clay	33,068,232	36,086,458	3,018,226	Montgomery	6,811,512	7,284,037	472,525
Cleburne	30,788,068	31,011,795	223,727	Nevada	19,195,288	20,653,815	1,458,527
Cleveland	14,912,733	15,163,891	251,158	Newton	11,297,711	11,700,780	403,069
Columbia	37,483,881	39,726,559	2,242,678	Ouachita	36,462,623	38,895,025	2,432,402
Conway	52,393,629	53,933,114	1,539,485	Perry	10,195,893	10,886,726	690,833
Craighead	82,485,271	86,105,961	3,620,690	Phillips	39,951,973	40,342,478	390,505
Crawford	61,566,317	64,902,499	3,336,182	Pike	12,236,470	12,946,740	710,270
Crittenden	81,299,267	85,129,631	3,830,364	Poinsett	35,998,128	37,842,092	1,843,964
Cross	34,554,833	36,656,747	2,101,914	Polk	34,379,845	37,241,726	2,861,881
Dallas	10,643,301	11,028,954	385,653	Pope	404,756,499	438,305,403	33,548,904
Desha	43,160,034	44,651,287	1,491,253	Prairie	16,066,014	16,948,595	882,581
Drew	22,844,586	26,031,729	3,187,143	Pulaski	424,130,775	434,538,988	10,408,213
Faulkner	79,115,440	80,766,150	1,650,710	Randolph	20,376,994	22,545,799	2,168,805
Franklin	61,355,315	63,973,050	2,617,735	Saline	65,037,403	66,012,576	975,173
Fulton	16,578,810	16,895,003	316,193	Scott	10,289,050	11,133,490	844,440
Garland	62,269,537	64,776,525	2,506,988	Searcy	9,730,192	8,598,916	(1,131,276)
Grant	16,671,013	17,544,461	873,448	Sebastian	160,783,957	150,450,476	(10,333,481)
Greene	31,730,255	33,586,563	1,856,308	Sevier	23,069,503	24,741,434	1,671,931
Hempstead	196,457,026	195,041,319	(1,415,707)	Sharp	18,045,501	18,151,050	105,549
Hot Spring	93,927,671	100,102,322	6,174,651	St. Francis	60,172,511	61,354,614	1,182,103
Howard	22,389,339	23,161,633	772,294	Stone	9,910,952	10,321,520	410,568
Independence	109,605,629	113,145,543	3,539,914	Union	199,310,931	204,621,981	5,311,050
Izard	15,385,347	15,849,294	463,947	Van Buren	22,673,759	24,940,221	2,266,462
Jackson	42,226,046	45,714,430	3,488,384	Washington	205,405,244	224,902,053	19,496,809
Jefferson	169,913,476	175,839,909	5,926,433	White	162,415,133	164,989,217	2,574,084
Johnson	37,848,794	38,369,853	521,059	Woodruff	64,771,701	65,450,401	678,700
Lafayette	16,509,524	16,856,211	346,687	Yell	21,834,723	22,528,685	693,962
Lawrence	40,679,139	42,879,341	2,200,202	GRAND TOTAL	4,481,947,140	4,655,657,596	173,710,456