

Administration of Arkansas' Property Tax

Property tax is an important source of revenue for local governments, including school districts and county and city governments. Revenue generated by the property tax is used to finance education, roads, hospitals, libraries, public safety and for the general operation of county and city governments. Property taxes are collected from commercial and industrial establishments, utilities and farms as well as from homeowners and other individuals who own real or personal property. The intent of this publication is to help Arkansans better understand the administration, computation and collection of the property tax.

Taxable Property

Property taxes are based on two kinds of property: **real property** and **personal property**.

Real Property (Arkansas Code 26-1-101)

What is **real property**? Real property is all tangible, owned real estate that is fixed and not readily movable. This includes **land** and all structures and improvements made to that land, such as **buildings, homes** (including **mobile homes**) and **barns**.

Personal Property (Arkansas Code 26-1-101)

What is **personal property**? As with real property, personal property is subject to ownership and is tangible. Personal property, however, is movable and may be either animate or inanimate. Basically, personal property is everything that is subject to ownership, tangible and movable, excluding money. Items of household furniture and furnishings, clothing, appliances and other personal property used within a home

were exempted from personal property tax by Amendment 71. Examples of taxable personal property include:

- Cars
- Boats
- Livestock
- Motorcycles
- Recreational vehicles

Assessments, Reappraisals and Millage Rates

Property taxes are based on **millage** rates applied to the **assessed value** of all **real** and **non-exempt personal property** owned by the taxpayer. The amount of your property tax bill is determined by two local factors:

1. Local property values determine the assessed value of your property.
2. Local millage rates determine the amount you pay per \$1,000 of assessed value.

Individual property tax bills are calculated by multiplying the assessed value of property by the total millage rate for that location.

Assessments

Each year, every Arkansas taxpayer must report personal property owned to the county assessor for assessment of ad valorem (property) taxes between January 1 and May 31 (Arkansas Code 26-26-1408).

The **county assessor** estimates the value of all property in the county.

The **assessed value** of **real property** is calculated as 20 percent of the true market value.¹

Assessed value of personal property is 20 percent of the usual selling price at the time of the assessment.

Reappraisals

Reappraisal is defined as estimating the value of all taxable real property within a county as of a given date within a given time frame. Each county must reappraise all real property every three or five years, depending on growth between appraisals (Arkansas Code 26-26-1902). County-wide reappraisals of real property will be completed no later than July 1 of the year in which the county-wide reappraisal is scheduled to be completed. Appraisals are performed by trained **real estate appraisers** selected by **county assessors**.

Millage Rates

Cities, counties and school districts levy taxes on both real and personal property. Property taxes are based on **mills**. All millage levies, except for city and county general funds and county road funds, must be approved by voters before taxes can be levied and collected. The county quorum court may approve millage levies for county general and road funds up to the maximum allowed. City governments may approve millage levies for the city general fund up to the maximum allowed.

A **mill** equals one-thousandth of a dollar (.001). Therefore, 10 mills = .01 and 50 mills = .05. A 50-mill property tax means you pay \$50 for every \$1,000 of assessed value.

There is a **maximum constitutional limit** on the number of mills that can be levied by cities and counties. There is *no maximum* limit on the number of mills that can be levied by school districts. However, school districts must levy a minimum 25-mill tax on real and personal property (Amendment 74). Remember that all millage levies, except for those noted, must first be approved by a vote of the people.

- *Counties* can levy up to 21 mills of property tax. They are:

5 mills	General government
5 mills	Bonded indebtedness

5 mills	Library (maintenance and operation)
3 mills	Library (capital improvements and construction)
3 mills	Road

- *Cities* can levy up to 20 mills of property tax. They are:

5 mills	General government
5 mills	Bonded indebtedness
5 mills	Library (maintenance and operation)
3 mills	Library (capital improvements and construction)
1 mill	Police pension
1 mill	Firemen's pension

- *School districts* must levy a minimum 25-mill property tax for maintenance and operation; there is no maximum levy. However, all school district millage changes must be approved by voters.

