

ARKANSAS PROPERTY TAX

Revenue, Assessments & Rates

Garland County



Schools, Counties & Cities

U of A DIVISION OF AGRICULTURE
RESEARCH & EXTENSION
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Strengthening Arkansas Communities

Arkansas Property Tax:

Revenue, Assessments & Rates

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Table of Contents

Highlights	4
Introduction.....	5
Local Use of Property Tax Revenue	6
<i>School Districts</i>	<i>7</i>
<i>County Governments</i>	<i>8</i>
<i>City Governments.....</i>	<i>9</i>
Property Assessments.....	10
Property Tax Rates.....	14
Property Tax Burden.....	16
Summary.....	19
Glossary.....	20

Highlights

Property tax continues to be a major revenue source for local governments in Arkansas. School districts, county and city governments, community colleges and special districts all benefit from the property tax. We find that:

Revenue

- Garland County property taxes will generate an estimated \$86.5 million in revenue in 2020.
- School districts in Garland County are estimated to receive the largest share of property tax revenue (92%) in 2020.
- Property tax revenue generated about 39% of total school district funding in Garland County in the 2018-2019 school year.
- Garland County government is estimated to receive 8% of total revenue from property taxes in 2020.

Assessments

- Real estate property accounted for 82% of all property assessments in Garland County in 2019.
- The property tax base, measured by total assessments adjusted for inflation, increased 5% between 2010 and 2019.
- Garland County's average per capita property tax assessment was \$20,156 in 2019.
- Property assessments per person increased \$245 (1%) in Garland County from 2010 to 2019.
- In 2018, Garland County property assessments averaged \$493 for every \$1,000 of personal income.
- Between 2010 and 2018, average property assessments per \$1,000 of personal income decreased \$46 or -8%.

Millage¹

- Countywide, the 2019 average total property tax millage was 43.92 or a tax rate of \$43.92 for every \$1,000 dollars of assessed property.
- Between 2010 and 2019, the average millage in Garland County increased by 2.7 mills or 6%.

National Comparisons

- In 2017, Arkansas received 19% of total state and local tax revenue from property tax, which was considerably less than the national average (32%). Only Alabama depended less on property tax than Arkansas as a share of state and local tax revenue.
- Arkansas' per capita property tax revenue (\$742) was less than half the national average (\$1,618) in 2017. Only residents of Alabama and Oklahoma were subject to a lower per capita property tax burden.
- Property tax revenue in Arkansas was about 1.8% of Arkansans' total personal income in 2017, lower than the national average of 3.1%. Only two states, Alabama and Oklahoma, had lower property tax revenue per \$1,000 of personal income than Arkansas in 2017.

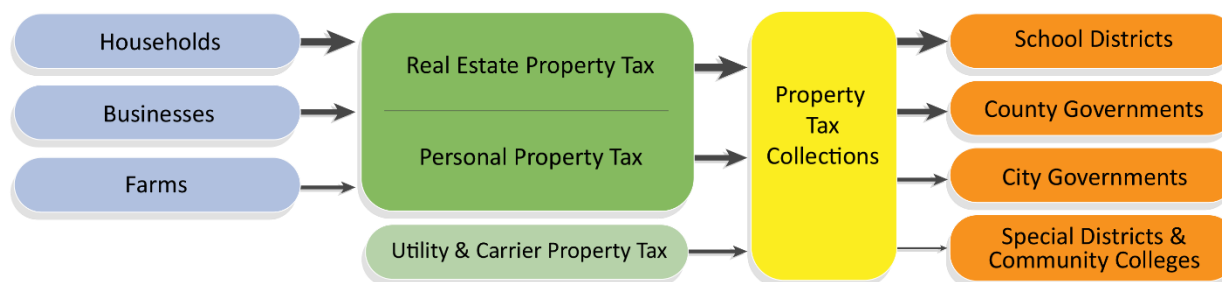
¹ Millages are reported in the year approved for calculating the following year's tax bills.

Introduction

Property tax is a critical revenue source for local governments in Arkansas. The property tax generates revenue for school districts, county and city governments, community colleges and special districts. In this publication, we provide information about the source and distribution of property tax revenue to provide a better understanding of the importance of property tax to pay for schools, roads, public safety and other local services in the state. We also compare the tax base and rates among the 75 Arkansas counties over time, which provides information on the property tax capacity and effort of local governments.

Figure 1 illustrates the sources and uses of property tax revenue. The thickness of the arrow indicates the share of property tax revenue flows for the state of Arkansas. Within each county, the thickness of the arrow from each source may vary, as the share paid by property owners and the revenue received by taxing units is dependent on local tax structure, property tax base and rates.

Figure 1. Sources and Uses of Property Tax Revenue.



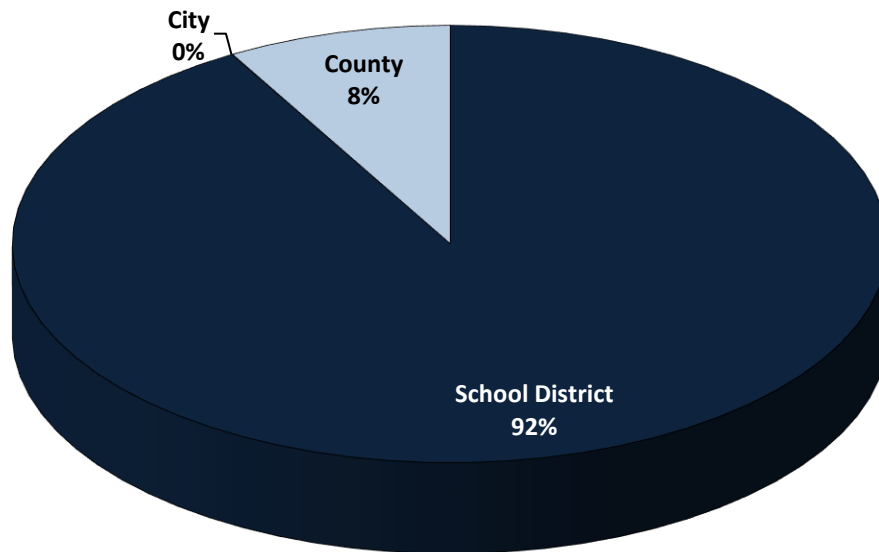
We first discuss the local use of the property tax revenue and then compare the importance of the property tax revenue for school districts, county governments, and city governments. The following section illustrates the property tax base and how it changed from 2010 to 2019. Next, property tax rates (millage) are presented and compared among counties. Finally, the property tax burden is compared among counties and states.

Local Use of Property Tax Revenue

Property tax provides substantial revenue for local services, including public K-12 schools, counties, cities, special districts, and some community colleges. In 2020, Arkansas property taxes are estimated to generate \$2.7 billion statewide.² Because property assessments and tax rates are not the same for all taxing units, the amount and share of revenues generated by each taxing unit varies among counties. In Garland County, property taxes will generate an estimated \$86.5 million in 2020. Figure 2 illustrates how this property tax revenue will be distributed to the three largest taxing units in Garland County in 2020. School districts receive the largest share of property tax revenue (92%) while county and city governments receive 8% and 0%, respectively. In some Arkansas counties, community colleges and special districts also receive a small share of property tax revenue, which we have included in revenue generated by the county.

