

Webinar 1: Overview of Property Assessments, the Assessment Process and Exemptions

Hosted by Wayne Miller, Professor at the University of Arkansas System Division of Agriculture and presented by Mark Wyres, Division Administrator-Ratio Studies at the Arkansas Assessment Coordination Department on June 22, 2018

[Wayne Miller] Good morning, and welcome to the first of six webinars on property assessments in Arkansas. I'm Wayne Miller, professor with the Community and Economic Development program with the University of Arkansas System Division of Agriculture.

[Wayne Miller] And this webinar series is part of our local government program to provide resources and assistance to local governments to help them maintain and enhance their local infrastructure, services, and amenities that they provide for their local citizens and businesses.

[Wayne Miller] But why property assessments? Well, it's our view that everybody has a stake in property assessments in Arkansas, for two reasons:

[Wayne Miller] One is that most everybody pays the property taxes, either directly or indirectly. And second is, the property tax is a very important source of revenue for local governments. Whether it's providing roads, maintaining roads or providing education for our students, public safety, services such as healthcare and recreation services are provided by local governments.

[Wayne Miller] What we want to cover in these webinars, and I think people should be interested, is really some of the laws and regulations affecting property assessments in Arkansas, some of the agencies and their roles and responsibilities, for administering the property assessment program, and of course what property is assessed and what methods are used to assess this property.

[Wayne Miller] To do this, we've invited experts from the Arkansas Assessment Coordination Department and the Tax division of the Arkansas Public Service Commission to provide us some answers to these issues.

[Wayne Miller] Before we go on to our presentation for today, I'd like to give you just a visual representation of where the property tax revenue goes, and how important it is for school districts and counties.

[Wayne Miller] From this pie chart you can see that statewide, a little over three-fourths of property tax revenue goes to your K-12 schools. Another 15% goes to counties and 8% to cities.

[Slide Note] for your county's information go to www.uaex.edu/propertytaxes and download Arkansas Property Tax: Revenue, Assessments & Rates.

[Wayne Miller] Now, this may vary from county-to-county a little bit, for example, I think school districts may get from between maybe 70 and 90 percent of the property tax revenue.

[Wayne Miller] Next, let's look at how important this revenue is for school districts in counties in the state-now this is statewide again and counties vary-but you see on the left three columns, the school districts statewide, approximately one third of the school district revenue comes from the property tax.

[Wayne Miller] Now, you can see there's a wide variation, because this ranges from a low of 15% up to 62% for some school districts. So, of course, the more wealthy school districts rely more on the property tax and get less revenue from outside, from state and federal governments.

[Wayne Miller] Likewise, the counties get 23% of their revenue from the property tax, statewide, and this varies from about 5% to 40%.

[Wayne Miller] And so, what we want to emphasize here, is that the property tax affects us all. It's a local revenue, supporting local services.

[Wayne Miller] Now I'd like to introduce our speaker for today, Mark Wyres, who is the Division Administrator for Ratio Studies with the Assessment Coordination Department. And, Mark worked for the Pulaski County assessor's office from 2010 until January of this year.

[Wayne Miller] He has his level four appraiser certification and his appraisal management certification from the state of Arkansas.

[Wayne Miller] He also has some international certifications-I think one is a residential evaluation specialist certification, and one is an assessment administration specialist from the International Association of Assessors. And he's also an international instructor for this organization.

[Wayne Miller] So Mark, we welcome you and we look forward to your presentation.

[Mark Wyers] Thank you, Wayne.

[Mark Wyers] Good morning. Hi, I'm Mark Wyres, as Wayne said, I'm from the Assessment Coordination Department of the state of Arkansas.

[Mark Wyers] The title of my presentation today is Property Assessments and the Assessment Process.

[Mark Wyers] The mission statement of the Assessment Coordination Department is to efficiently promote and oversee fair, equitable and uniform property tax treatment for all taxpayers, local government officials and school districts within and across all 75 Arkansas counties.

[Mark Wyers] Responsibilities at the Arkansas Assessment Coordination Department. First, Act 436 of 1997 created the Assessment Coordination Department, though the department has existed in various forms previously.

[Mark Wyers] The Assessment Coordination Department exercises general and complete supervision over the valuation, assessment and equalization of all real and personal property for ad valorem tax purposes-Ad valorem is a Latin term that simply means according to the value.

[Mark Wyers] We confer with, advise and guide the county's elected officials, and other officials, with respect to their ad valorem taxation duties. And also, we confer with the governor's office, other state agencies, tax payers and/or their professional tanks representatives.

[Mark Wyers] Some different administrative responsibilities of the Arkansas Assessment Coordination Department are that we manage the Arkansas Real Property Reappraisal Fund, approve or disapprove county-wide reappraisal plans submitted in accordance with Act 1185 of 1999, we perform ratio studies of real and personal property in each county, we also prepare and or furnish real and personal property assessment guidelines and forms for the use and guidance of county assessors, equalization boards and other county officials.