Property Tax Relief

Amendment 79 of the Arkansas Constitution provides for property tax relief by **limiting the increase in assessed value** for property tax purposes as a result of county-wide reappraisal and providing for a **homestead tax credit**.

Limitation on Increases in Assessed Value

An increase in the assessed value of a homestead is limited to 5 percent for the year following a reappraisal. If the reappraisal results in an increase of more than 5 percent, assessments in subsequent years will be increased by 5 percent per year until the initial reappraisal assessment is reached. For other real property, assessment increases are capped at 10 percent per year and implemented in similar fashion. These limitations do not apply to newly discovered real property, new construction or increases resulting from substantial improvements to the property.

Amendment 79 also freezes the assessed value of a homestead owned by a disabled person or a person 65 years of age or older.

¹Agricultural land is assessed differently, based on use value rather than market value.

Homestead Tax Credit (Arkansas Code 26-26-1118)

Starting in 2020, Arkansas homeowners may be eligible for an additional \$25 property tax credit, increasing to a maximum of \$375 against the ad valorem property tax on a homestead. The tax credit may not exceed the total property tax on the property. A **homestead** is defined as a dwelling used as the property owner's principal place of residence. Counties give the tax credit to eligible taxpayers and receive reimbursement from the Treasurer of State using the Property Tax Relief Trust Fund (Arkansas Code 26-26-310).

Procedure for Assessment and Collection

Taxpayers living within a city are subject to city millage, county millage and school district millage. Taxpayers living outside a city are subject to county millage and school district millage. The number of mills levied by the city, county and school district will vary from area to area, depending on the number of mills approved by voters.

The procedure for computation of an individual's taxes is as follows:

- **Taxpayer** – Declares (reports) personal property between January 1 and May 31 and reports real property eligible for homestead tax credit by October 15 of the following year to the county tax assessor.
- **County Assessor** – Determines the market value of the property, then multiplies the market value by 20 percent to obtain the **assessed value** of the property. The assessed value will be listed on the tax invoice.
- **Taxpayer** – May challenge his/her property tax assessment.
- **Equalization Board** – Determines the equitability of assessments and hears assessment appeals from taxpayers.
- **County Clerk** – Computes property taxes by multiplying the taxable assessed value by the total millage rate applicable to the taxpayer and provides this information to the county tax collector.
- **County Tax Collector** – Must send property tax bills to property owners by July 1. The collector begins collecting property taxes on the first business day in March and turns over property taxes to the county treasurer as they are collected.

- **Taxpayer** – Pays property tax to the county tax collector by October 15.
- **County Treasurer** – Distributes property tax revenue among school districts and county and city governments based on the assessed value of property, millage rates in each jurisdiction and the public school funding formula.

The calculation of property tax owed is a three-step process as follows:

1. Calculate assessed value.
$$\text{Market value of real property} \times 20\% = \text{Assessed value of real property}$$
$$\text{Usual selling price of personal property} \times 20\% = \text{Assessed value of personal property}$$
2. Calculate taxable assessed value.
If the assessed value of a homestead has increased less than or equal to 5 percent of previous year's assessed value, then the taxable assessed value equals the assessed value.
If the assessed value of a homestead has increased more than 5 percent from the previous year, then the taxable assessed value equals the previous year's assessed value times 1.05.
3. Use taxable assessed value and millage rate to compute property tax owed.
$$(\text{Taxable assessed value of real property} \times \text{Real property millage rate}) - \text{Homestead tax credit} = \text{Real property tax owed}$$
$$\text{Assessed value of personal property} \times \text{Personal property millage rate} = \text{Personal property tax owed}$$

Equalization Board

The equalization board serves a vital role in the assessment and collection of all property taxes. Each county has its own equalization board composed of five to nine citizens, depending on population size. Board members are appointed by the county judge, the mayors of the principal cities of the county, the school districts and the county quorum court (Arkansas Code 26-27-304). The county clerk or clerk's designee serves as secretary for the equalization board.