Figure 2. Estimated Share of Property Tax Revenue by Taxing Unit, Garland County, 2020

Source: Computed from Arkansas Assessment Coordination Department reports



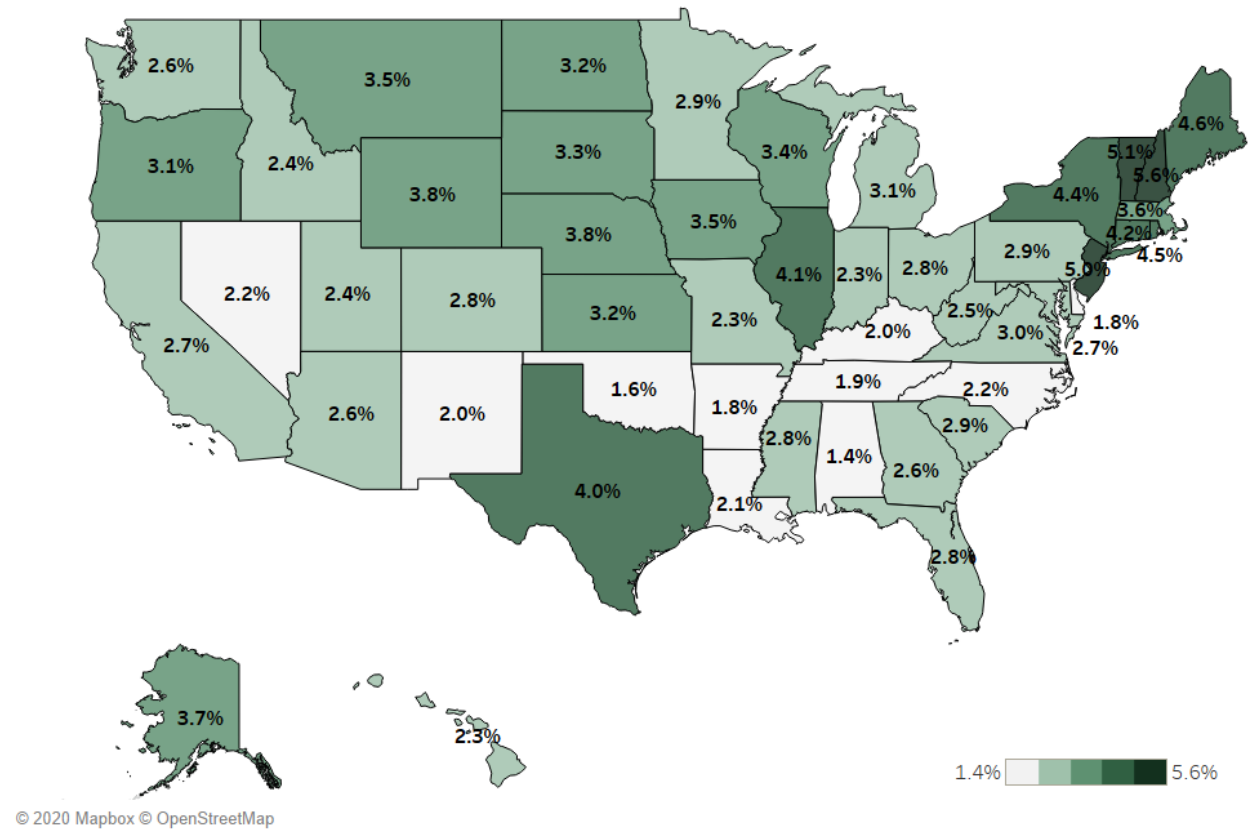
* Due to rounding, figure may not sum to 100%.

Nationwide, property taxes generate a significant share of state and local tax revenue (Figure 3). The U.S. Census Bureau estimates that in 2017, property taxes accounted for more than 32% of state and local government tax revenue in the United States. Property tax in Arkansas only contributed about 19% to state and local tax revenues in 2017, making Arkansas' reliance on property tax among the lowest in the nation.

²Revenue estimates were calculated using 2019 millage reports and 2019 assessment reports (both for taxes payable in 2020), from the Arkansas Assessment Coordination Department and County Assessor's Offices. Estimates assume 100% payment in 2020.

Figure 3. Property Tax Revenue as a Percent of State and Local Tax Revenue, 2017

Source: U.S. Census Bureau

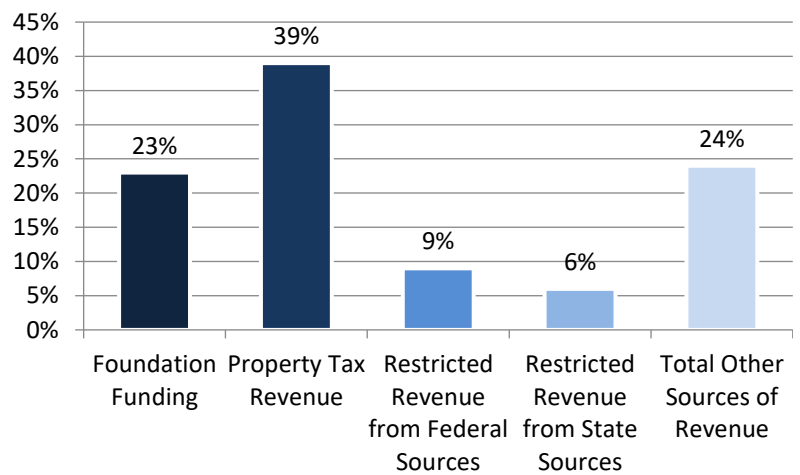


School Districts

With oversight from locally elected school boards, school districts use property tax revenue for many vital expenses, including building construction and maintenance, teacher salaries, school supplies and equipment. During the 2018-2019 school year, Garland County school districts received \$213.3 million in total funding. Property tax revenue alone contributed \$83.0 million, or 39% (Figure 4).

Figure 4. School District Revenue by Source, Garland County, 2018-2019 School Year

Source: Arkansas Department of Education Annual Statistical Report

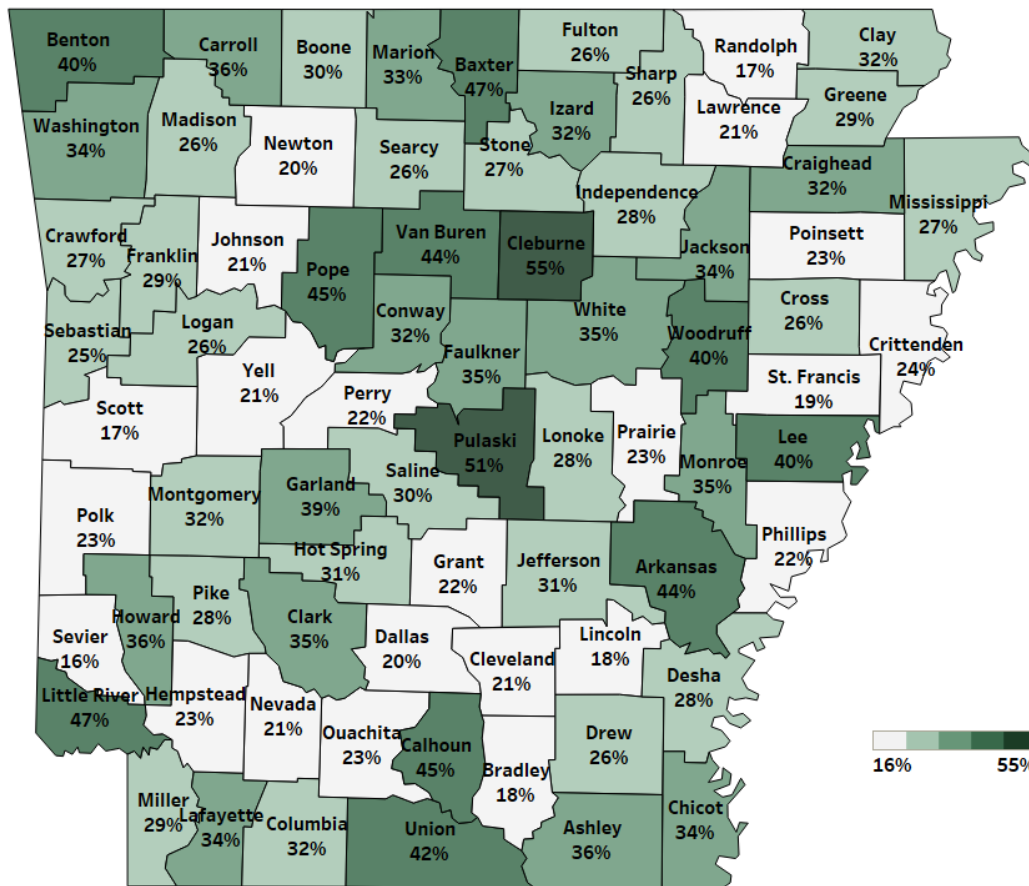


* Due to rounding, figure may not sum to 100%.