[Mark Wyers] And we also promulgate rules and regulations for the assessment and appraisal process.

[Mark Wyers] Reappraisal, which I mentioned in the in the first bullet point, simply implies that there are periodic, on-site inspections of all real property and that market values will update in a reappraisal year.

[Mark Wyers] So, in Arkansas currently, all 75 counties are on a five-year reappraisal, which means: year one they start on-site inspections and year five they will actually update the values and mail reappraisal notices.

[Mark Wyers] The term ratio studies means that we perform statistical analysis of all the sales that pertain to real property.

[Mark Wyers] Right, some different field operations responsibilities of the Arkansas Assessment Coordination Department.

[Mark Wyers] We audit and evaluate reappraisal progress and performance of all counties to ensure that all guidelines, laws and regulations are met. We conduct real property sales validation and audits.

[Mark Wyers] To further explain sales validation, the sales validation process means that we are we are looking for sales that sold at market value. We're always looking for market value. So, let's say for instance, we have a foreclosure sale in a neighborhood and that was the only foreclosure sale. We would then look to eliminate that sale from the sales file.

[Mark Wyers] We gather statistical information and prepare summary reports. We conduct studies related to the development and/or improvement of ad valorem real estate appraisal methods. And we also provide special assistance to county officials on new or unusual appraisal situations.

[Mark Wyers] We also have an education program at the Arkansas Assessment Coordination Department. So, we sponsor and conduct training courses and seminars for county elected officials, county employees, reappraisal firms and county Boards of Equalization members. The authority that provides we educate the County Board of Equalization members is Act 659 or 2017.

[Mark Wyers] We also sponsor an annual fall educational conference for county assessors and their staff and we administer a professional development recognition payment program, which for those assessment professionals in the state of Arkansas that achieve different educational milestones-they are then provided at an annual stipend.

[Mark Wyers] Some different types of property that that we audit and look at and that are assessed in the state of Arkansas.

[Mark Wyers] The first and probably the biggest is real estate, which is defined as the land and improvements permanently affixed thereto. Which includes but it's not limited to: land, dwellings and utility buildings. Real property is assessed between the first Monday in January through July 1st of every year.

[Mark Wyers] Arkansas Code Annotated 26-26-903 says that every person a full age and sound mind shall list the real property of which he or she is the owner, situated in the county in which he or she resides, and the personal property of which he or she is the owner. The county assessor may relieve the person of this requirement by listing the current year's assessment of real property from a previous property list or from a changed list based on a reassessment of the value of the real property of the owner.

[Mark Wyers] Next we have personal property, which consists movable items not permanently affixed to or part of the real estate. So, that which is not real (property) is personal property, and this includes but is not limited to: cars, trucks, aircraft, ATVs and livestock. Property owners are required to assess every year from January 1st through May 31st and a 10% penalty is applied if assessed after May 31st. One exception to this is for items purchased between May 2nd and May 31st. So there is a little leeway if purchased in the month of May.

[Mark Wyers] Business personal property includes, but is not limited to: business inventory, furniture and fixtures, which includes [things like] desks, computer equipment, shelving, tables, chairs, file cabinets, and air compressors. Business owners are required to assess every year, from January 1st through May 31st in a 10% penalty again is applied if assessed after May 31st.

[Mark Wyers] Utilities include, but are not limited to, items assessed through the Public Service Commission, which include certain pipelines, railroads, airlines, telephones, electrical companies. And these are assessed annually through March 1st and the records are given to the assessor's offices on or before July 15th of every year.

[Mark Wyers] Next we have minerals, which are broken down into two categories, they're producing and non-producing minerals. Producing mineral interests are assessed for ad valorem, or according to value, purposes at market value—market value is the price a willing buyer from the open market would pay for the mineral the interest in current prevailing market conditions as of the assessment date, which in the state of Arkansas is January 1st annually. Non-producing minerals have a zero dollar value for the purpose of property tax assessment.

[Mark Wyers] Next we have a breakdown of the statewide parcel counts by type. We can see here that residential property and minerals share both about a third of the entire parcel count. Commercial plus industrial makes up roughly 3% and then from there we have vacant land and exempt properties in public service commissions with properties which make up the rest. And our total statewide parcel count is roughly 3,200,000.

[Mark Wyers] In the state of Arkansas, all property owners have due process to appeal their property value. And what that means is they could have it in formal meeting with the assessor, which simply is

picking up the phone to call the assessor or assessment professional to inform them that they, they don't agree with the value

[Mark Wyers] Second, it could go to a Board of Equalization hearing--so we're getting toward the more formal—Board of Equalization appointments start the first of August, and typically run through October 1st or until they the Board of Equalization is done hearing appeals. Board of Equalization hearings can be booked through the third Monday in August, so there is a statutory deadline for when you can book a Board of Equalization hearing.

