

## FUNDING SOURCES

The Assessment Coordination Department has three funding sources:

1. General Operations is through State General Services and Ad Valorem tax funds.
2. A Cash Fund that was created from the sale of manuals and educational materials. Proceeds are used to replenish such and to fund participation in educational programs.
3. An Assessor's Training Fund created to supplement General Revenues for training assessors and deputies by a levy of \$450 per county per year.

## HISTORY OF AD VALOREM TAX LEGISLATION

The starting point of Ad Valorem taxation is in our Constitution of 1874. The provisions of Article 16 § 5, as amended, provide:

"All real and tangible personal property subject to taxation shall be taxed according to its value, that value to be ascertained in such manner as the General Assembly shall direct, making the same equal and uniform throughout the State. No one species of property for which a tax may be collected shall be taxed higher than another species of property of equal value, except as provided and authorized in Section 15 of this Article, and except as authorized in Section 14..."

The first "general legislation" after the adoption of the Constitution of 1874 was **Act 114 of 1883** (A.C.A. § 26-1-101 et. al.), which contained 226 sections and is the foundation of our present tax system. Approximately 85 sections of **Act 114** are still retained in our present tax system. This Act set out definitions, listing of property for assessment, election of assessors and their duties, how assessments are to be made, collection of taxes, establishment of the first Boards of Equalization and their duties, as well as setting up the first State Railroad Commission, composed of the Governor, Secretary of State, and Auditor, for the purpose of assessing railroads and certifying same to the County Assessors.

The General Assembly, by **Act 257 of 1909** (Repealed), created the first Arkansas Tax Commission, with a term of 20 years, for the purpose of "exercising general and complete supervision over the assessment and collection of taxes and the enforcement of the tax laws of the State." One of the duties of this Commission was to "confer with, advise, and direct all Assessors, Collectors of State and County taxes, and the County Boards of Equalization, as to their duty to the laws of this state." This Act also provided that "one or more members of the commission shall officially visit at least one-half of the Counties of the State annually, and shall visit every County in the State at least once in two years and inquire into methods of assessment and taxation and ascertain whether Assessors faithfully discharge their duties, particularly as to their compliance with this Act requiring the assessment and the just equalization of all property." This newly created Commission was vested with broad supervisory powers and duties, respecting the enforcement of the tax laws of the State. The General Assembly, during the period from 1911 to 1923, extended the powers and duties vested in and imposed upon this Commission, respecting original assessment and equalization of property for tax purposes and supervision in the enforcement of the tax laws of the State.

One Act adopted during this period (1911-1923) was **Act 234 of 1917** (Repealed), which abolished the County Boards of Equalization as created in 1883, and constituted the Township Boards of Assessment and Valuation. The County Court appointed two residents in each township of the county, who, together with the assessor of the county, were known as the Township Board of Assessment and Valuation.

In **1923** the Arkansas Tax Commission was abolished and its duties were transferred to the Arkansas Railroad Commission. The nominal assessment level remained 50% of value.

The next major revision of our ad valorem tax laws was made by **Act 129 of 1927** (A.C.A. § 26-24-102 et. al.). This Act created an Arkansas Tax Commission for the general supervision and control over the valuation, assessment, and equalization of all property, over the several County Assessors and County Boards of Review and Equalization, which were recreated by this Act. This Commission was also given exclusive power of original assessment of all utilities and transportation companies. This Act, (**129 of 1927**), containing 38 sections, set out in detail methods to use in assessing Corporations, Utilities and Transportation Companies. It also set up a strong State control over assessments and provided that the Commission could order a reassessment in any county, district or subdivision. This Act also provided that the Commission would be the State Equalization Board with powers and duties of the counties of the State for the purpose of equalizing the same state-wide.

Two years later, the legislature passed **Act 172 of 1929** (A.C.A. § 26-26-1102 et. al.), which, among other things, changed dates and methods of assessment. Some of the changes were: changing the assessing date from the first Monday in February to the first day of January each year; appraise and assess urban property each odd-numbered year, and rural property each even-numbered year; provided that the County Assessor would devote his entire time to duties of his office; provided 10 percent penalty for delinquent assessment (after 10th day of April); provided notice of raise in assessment by Assessor by first-class mail to taxpayer; provided house-to-house canvass by Assessor after April 10th; appointment of three member County Equalization Board by the County Quorum Court, duties and functions; appeal from action of Equalization Board to County Court, then to Circuit Court.