Due to differences in tax capacity, effort and state and Federal aid, each district's reliance on property tax to fund their schools varies greatly. In the 2018-2019 school year, property taxes funded as little as 16% (Sevier County) to as much as 55% (Cleburne County) of school district revenue in the 75 counties of Arkansas (Figure 5).

Figure 5. Property Tax revenue as a Percent of Total School District revenue, 2018-2019

Source: Computed from the Arkansas Department of Education Annual Statistical Report



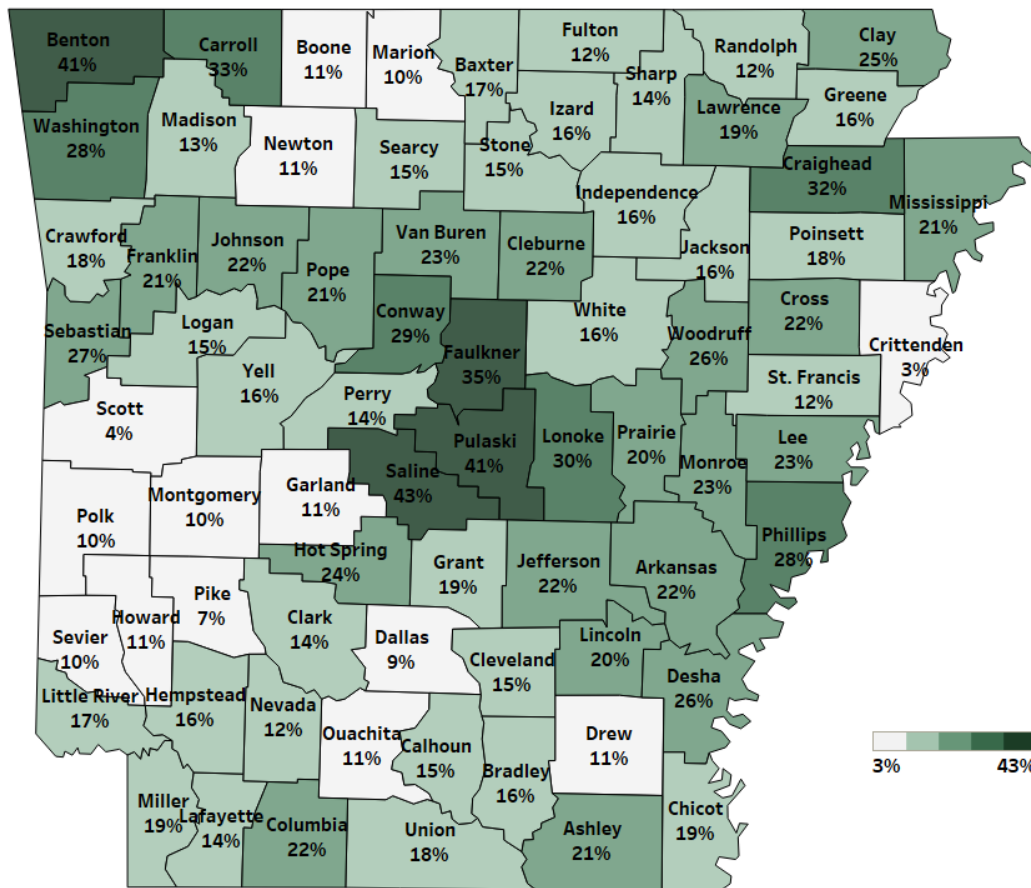
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County Governments

County governments in Arkansas also generate a large portion of their total revenue from property taxes. In 2017, the Garland County government received 11% of total revenue from property taxes, which was below the state average of 23%. Counties raised between 3% and 43% of all revenue from property tax during the same period (Figure 6). While the property tax revenue for some county governments has been increasing, many counties receive a smaller share of their total revenue from property taxes than they have in the past. This is because most Arkansas counties also use the sales tax to generate revenue, reducing their reliance on property tax.

Figure 6. Property Tax revenue as a Percent of Total County revenue, 2017

Source: Computed from Arkansas Department of Legislative Audit reports



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City Governments

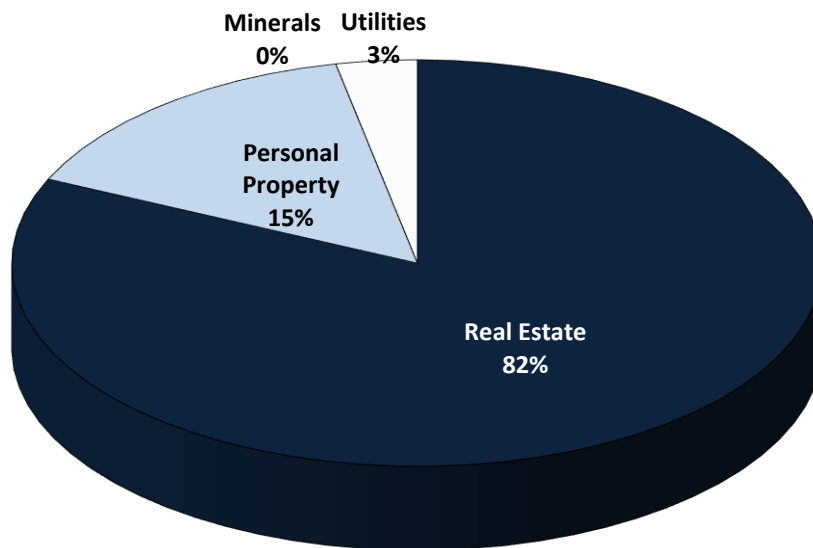
Property tax provides a smaller percent of total revenue to cities than to school districts and counties. In the 1980s, Arkansas cities obtained a larger share of their local tax revenue from property tax than they currently do. More recently, cities rely on sales tax to generate a larger share of local revenue for city governments.

Property Assessments

Revenue generated from property tax is based on property assessments in the taxing unit times the millage (tax rate). Property tax is collected on real and personal property from commercial and industrial establishments, utilities and carriers, farms and households. Total property tax assessments in Garland County were about \$2 billion in 2019. Real estate property (land, buildings and minerals) was the largest source of property tax assessments, accounting for \$1.6 billion (82%) of total property assessments in the county in 2019. Personal property and utility assessments accounted for \$300 million (15%) and \$65 million (3%) of total assessments, respectively (Figure 7). Mineral assessments in Garland County were \$80 or 0%.

Figure 7. Total Property Tax Assessments, Garland County, 2019

Source: Computed from Arkansas Assessment Coordination Department reports



* Due to rounding, figure may not sum to 100%.

Between 2010 and 2019, nominal (current dollar) property assessments in Garland County increased about 22%. After adjusting for inflation using the South-Urban Consumer Price Index (CPI), the real (constant dollar) growth in property assessments was 5%, indicating an increasing property tax base in the county (Figure 8).

Changes in property assessments varied greatly among counties. Change in real (constant dollar) property assessments from 2010 to 2019 ranged from an increase of 42% in Hempstead County to a decrease of 33% in Van Buren County. The two counties with the largest percent declines in property assessments during this period, Van Buren and Conway counties, were greatly affected by the drop in natural gas assessments. The large increase in property assessments in Hempstead County was primarily due to a new power plant in the county.

Per capita property assessments are calculated by dividing total assessments by population. This metric indicates the capacity of counties to raise revenue from property tax. Garland County's per capita property assessment was \$20,156 in 2019. 32 of 75 counties were above the state average (\$15,819) in 2019 (Figure 9).