This board has two major purposes:

1. **To ensure assessment equity** – Under Arkansas law, assessments within the county must be equitable. This does not mean all

Computation of the Property Tax – An Example

Following are two hypothetical examples of how property taxes are computed for a taxpayer living in a city and for a taxpayer not living in a city.

Property Owned	Value of Property	Assessed Value (20% of market price)	Taxable Assessed Value
Real Property			
House and land	\$60,000	\$12,000	\$12,000*
Personal Property			
Car	\$ 8,000	\$ 1,600	
Boat	\$ 2,000	\$ 400	
Total Personal Property	<u>\$10,000</u>	<u>\$ 2,000</u>	

Tax Rates for Taxpayer Living in a City

County Property Tax Rate	12 mills
City Property Tax Rate	5 mills
School District Tax Rate	33 mills
Total Taxpayer Tax Rate	50 mills

Tax Rates for Taxpayer Not Living in a City

County Property Tax Rate	12 mills
No City Property Tax	0 mills
School District Tax Rate	33 mills
Total Taxpayer Tax Rate	45 mills

Computation of *real* property tax owed:

(Taxable Assessed Value × Tax Rate = Property Tax) – (Homestead Tax Credit**) = Property Tax Owed

City Resident	\$12,000 × 50 mills = \$600	\$375	\$225
Non-City Resident	\$12,000 × 45 mills = \$540	\$375	\$165

Computation of *personal* property tax owed:

(Assessed Value × Tax Rate = Property Tax Owed)

City Resident	\$2,000 × 50 mills = \$100
Non-City Resident	\$2,000 × 45 mills = \$ 90

Computation of *total* property tax owed:

(Real Property Tax Owed + Personal Property Tax Owed = Property Tax Owed)

City Resident	\$225 + \$100 = \$325
Non-City Resident	\$165 + \$ 90 = \$255

* This assumes that the increase in assessed value from the previous year is less than or equal to 5 percent.

** A homestead tax credit up to \$375 is allowed. If real property taxes on a homestead are less than \$375, then no property taxes are owed on the homestead. However, property taxes may still be owed on personal property and other real property owned.

taxpayers will pay the same amount of tax, but rather the market value of property and assessments will be made using the same standards for everyone within the county. The only exception is for agricultural, timber or pasture land, which is assessed on use value rather than market value.

2. **To provide an avenue for appeal of assessments** – The second major function of the equalization board is to hear property owners' appeals when there are disagreements with an assessment.

The equalization board takes control of county assessments on August 1, after the county assessor has determined the assessed value of the taxpayer's property. It may change the assessed value if there is an error in the original value estimate. The county equalization board may also make broad-based changes in property assessments if it determines that the changes are necessary to equitably distribute the property tax burden in the county.

Once the equalization board decides the county assessments are equitable, the millage rate is then applied to the assessed value to determine each property owner's tax bill.

The equalization board follows the schedule listed below:

- Each year the equalization board meets beginning August 1 and continuing through October 1. In counties where assessed value is not reflective of true or fair market value, the board must continue meeting until all assessments are equalized and all requests for adjustment have been considered, but no later than the third Monday in November (Arkansas Code 26-27-309).
- Notice of changes in assessment of real property must be sent to taxpayers no later than 10 business days after July 1 of each assessment year (Arkansas Code 26-23-203).
- Dates for hearing individual appeal cases are scheduled by the county clerk upon request of taxpayers (property owners). Requests for appeal must be filed with the county clerk by the third Monday in August (Arkansas Code 26-27-317).