In **1933** the Arkansas Tax Commission was abolished and its duties, along with those of the Arkansas Railroad commission and the office of the Commissioner of Conservation and Inspection, were transferred to the newly created Arkansas Corporation Commission. The nominal assessment level remained at 50% of value.

In **1945** the Arkansas Corporation Commission and the Department of Public Utilities were consolidated and became the Arkansas Public Service Commission and the duties and responsibilities of the Commission and the Department were transferred to the Public Service Commission. The nominal assessment level remained 50% of value.

**Act 110 of 1947** (Repealed), took the State out of the property tax field. This Act was later amended.

With **Act 351 of 1949** (A.C.A. § 26-26-601 et. seq.), the Legislature provided legislation (on a voluntary basis) whereby professional appraisers could be employed for the purpose of appraising all property, or all of any class of real or personal property within any county, municipality or school district as an aid to the county assessor in fixing his appraisal or assessment of property for ad valorem tax purposes. Even though this Act was passed in 1949, the first use of the Act was made by Pulaski County in 1955, when they hired professional appraisers to appraise all property in the County.

In **1949** the third Arkansas Tax Commission was created. It consisted of three members appointed by the Governor. All powers and duties in respect to the assessment, extension, and collection of ad valorem taxes were transferred from the Public Service Commission to the Tax Commission.

The Arkansas Tax Commission was abolished in **1951** and all of its functions, powers and duties were transferred back to the Public Service Commission.

Due to demand for equalization, the Legislature passed **Act 153 of 1955** (A.C.A. § 26-26-301 et. seq.), a law setting up an Assessment Coordination Division within the Public Service Commission, to assist each of the counties of the State in reappraising and equalizing all property for ad valorem tax purposes. This Act provided that the Division would conduct schools, furnish and prescribe record forms for uniform assessment of property, prepare manuals as guides for valuation, and prepare sales ratio studies for the purpose of determining market value of property. It also provided withholding features in state turn-back funds to counties, municipalities, and school districts, and established levels of assessments at 18 percent of market value of property in 1958, and 20 percent in 1959.

The **Act 234 of 1957** (Obsolete) created an Assessment Coordination Department and transferred certain functions, powers and duties of the Public Service Commission as provided under Title 84, Arkansas Statutes, 1947, to the Department. **Act 304** (A.C.A. § 26-26-304) was passed whereby the ratio study was based on a field inspection and appraisal of property in each taxing unit of the several counties (not less than 3% of total number of real properties.) This was a change to § 12 of **Act 153 of 1955**, which initially required a sales ratio study. **Act 307** (Omitted) was passed whereby the Assessor, the Assessors' Deputies, Equalization Boards, County Judges and Appraisers hired by the various counties, were required to recognize and follow the manuals and standards provided by the Assessment Coordination Department. This was a change to § 5 of **Act 153 of 1955**. **Act 385 of 1957** (A.C.A. § 26-26-1101) was also passed, requiring the County Assessor to assess both urban and rural property each year, rather than every other year.

In **1958**, an amendment to **Act 110 of 1947** proposed to remove the State permanently from the field of property taxation. This amendment, entitled "State Ad Valorem Prohibition" became Amendment 47 to the Constitution when it was ratified in the general election held November 4th of 1958.

The **1959** Session of the Legislature passed **Act 224** (A.C.A. § 22-4-501 et. seq.), which provided a further change to § 12 of **Act 153 of 1955** and **Act 304 of 1957**. This Act extended the time for completion of the counties' reappraisal and equalization program one more year so that December 31, 1959, was the deadline for reaching a minimum of 18 percent of full, true and market value for assessment purposes, and 20 percent in 1960 and subsequent years. However, the Act specified that disbursing agencies would not withhold turn-back revenues from the various taxing units if the county achieved an average ratio of not less than 18 percent for each assessment year. **Act 245 of 1959** (A.C.A. § 26-24-101) was passed, abolishing the Assessment Coordination Department and transferring its functions, powers and duties to the Public Service Commission, to be administered through a Department of Assessment Coordination, and the Department was to consist of two Divisions, a Tax Division and Assessment Coordination Division and defining the function of each Division.