Figure 8. Total Property Tax Assessments, Garland County, 2010-2019

Source: Computed from Arkansas Assessment Coordination Department reports

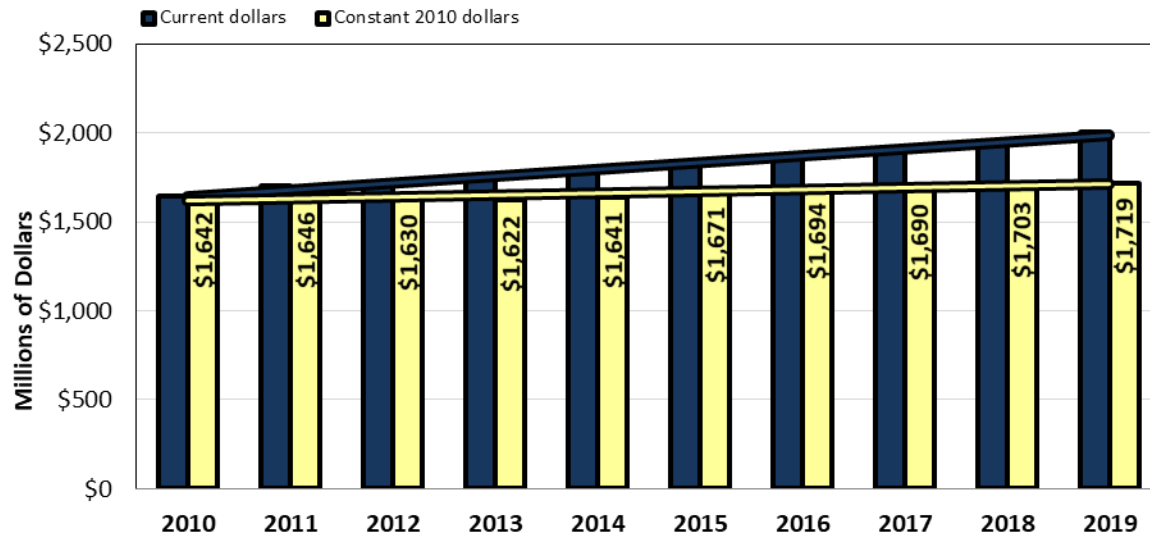
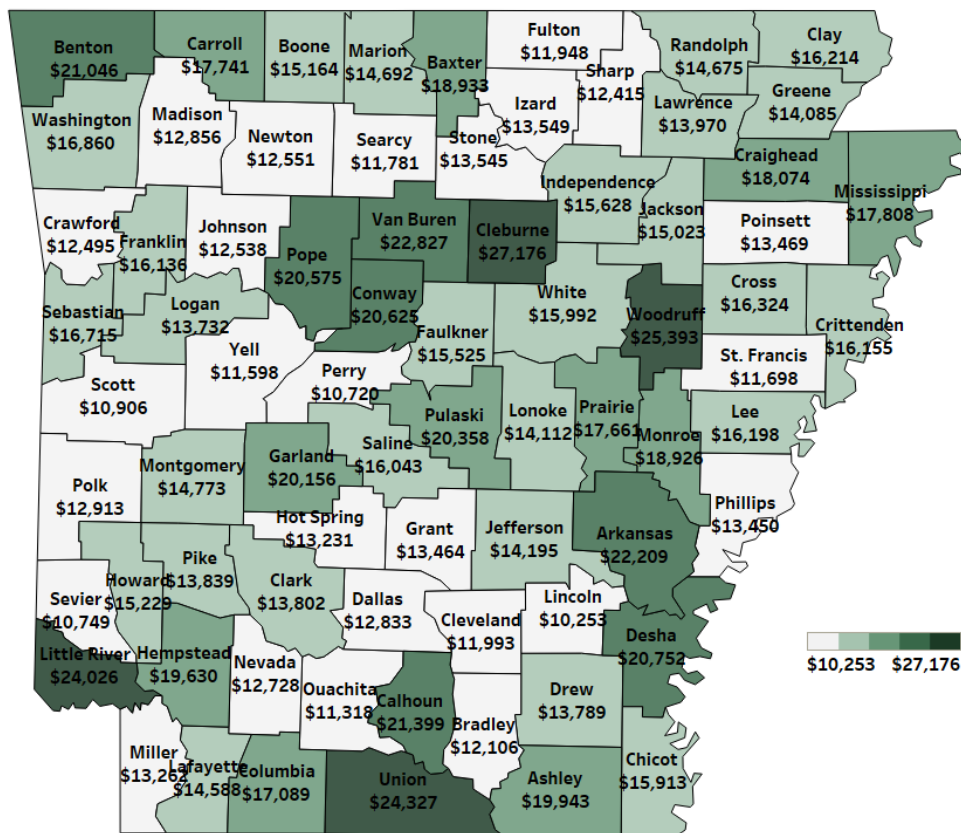


Figure 9. Property Assessments per Capita, 2019

Source: Computed from Arkansas Assessment Coordination Department reports and U.S. Census Bureau data

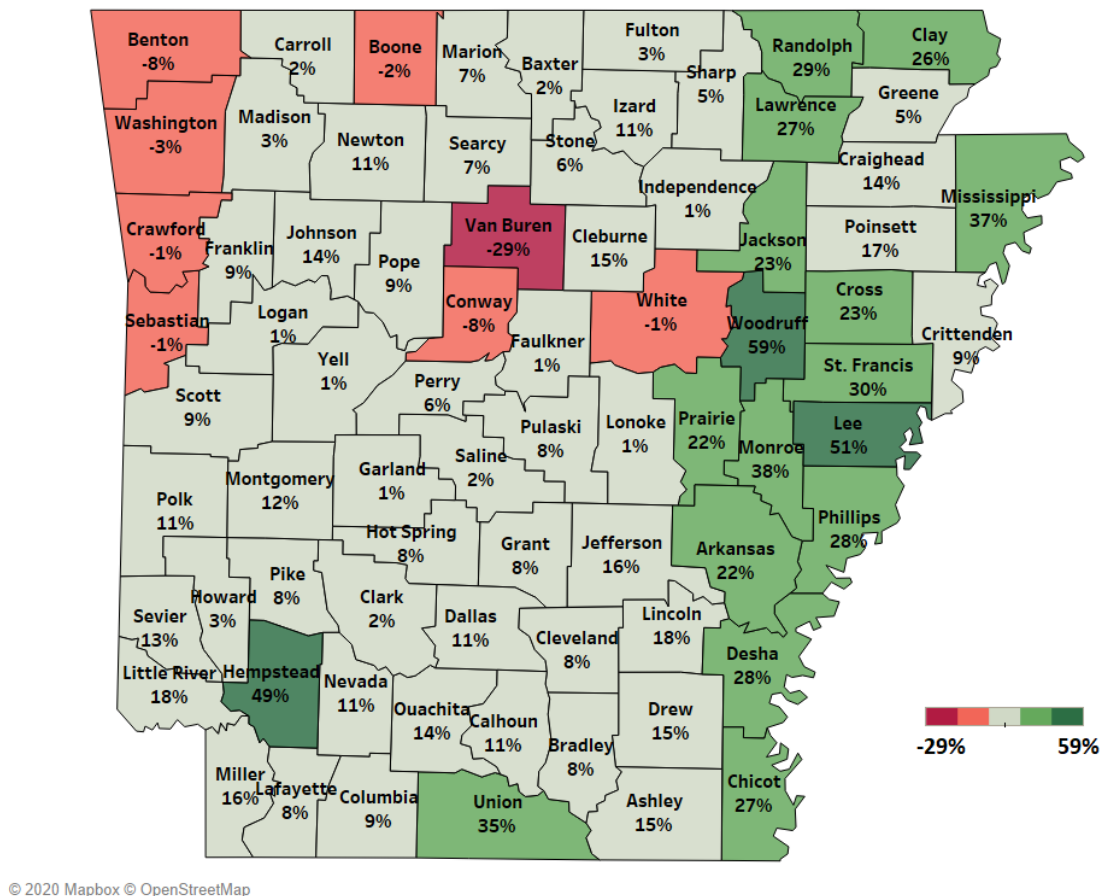


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Rural areas without natural gas or mineral reserves are more likely to have low assessments per capita and therefore have a lower capacity to raise revenue from property taxes. Using inflation adjusted assessment values to measure the change in per capita property assessments between 2010 and 2019, we illustrate how the capacity of counties to raise property tax revenue has changed over time (Figure 10). In Garland County during this period, per capita property assessments increased by \$245 (1%). Changes to per capita assessments may result from changes to property assessments and/or population.