[Mark Wyers] If the taxpayer doesn't receive satisfaction from the Board of Equalization they can go to county court, which is a hearing with the county judge. If no satisfaction is granted from that appeal, the appellant can go on to circuit court and could potentially go to the Supreme Court of the state of Arkansas.

[Mark Wyers] Next we have a simple exercise on estimating taxes. In the state of Arkansas, we are a 20% assessment state. So the assessed value is equal to 20% of the market value. So if our example here says we have a market value of \$200,000, 20% of that would be 40,000 [dollars], so 40,000 [dollars] is our assessed value.

[Mark Wyers] Next we have an example millage rate of 45.6. Mills means that that is the rate, in dollars per thousand have assessed value. So, millage rate expressed as a decimal, in this case, would be 0.0456. So we would take our assessed value times 0.0456 and our estimated taxes in this case would be \$1,824.

[Mark Wyers] Next amendment 79 to the state constitution was voted in around the year 2000 and it gave us a few pretty neat things, like the homestead tax credit, taxable value freeze limitations and taxable value freezes.

[Mark Wyers] First, the homestead tax credit allows for up to \$350 off of your real estate taxes annually.

[Mark Wyers] The taxable value limitations say that your taxable value can only go up at the rate of 5% per year, until it reaches full market value, if you have the homestead, and then 10% per year if you don't have the homestead—so you're non-homestead residential, vacant land and commercial—the taxable value can all go up at 10% per year.

[Mark Wyers] Taxable value freezes can be put in place for those who are 65-years of age or older or disabled.

[Mark Wyers] Okay, next is exemptions, and most of these are listed in article 16, chapter five of our state constitution. So, public property can qualify to be tax exempt, churches used as churches, cemeteries, school buildings and apparatus, libraries and grounds used for school purposes, buildings and grounds used exclusively for charity and intangible personal property. Intangible personal property is something like a stock or a bond.

[Mark Wyers] Okay, some important dates to know that if you're a taxpayer. Personal property must be listed with the assessor by May 31st annually, the deadline to file an appeal with the Board of Equalization is the third Monday in August and the deadline to pay any property tax is October 15th

annually, unless October 15 falls on a on a weekend and then there is a grace period to the next Monday.

[Mark Wyers] Okay, some helpful links. We have the Assessment Coordination Department website which is www.arkansas.gov/acd.

[Mark Wyers] We have the Association of Arkansas Counties, which is www.arcounties.org.

[Mark Wyers] Next we have the website for the International Association of Assessing Officers, which is www.iaao.org.

[Mark Wyers] Next we have the state's Oil and Gas Commission, which is www.aogc.state.ar.us.

[Mark Wyers] Next is my contact info. Again, I'm Mark Wyres, the Division Administrator of Ratio Studies for the Arkansas Assessment Coordination Department. Bear Chaney is our director and John Nichols is our staff attorney and also special thanks to Wayne Miller, who is a professor for the U of A System Division of Agriculture.

[Mark Wyers] And at this point I'll entertain any questions you have, Wayne.

[Wayne Miller] Okay, thank you very much, Mark.

[Wayne Miller] The Arkansas legislature passed, what, Act 1185 in 1999—

[Mark Wyers] Correct.

[Wayne Miller] —in part to try to make property assessments more uniform across state.

[Mark Wyers] Correct.

[Wayne Miller] Does ACD or the Assessment Coordination Department have a role in ensuring that properties are assessed uniformly across the state? And if so, how do you go about it?

[Mark Wyers] Absolutely. So we have a few different roles in those matters, the first being performance audits. So, anytime county is going through a reappraisal cycle, we do have auditors in the field who are monitoring reappraisal progress, so they will actually pull samples of properties, and you know, re-measure and make sure that the county's data collectors are collecting the correct information.

[Mark Wyers] Also, we perform ratio studies on those counties, who are completing real estate reappraisals. So, what that means is we actually look at sales ratios on the sold properties we are going to take the assessed value divided by the sale price and that will give us a median ratio.

[Mark Wyers] That allows us to look at what percentage the assessed values makeup in sales prices, and then from there we can run a number of statistics to ensure that the counties are reappraised at the proper level and statutory levels.

[Wayne Miller] What rights do I have as a property owner?

[Mark Wyers] So, I would say the biggest right that you have is the due process to appeal your property value. A few slides ago I mentioned the appeals process. So first, you know, you can just simply call your assessor and say, "Hey, I have a problem with my property value, I think it's too high." And then from

there, after an informal meeting, you would go through the formal appeals process. So, board of equalization, county court, circuit court or Supreme Court.

[Wayne Miller] When I first came to Arkansas, part of an area of a county was reassessed without reassessing the whole county. Can this be done today? And speak more about the county wide reappraisal process.

[Mark Wyers] That cannot be done today, and I believe the authority for that is Act 1185 of 1999. Not sure exactly what that says off the top of my head, but anytime a county goes through a reappraisal process, that implies that the whole county is reappraised at that time.