In **1961** the Department of Assessment Coordination of the Public Service Commission was abolished. The duties and powers of its divisions were transferred to the Tax Division of the Public Service Commission and Assessment Coordination Division of the Public Service Commission. This move was made to clarify the status of the divisions, and particularly the appeals procedure for the Tax Division assessed property.

**Act 60 of 1961** (A.C.A. § 20-76-424) is an Act to provide for the creation of Horizontal Property Regimes and Regulations. The provisions of the Act (A.C.A. § 18-13-101 through 18-12-120) govern the procedures for appraising condominiums.

**Act 26 of 1963** (A.C.A. § 27-15-4002) - Vehicles loaned by dealers to public school districts are exempt from taxes and license fees.

**Act 545 of 1963** (A.C.A. § 26-26-1108) - Provided for the assessment of agricultural lands which are annexed by any city or town and defined agricultural lands which are annexed to any city or town for assessment purposes.

**Act 425 of 1965** (A.C.A. § 26-26-1610) - An Act to amend § 24 of **Act 129 of 1927**, as amended; to provide the procedures of obtaining review of taxes assessed upon utilities and carriers and for other purposes.

**Act 470 of 1965** (A.C.A. § 26-26-1701 et. seq.) - An Act to amend § 1 and 7 of **Act 167 of 1953** and § 2 of **Act 119 of 1939**, as amended (A.C.A. § 26-26-1616); concerning utility and private car companies.

**Act 474 of 1965** (A.C.A. § 26-26-501) - Dealt with the duties of the assessor, the assessment period and the place of maintaining an office.

**Act 454 of 1967** (A.C.A. § 26-26-1206) - Amended by **Act 261 of 1981** adding handicapped housing, is an Act to provide the method of valuing houses for elderly persons, financed by the United States of America for the purpose of assessment; and for other purposes.

**Act 38 of 1969** (A.C.A. § 26-26-706) - Directs the Commissioner of Revenue to file lists of all persons or businesses securing motor vehicle licenses - **CONFIDENTIAL**.

**Act 54 of 1969** (A.C.A. § 18-15-101) - An Act to provide that whenever the State of Arkansas or any of its Agencies or Departments shall purchase or take back by eminent domain any real property upon which real property taxes are due during the year of purchase or will become due during the year of purchase or taking, the State or its Agency or Department shall withhold from the compensation for such property an amount necessary to pay taxes, and shall remit the same to the collector of the county in which such property is located; and for other purposes.

**Act 60 of 1969** (A.C.A. § 26-26-304) - An Act to amend § 9 of **Act 153 of 1955** as amended; and for other purposes. This Act provides for reimbursement of travel expenses and per diem allowances for assessors.

**Act 188 of 1969** was found unconstitutional in 1980.

**Act 239 of 1969** (Repealed) - Amended by **Act 729 of 1987**, is an Act to impose a tax on the transfer of real property; to provide for penalties for failure to comply with this Act; and for other purposes. This is not an ad valorem tax, but its provisions provide an excellent tool for the assessor in valuing real property.

**Act 258 of 1969** (A.C.A. § 14-169-235 et. al.) - An Act to amend § 23 of **Act 298 of 1937** to provide that property owned by a Public Housing Authority or Urban Renewal Agency in this State shall be exempt from taxation except where such property is used for commercial, business or industrial purposes; and for other purposes.

**Act 269 of 1969** (A.C.A. § 26-26-1102) - An Act to amend § 17 of **Act 114 of 1883**, to clarify laws regarding ad valorem taxation of tangible personal property in transit; and other purposes.

**Act 354 of 1969** (A.C.A. § 26-61-101 et. seq.) - An Act to impose a tax on timberlands in this State to provide funds for use of the State Forestry Commission in the prevention and suppression of forest fires and for other purposes. This Act shall not be construed as an ad valorem tax but is a special tax: however, § 2 requires the Assessment Coordination Division to establish standards for the classification of lands in the State which are deemed timberlands, and certify such standards to the respective assessors of the various counties in the State. § 2 also requires county assessors to identify upon assessment records of real property the number of acres of such property which are classified as timberlands.