Figure 10. Change in per Capita Property Assessments, 2010-2019

Source: Computed from Arkansas Assessment Coordination Department reports and U.S. Census Bureau data

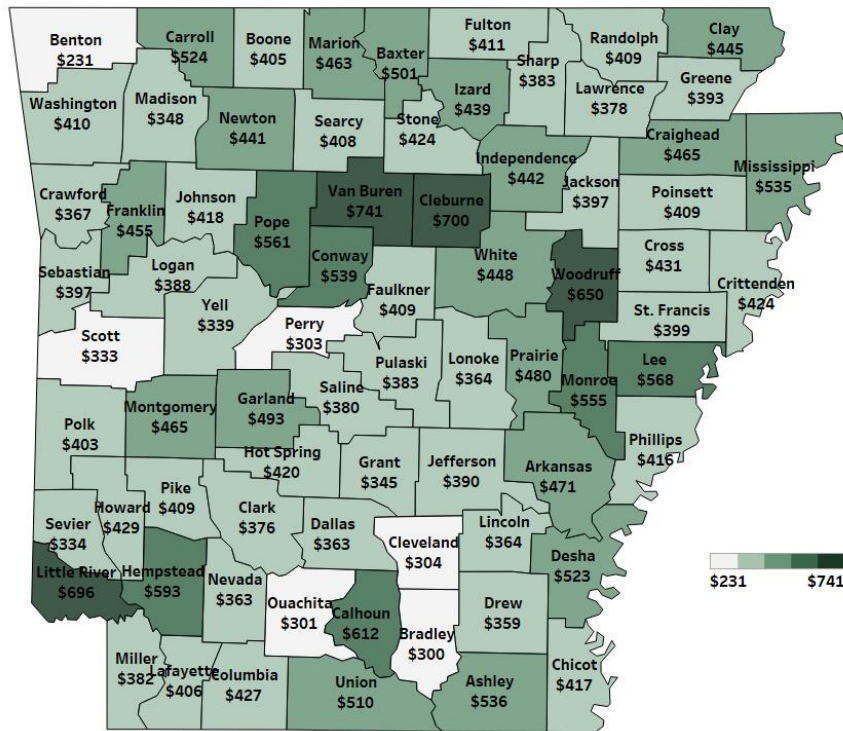


Dividing assessments by total personal income is another way of measuring the property tax base (Figure 11). In 2018, Arkansas averaged \$436 in assessments for every \$1,000 in personal income, with a range between \$231 in Benton County and \$741 in Van Buren County. The average assessments per \$1,000 of personal income in Garland County was \$493.

Between 2010 and 2018, average property assessments per \$1,000 of personal income in Garland County decreased \$46 or -8%. During this time period, the greatest growth occurred in Lee and Mississippi counties (Figure 12). Property assessments per \$1,000 of personal income declined in more than one-half of Arkansas counties during this eight-year period.

Figure 11. Property Assessments per \$1,000 Personal Income, 2018

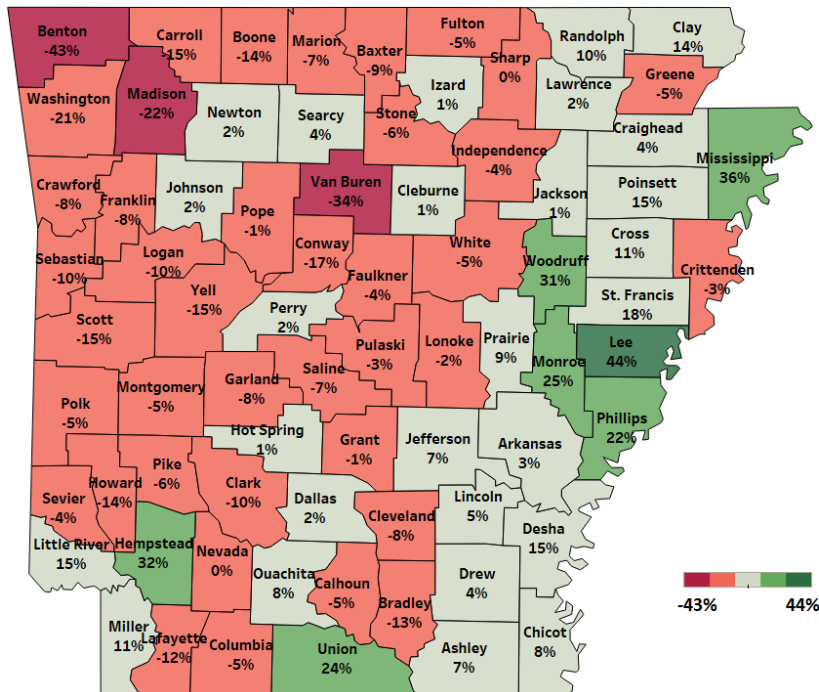
Source: Computed from Arkansas Assessment Coordination Department and U.S. Bureau of Economic Analysis data



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Figure 12. Change in Property Assessments per \$1,000 Personal Income, 2010-2018

Source: Computed from Arkansas Assessment Coordination Department and U.S. Bureau of Economic Analysis data



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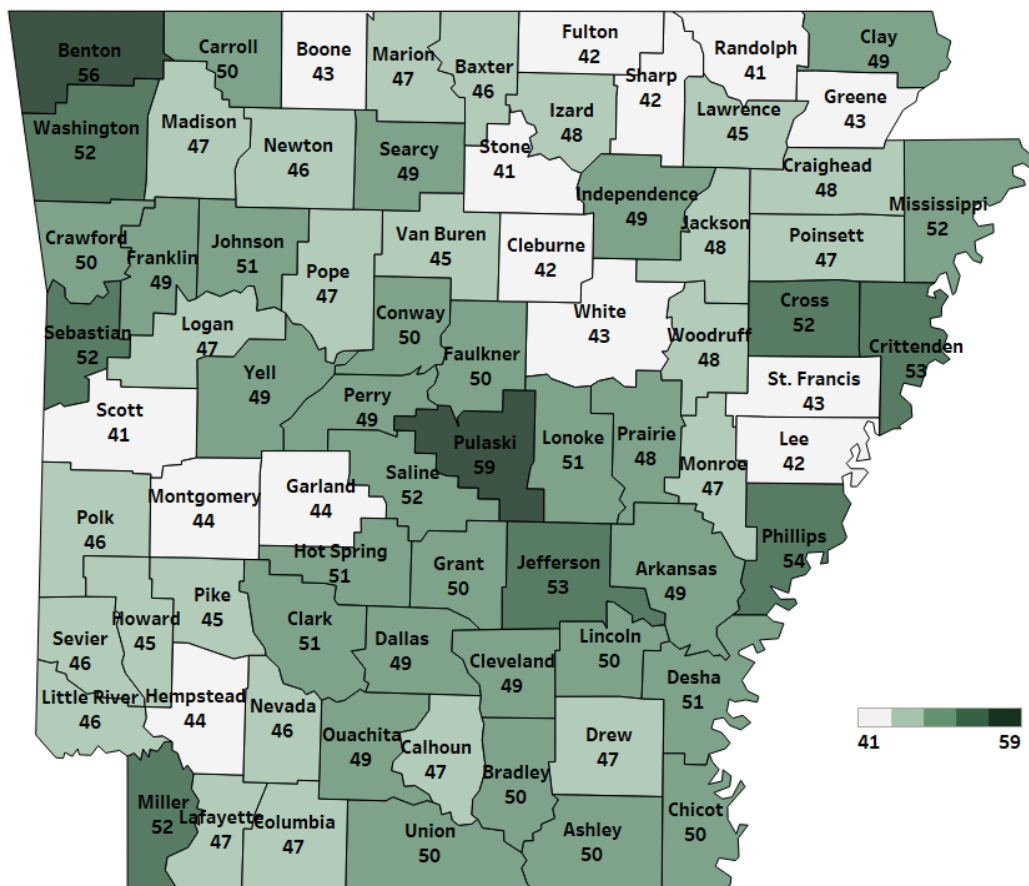
Property Tax Rates

Property tax rates (millage) are an indicator of the local tax effort used to support local services. Counties, cities and school districts have different boundaries and tax rates, which means that citizens in the same county have different tax rates depending on whether they live in a town or rural area and in which school district they live. To facilitate comparisons among counties, property tax rates within each county are weighted and averaged.