The burden of proof that the property owner has been wrongfully assessed lies with the property owner, not the county assessor. Property owners can appeal their assessment without using a lawyer. If the property owner disagrees with the ruling of the equalization board, the property owner may further appeal the ruling to the following in order:

- County Court or County Judge
- Circuit Court
- Arkansas Supreme Court

Payment Schedule

Property taxes are paid during the year following the year in which taxes are assessed. Therefore, it takes approximately two years for property to be assessed, equalized, extended, billed and paid. Because of the two-year period required to complete one tax cycle, county offices are continuously processing two different tax years at the same time.

Collection

Taxes from the previous year's assessments are computed by February 1 and collected from the first business day in March through October 15 of each year (Arkansas Code 26-35-501). The failure to pay property taxes in full by October 15 of the year after

the assessment year will result in a 10 percent penalty plus cost and collector's fees being added to the tax bill. Taxpayers may, if they choose, pay their current taxes in three installments.

- First installment of at least 25 percent due the third Monday in April.
- Second installment of at least 25 percent due the third Monday in July.
- Third installment of 50 percent due October 15.²

However, the county collector may also authorize taxpayers, other than a utility or carrier, the option to pay current real and personal property taxes in installments in any amount between the first business day in March and October 15.

State's Interest in Property Taxes

Although the state government does not directly benefit from property tax, it has an interest in ensuring that property assessments and levies follow Arkansas' constitution.

The Arkansas Constitution dictates that **assessments be handled equally** across the state and that the assessment value be based upon market value, with the exception of agriculture, timber and pasture land. The constitution also sets caps on property tax rates that can be levied by counties and cities.

The State of Arkansas also has the responsibility to ensure that **school funding is adequate** and **equitable** across school districts by allocating equitable funding per student to each school. The state uses property tax revenues and other state government funds to accomplish this objective.

Summary

County officials administer the tax on real and personal property. Voters or local city or county officials must approve increases in the tax rate (millage). The amount of the property tax is dependent on two local factors – the market value of property and the tax rate. Revenue generated by the property tax is then administered by local school districts and county and city government officials. The revenue is used to fund schools, roads, hospitals and libraries and for the general operation of county and city governments.

²A different installment schedule applies to utilities and carriers.

Chronology of Major Property Taxing Steps

Year One

Assessments

- **January - May 31:** Taxpayers must report property owned to the County Assessor.
- **January - July 1:** County Assessor estimates the value of property in the county.
- **January 1 - October 15 of the following year:** Property owner registers homestead with the County Assessor.
- **July:** County Assessor must notify property owner within 10 business days of July 1 if the property value has increased. The taxpayer has the right to meet with the assessor for a change in value before petitioning the Equalization Board for a hearing.
- **July - August:** The property owner may appeal the amount of the assessed value to the county Equalization Board from July 1 to the third Monday in August.

Equalization Board

- **August - November:** Equalization Board takes control of assessments and hears appeals.

School District Millage Elections

- **September:** School district elections to approve property tax millage increases.

County and City Millage Elections

- **January - October:** Elections to approve property tax millage increases must be held before November of the assessment year.

Quorum Court

- **November:** The County Quorum Court takes formal action at its November meeting to formally levy the millage rates of school districts, cities and the county.

Year Two

County Clerk

- **November - March 1:** County Clerk, or other designated county official, determines the amount of property taxes owed on each property. The amount of tax due is recorded in the collector's book. The County Clerk turns over the collector's book to the County Tax Collector.

County Tax Collector

- **March 1 - July 1:** County Collector sends property tax bills to property owners.
- **March 1 - October 15:** County Tax Collector begins collecting taxes on the first business day in March. Property taxes are due on or before October 15. Property taxes are turned over to the County Treasurer as they are collected.

County Treasurer

- **January - December:** The County Treasurer distributes the money to cities, school districts and the county to pay for services.

For more information on administration of the property tax, visit the Arkansas Assessment Coordination Department's web site at www.arkansas.gov/acd. For more information on Arkansas public finance, visit the Arkansas Cooperative Extension Service web site at www.uaex.uada.edu/propertytaxes.

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