**Act 545 of 1971** (Omitted) - Time of filing of report of property by motor carriers shall hereafter be filed annually on or before March 31.

**Act 668 of 1971** (A.C.A. § 26-61-107 et. seq.) - Classification of timberland and collection.

**Act 16 of 1973** (A.C.A. § 26-26-1106) - Decals to be used as evidence of assessment of mobile homes.

**Act 63 of 1973** (A.C.A. § 26-51-601 et. seq.) - Provides for ad valorem tax relief to home owners sixty-five years old and older.

**Act 160 of 1973** (A.C.A. § 26-39-201) - Money paid into the Treasury and time of payment.

**Act 182 of 1973** (A.C.A. § 26-26-1501 et. seq.) - An Act to clarify the laws relating to taxation of state and national banks and compilers notes thereto. Repeals Arkansas Statute Annotated 84-510 and 84-511.

**Act 411 of 1973** was found unconstitutional in 1980.

**Act 476 of 1973** (A.C.A. § 6-51-101) - Motor vehicles used by schools are exempt from taxes and license fees .

**Act 164 of 1975** (A.C.A. § 26-27-304) - Selection of members of the equalization board and vote by directors of school districts, cities and towns.

**Act 175 of 1975** (A.C.A. § 26-26-1801 et. seq.) - Rules, regulations and assessment of cable television (CATV) transferred to Tax Division.

**Act 319 of 1975** (A.C.A. § 26-3-306) - Disabled veterans exemption and exemption of surviving spouse and minor dependent children.

**Act 461 of 1975** (A.C.A. § 26-26-1105) - Report to assessors of sales of mobile homes.

**Act 522 of 1975** (A.C.A. § 26-28-102) - Electronic data processing equipment.

**Act 574 of 1975** (A.C.A. § 26-35-501) - Time for tax payments. Installments and penalty for delinquency.

**Act 47 of 1977** (A.C.A. § 26-3-306) - To amend § 1 and 2 of **Act 363 of 1953**, to expand the tax exemptions now available to the surviving spouse and minor dependent children of disabled veterans.

**Act 106 of 1977** (A.C.A. § 26-3-302) - Exempts all intangible personal property.

**Act 203 of 1977** (A.C.A. § 26-26-1104) - To exempt county assessors from any personal or official liability for failure to discover and include on the assessment rolls any taxable intangible personal property .

**Act 287 of 1977** (A.C.A. § 26-27-302 et. seq.) - To amend § 3 of **Act 230 of 1955**, to provide for nine member equalization boards in counties having a population in excess of 79,000; to amend § 4 of **Act 230 of 1955**, to provide that all school districts within a county shall designate representatives to meet to elect members to the Equalization Board.

**Act 388 of 1977** (A.C.A. § 26-61-102 et. seq.) - To amend **Act 354 of 1969**, as amended and **Act 136 of 1947**, as amended, to impose a tax on timberlands and rangelands.

**Act 481 of 1977** (A.C.A. § 26-27-308) - To amend § 24 of **Act 172 of 1929**, to increase the compensation for members of the Equalization Board to fifty dollars per day.

**Amendment 59** - Adopted in 1980 to address statewide reassessment problems.

**Act 29 of 1981** (A.C.A. § 26-3-203) - Declares mobile homes to be real estate if they are permanently attached to a foundation.

**Act 848 of 1981** (A.C.A. § 26-26-401 et. seq.) - Enabling legislation for Amendment 59 to the Arkansas Constitution. Amendment 59 was passed due to the court-ordered reassessment of all real estate in Arkansas. Act 848 established methods to rollback or adjust the millage rates after reassessment. It also authorized use or productivity valuation procedures for agriculture, pastureland, and timberland. The Court Order (Pulaski County Equalization Board vs. Assessment Coordination Division and County Assessors) and Amendment 59 clearly have set current market value as the valuation method for all property except agriculture, timber, and pasturelands.