In Garland County, the 2019 average total property tax millage was 43.92, or a tax rate of \$43.92 for every \$1,000 dollars of assessed property. School districts in Garland County had an average millage of 39.97 and city governments averaged .94 mills. The Garland County government had a millage of 3.6. Figure 13 shows the average total millage by county in 2019.

Figure 13. Average Total Millage by County, 2019³

Source: Arkansas Assessment Coordination Department



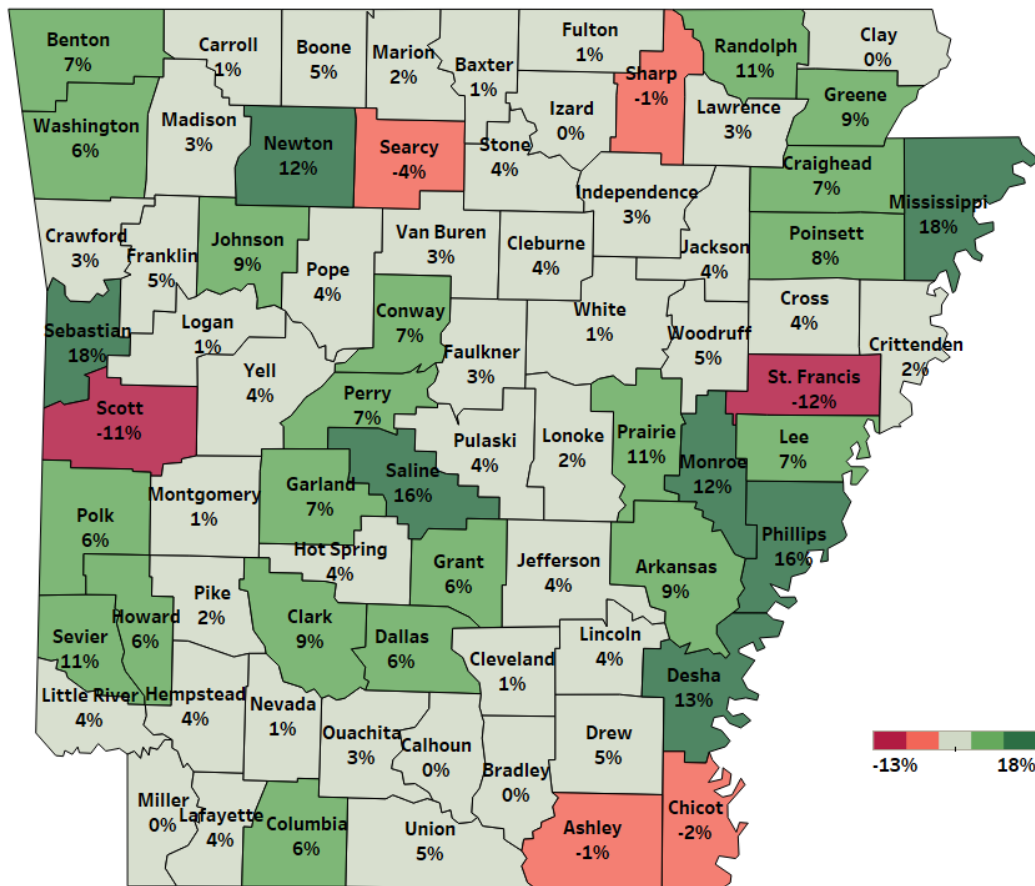
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³ These property tax rates (millages) were approved in 2019 for calculating 2020 property tax bills. Therefore, they are effectively 2020 millages.

In 2010, the average total property millage in Garland County was 41.26. Between 2010 and 2019, the average total property tax millage increased by 2.7 mills or 6% (Figure 14). The average total change in millage among counties varied widely during this time period, with St. Francis County showing the largest decline (-12%) and Sebastian County showing the most growth (18%).

Figure 14. Change in Average Total Millage by County, 2010-2019⁴

Source: Computed from Arkansas Assessment Coordination Department reports



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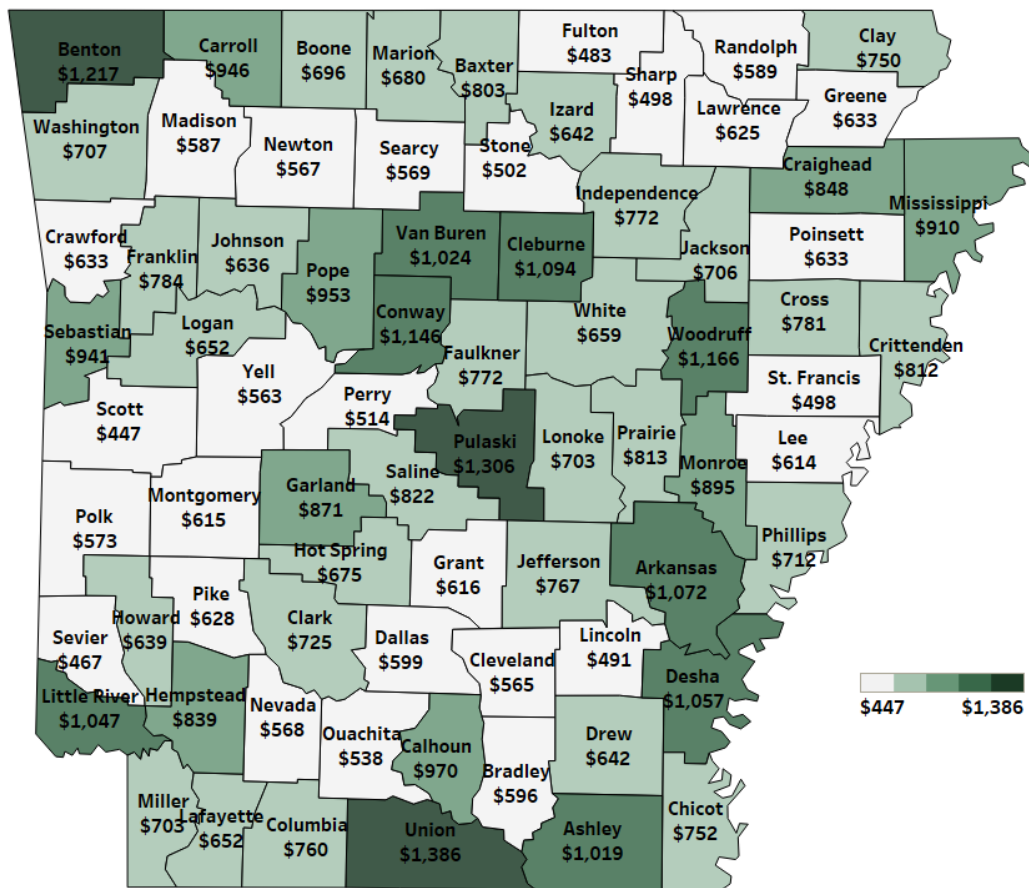
⁴ These millages were approved in 2010 and 2019 and effective for years 2011 and 2020.

Property Tax Burden

Figure 15 shows that the estimated 2020 per capita property tax revenue for counties in Arkansas range from a low of \$447 in Scott County to a high of \$1,386 in Union County. Thirty-three of 75 counties (44%) have estimated per capita property tax revenue that was above the state average (\$747). Estimated property tax revenue as a share of personal income ranged from 1.4% in Scott County to 3.3% in Van Buren County (Figure 16). In Garland County, per capita property tax revenue was \$871 and property tax revenue as a percent of income was 2.2%.

Figure 15. Estimated Property Tax Revenue per Capita, 2020

Source: Computed with population estimates from the U.S. Census Bureau and assessed values and millage from the Arkansas Assessment Coordination Department.⁵



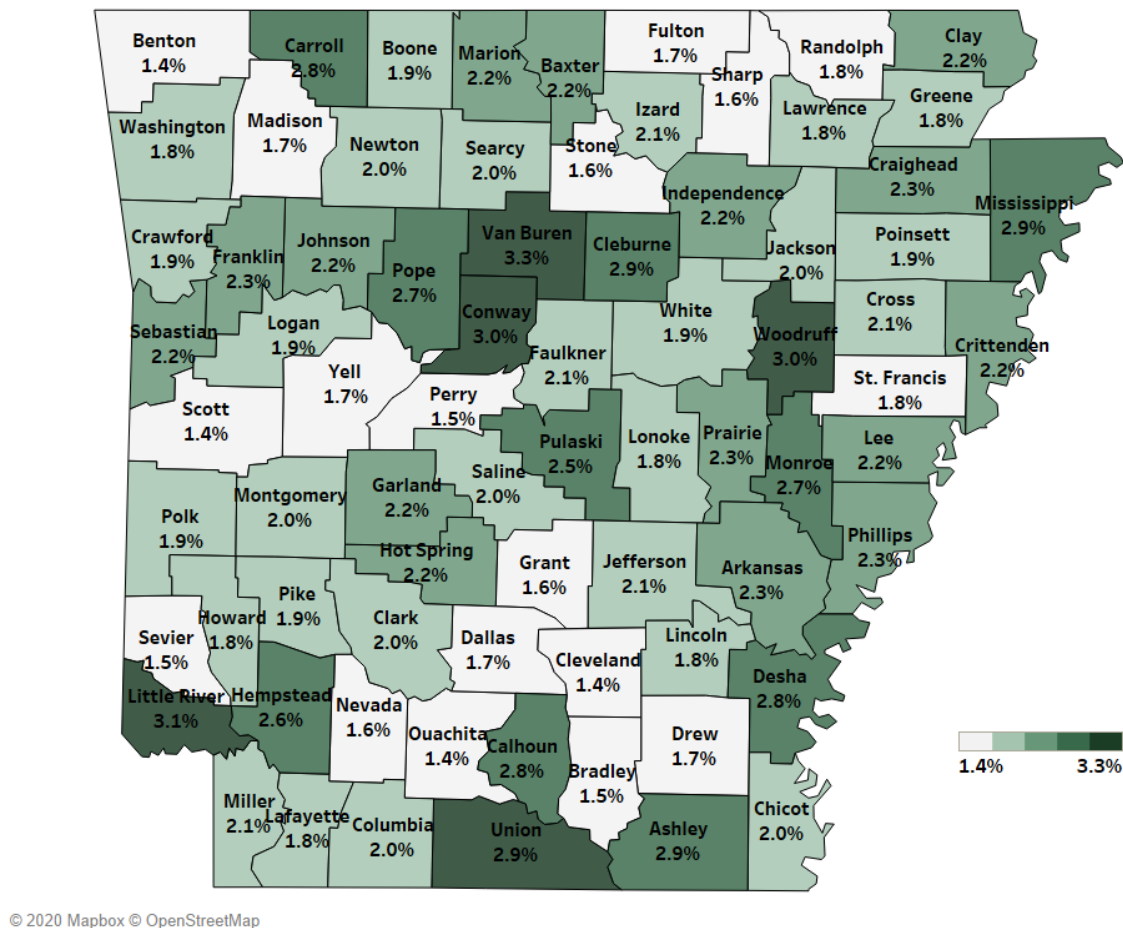
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⁵ Per capita estimates used revenue estimates for 2020 and population counts for the most recent year of available data, 2019. Revenue estimates were calculated using 2019 millage reports and 2019 assessment reports (both for taxes payable in 2020), from the Arkansas Assessment Coordination Department and County Assessors Offices. Estimates assume 100% payment in 2020.

Arkansas' property tax burden is low compared with other states when measured on a per capita basis and as a share of personal income. In 2017, Arkansas' property tax revenue per capita was \$742—the third lowest in the United States after Alabama and Oklahoma (Figure 17). Arkansans pay only about 1.8% of their personal income to property taxes on average, which is third lowest in the nation (Figure 18). Only residents of Oklahoma and Alabama have a lower property tax burden when measured by percent of personal income.

Figure 16. Estimated Property Tax Revenue as Percent of Personal Income, 2020

Source: Computed from Arkansas Assessment Coordination Department and U.S. Bureau of Economic Analysis data⁶



⁶ Estimates as a percent of personal income used revenue estimates for 2020 and revenue figures for the most recent year of available data, 2018. Revenue estimates were calculated using 2019 millage reports and 2019 assessment reports (both for taxes payable in 2020), from the Arkansas Assessment Coordination Department and County Assessor's Offices. Estimates assume 100% payment in 2020.

Figure 17. Property Tax Revenue per Capita, 2017

Source: U.S. Census Bureau

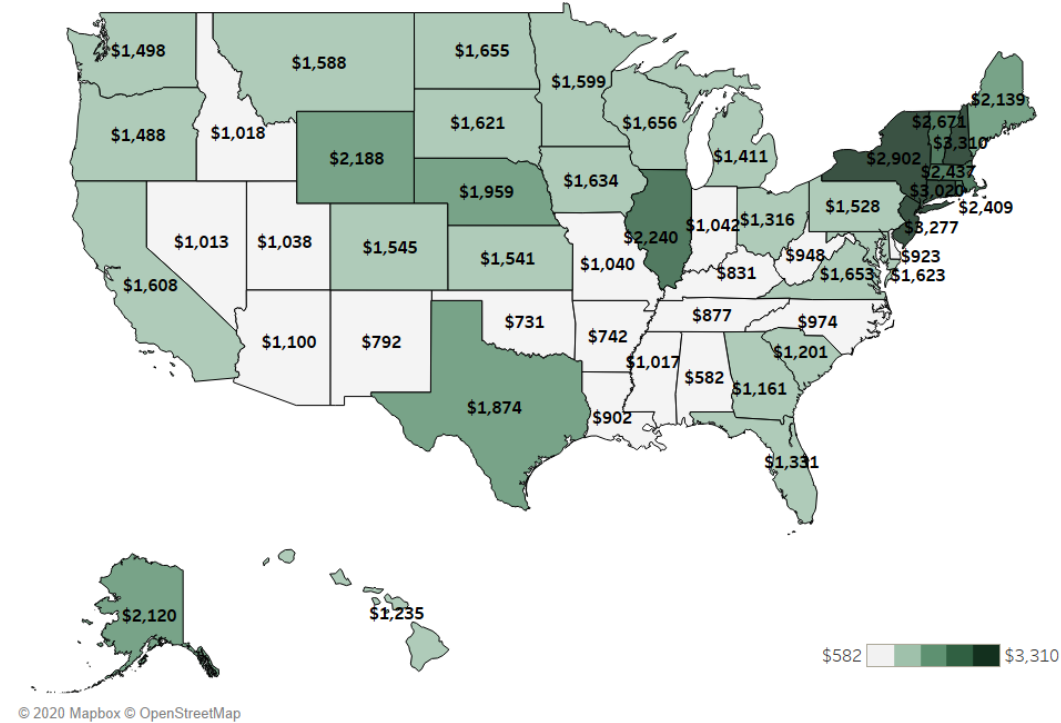
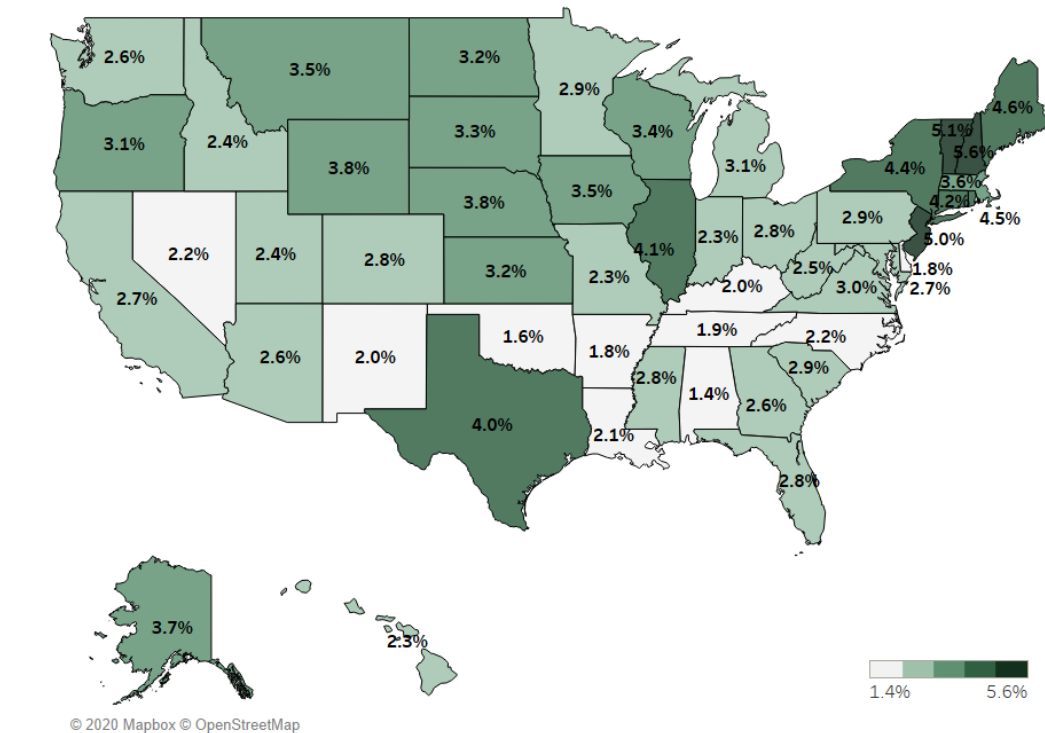