**Act 173 of 1983** (A.C.A. § 26-26-501) - Allows personal property to be assessed by mail.

**Act 332 of 1983** (A.C.A. § 26-3-305) - Water works owned by non-profit organizations are exempt as being used solely for a public purpose.

**Act 389 of 1985** (A.C.A. § 26-26-503) - To amend **Act 48 of 1980**, states that all appraisers working for the state or counties must be certified by the Assessment Coordination Division.

**Act 153 of 1987** (A.C.A. § 26-26-201) - Assessor shall file a sworn statement with the State Treasurer that delinquent assessment penalty will be charged.

**Act 621 of 1987**(A.C.A. § 26-26-1408) - As amended by **Act 35 of 1988** - Personal property acquired between January 1 and June 30 shall be assessed in the year of acquisition.

**Act 838 of 1987** (A.C.A. § 26-26-304) - Changed Assessment Coordination Division audit from appraisal ratio method back to sales ratio method.

**Act 1040 of 1987** (A.C.A. § 26-3-206 et. al.) - All property owned by any church and used for commercial purposes shall be listed for assessment; however, any property used partially for church purposes and partially commercial purposes shall be exempt from taxation.

**Act 372 of 1989** (A.C.A. § 26-35-705) - Requires collectors to send property tax bills by July 1.

**Act 869 of 1989** (A.C.A. § 26-3-203) - Provided that the Land Commissioner shall not sell tax delinquent mobile homes, but instead shall return them to the counties who will attach the tax to the owner's personal property.

**Act 291 of 1991** (A.C.A. §26-26-902 et. al.) - Allowed assessment of personal property by telephone.

**Act 860 of 1991** (A.C.A. § 26-26-201 and 26-26-1408) - Made May 31 the assessment deadline for personal property.

**Act 1165 of 1991** (A.C.A. § 26-35-607) - Provided that if the cost of collecting ad valorem taxes on mineral interests exceeds the taxes due, that said taxes shall not be billed or collected.

**Act 413 of 1993** (A.C.A. § 17-51-102 et. seq.) - Clarifies government employees' exemption from the Appraiser Licensing and Certification Act. When working in the normal course of duties, government employees are not subject to the Act.

**Act 645 of 1993** (A.C.A. § 22-9-204) - Provides procedures for confirming and quieting title for real property forfeited and conveyed to the state for non-payment of taxes.

**Act 791 of 1993** (A.C.A. § 26-35-705 and 26-37-101 et. seq.) - Amends and repeals various laws concerning forfeiture and sale of tax delinquent land.

**Act 849 of 1993** (A.C.A. § 26-28-301 et. seq.) - Allows counties using the Unit Ledger System of tax administration to computerize and designate by county ordinance whether the collector or assessor shall be responsible for preparing the tax books. It further coordinates timing and responsibilities of various county officials affected by this Act.

**Act 859 of 1993** (A.C.A. § 26-26-1115) - Allows a person acquiring a split from a parcel (during the time of year when the assessor is not making changes in the assessment book) to request that the assessor apportion the current assessment between the original and split parcel. Several limitations are included, such as that the request be in writing. If properly completed by the property owner, the assessor has 30 days to make the apportionment.

**Act 864 of 1993** (A.C.A. § 26-37-314) - Provides that the State Land Commissioner shall neither sell nor convey tax delinquent severed mineral rights.

**Act 945 of 1993** (A.C.A. § 6-53-601 et. seq.) - Authorizes Technical Colleges to levy an Ad Valorem Tax.

**Act 984 of 1993** (A.C.A. § 26-36-201) - Changes the due date for Ad Valorem Taxes from the third Monday in February to the first business day in March.

**Act 985 of 1993** (A.C.A. § 26-37-107) - Amends the law relating to the publication of the delinquent real property list.

**Act 986 of 1993** (A.C.A. § 26-36-203) - Amends the law relating to the publication of the delinquent personal property list.

**Act 1124 of 1993** (A.C.A. § 26-26-1207) - Provides that the inventory assessment for motor vehicle dealers will be based on the monthly average number of units sold multiplied by unit inventory value published in the ACD Commercial Personal Property Manual.