Figure 18. Property Tax Revenue as a Percent of Personal Income, 2017

Source: Computed from U.S. Census Bureau and U.S. Bureau of Economic Analysis data



Summary

The property tax is a critical source of revenue for the local governments of Arkansas, providing funding to counties, cities, school districts, community colleges and special districts. In 2020, property taxes in Garland County are estimated to generate approximately \$86.5 million in revenue for local governments. City governments in the county will share 0% of total property tax revenue, whereas the county government will receive 8%. School districts receive the largest share of property tax revenue in every county in Arkansas. In Garland County, school districts receive 92% of total property tax revenues.

The revenue received from the property tax is very important for both school districts and county governments. School districts in Garland County received \$83.0 million, or about 39% of their total revenue, from property taxes during the 2018-2019 school year. Similarly, the county government received approximately 11% of their revenue from the property tax.

Property assessments in the county increased 5% between 2010 and 2019, and the average millage rate increased about 6%. During the same time period, property assessments per person increased 1% while property assessments per \$1,000 of personal income decreased -8%.

Arkansas' per capita property tax revenue and property tax revenue as a percent of total personal income were the third lowest in the nation in 2017. While property tax is an important source of revenue for schools and local governments in Arkansas, the tax only generated 19% of total state and local tax revenue in 2017, which was the 2nd lowest in the nation. The more than \$2 billion of property tax revenue in 2017 was approximately 1.8% of Arkansas' total personal income and \$742 in property tax revenue per Arkansan. By these measures, Arkansans are subject to one of the lowest property tax burdens in the United States.

Glossary

Assessments: All real estate (land and buildings) and some personal property is assessed a value which is 20% of the market value.

Average Total Millage: The average millage in a particular geographic area. The average is computed by weighting the millage in different political and administrative districts by the assessments in the districts.

Consumer Price Index: An index showing the change in the cost of a fixed basket of goods and services over time. The index is used to measure inflation in the cost of goods and services.

Federal Aid: Revenue and the value of goods received from the federal government.

In-Kind: The value of in-kind goods and services received by local school districts or other entities.

Local Tax: Taxes of local governmental entities including counties, cities, school districts and other special districts.

Millage: The tax rate on real and personal property. Millage is usually reported in rates per \$1,000 of assessed value.

Personal Property Tax This is a tax on some movable property including such items as cars, boats, motorcycles, recreational vehicles, etc.

Property Tax: A tax on real estate (land and buildings) and personal property of households, businesses, utilities and carriers.

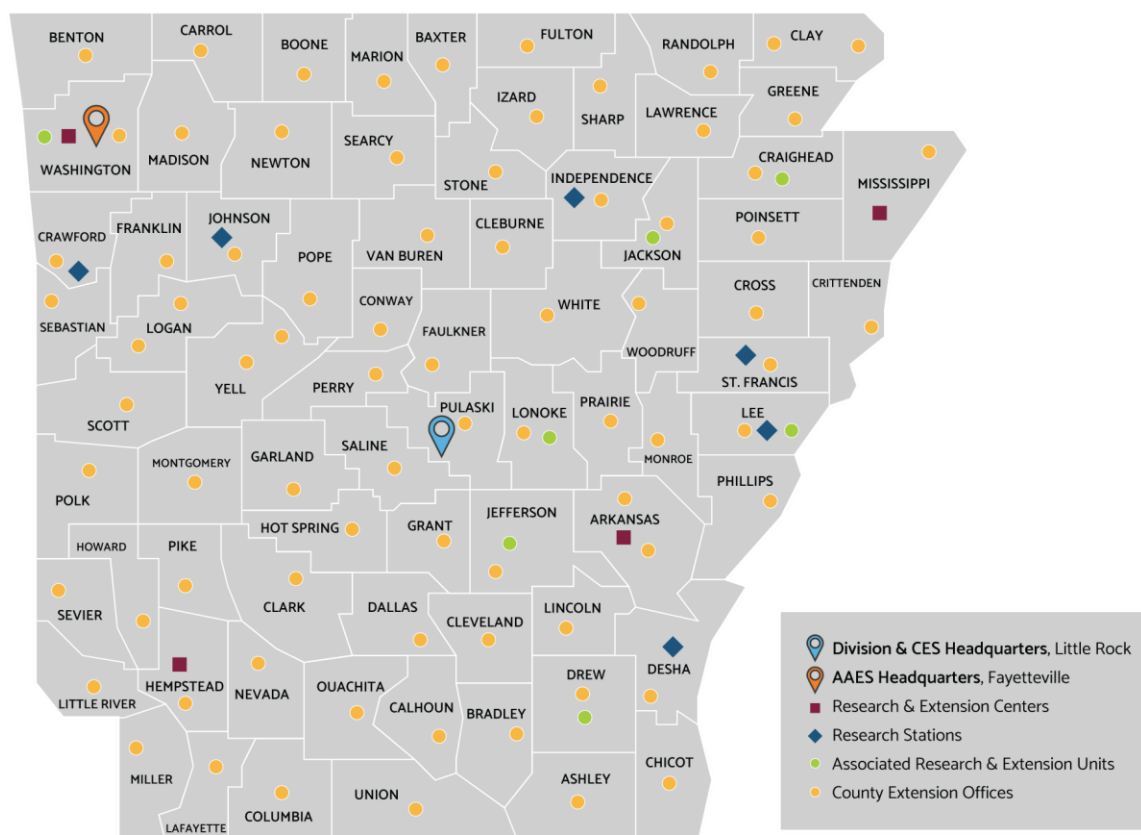
State and Local Tax Revenue: The sum of all tax revenue collected by state and local governments, including the state, county, city, school and special districts.

State Equalization Revenue: Revenue received by school districts from the state to attempt to equalize base funding among school districts in Arkansas.

Total Personal Income: The total income received by residents of an area, including earnings, transfer payments, and interest, dividends and rent.

Utility and Carrier Property Tax: Taxes on real and personal property of utility and carrier companies. Carriers include businesses like pipeline, railroad, transportation, bus and airline companies.

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