**Act 1261 of 1993** (A.C.A. § 26-26-1114) - Provides for proof of assessment of automobiles, and payment of taxes, within five days after an individual makes a telephone assessment. Provides for individual assessment of each automobile and incentive to register by mail before the 10th of the month.

**Act 438 of 1995** (A.C.A. § 14-356-102) - Airports owned by municipalities, counties or other public agencies are used exclusively for Public Purposes and therefore exempt from ad valorem taxes.

**Act 660 of 1995** (A.C.A. § 26-37-101) - Tax delinquent lands are transferred to the State Land Commissioner one (1) year after the date of delinquency.

**Act 758 of 1995** (A.C.A. § 26-26-305) - Requires county assessors to follow a Cyclical Valuation Review Program where property would be reviewed and revalued, as required, every five years.

**Act 891 of 1995** (A.C.A. § 26-27-303) - Allows counties with a population in excess of 79,000 according to the most recent federal decennial census to use a nine (9) member county Equalization Board.

**Act 436 of 1997** (A.C.A. § 25-28-101 et. seq.) - Created the Assessment Coordination Department. Effective July 1, 1997, the Assessment Coordination Division of the Public Service Commission was dissolved and its duties and personnel transferred to the Assessment Coordination Department.

**Act 440 of 1997** (A.C.A. § 26-26-304) - Repealed **Act 758 of 1995** (five year cyclical revaluations). It also amended the state statute regarding what is necessary in order for a county to pass the annual assessment ratio study performed by the ACD by adding some additional requirements. Overall assessment ratios in each county must fall in the 18% to 22% range; the classes of individual personal property, business personal property and market value real estate must also fall into the 18% to 22% range of market value; and the Weighted Coefficient of Dispersion for market value real estate must be below 20. Should the overall ratio fall out of the acceptable range in any one year, the county is deemed to have failed the audit. Should any of the individual classes or the Weighted Coefficient of Dispersion fall out of acceptable ranges for two consecutive years, the county will be considered to have failed the audit, and the penalties are the same as if the county had failed their overall ratio.

**Act 836 of 1997** (A.C.A. § 26-26-306) - While Act 440 repealed Act 748, Act 836 goes one step beyond and prohibits cyclical reappraisal. More specifically, Act 836 makes the following points:

1. Cyclical reappraisals are deemed countywide reappraisals for the purposes of whether the millage rate rollback provisions of Amendment 59 should apply.
2. A county that has begun a cyclical reappraisal must complete the reappraisal.
3. Taxes owed in 1997 on those properties that were reappraised in 1996 or earlier as a part of a cyclical reappraisal will be collected based on the 1996 assessed value.
4. If the county is in the middle of a reappraisal and does not complete the reappraisal in 1997, assessed values on those properties that have been reappraised must be reduced to their previous values until such time as the entire county can be reappraised in a single year.
5. If it takes more than one year to complete the work involved in a reappraisal, all of the properties' revised values must be brought forward in a single assessment year.
6. When real estate values are changed as the result of a reappraisal (remembering that all real estate values must be addressed in a single assessment year), the reappraisal will be deemed a countywide reappraisal and the millage rate rollback provision of Amendment 59 will apply.
7. The appraisal of new construction is not affected by this Act. New construction should be added to the assessment rolls each year just as it always has been done. However, during a year of reappraisal the properties added in that final year will be considered "newly discovered property" for the purposes of computing millage rate rollbacks.
8. If a county's overall assessment ratio is below 18% it has until the end of the year to provide a plan to the ACD outlining how it intends to correct property assessments. If the ACD approves that plan, a county has 24 months to complete the work necessary to correct assessment levels before state turnback funds are jeopardized. If, after those two years, the overall assessment ratio is still below 18% state turnback funds will be withheld until the next August assessment ratio study is completed.

**Act 1294 of 1997** (A.C.A. § 26-26-1102) - Clarified the tax treatment of manufacturers' raw materials used to produce finished goods that will be shipped out of state. Act 1294 stated that the point of origin for raw materials (in-state or out-of-state) was not a significant consideration for determining the situs, but only its destination should be considered.