

Highlights of Property Tax Revenue Trends of County Governments in Arkansas, 1999-2014¹

Wayne Miller
Professor - Community and Economic Development

Tyler Knapp
Program Associate - Community and Economic Development

Overview

Property tax is one of the largest sources of revenue for most county governments in Arkansas. Property tax revenue going to county governments increased from 1999 to 2014, but the share of total county government revenue from the tax did not. While some of the increase in property tax revenue was due to increasing population, the amount of revenue collected per person also increased over this 15-year period. However, property tax revenue collected per \$1,000 of personal income showed no change.

The statewide averages conceal major differences among counties, regions of the state and economic dependency groupings. The regions include urban and rural counties, with the rural counties divided into three regions – Highlands, Delta and Coastal Plains. Urban counties, in general, collected more revenue per person from property tax than rural areas. Total property tax revenue grew more quickly in urban counties, and per capita property tax revenue grew more rapidly in the rural regions of the state.

Other trends and differences between economic dependency classifications and regions of the state are presented in the full report. In addition, we present analysis of property tax capacity and effort for each of the 75 counties in the state

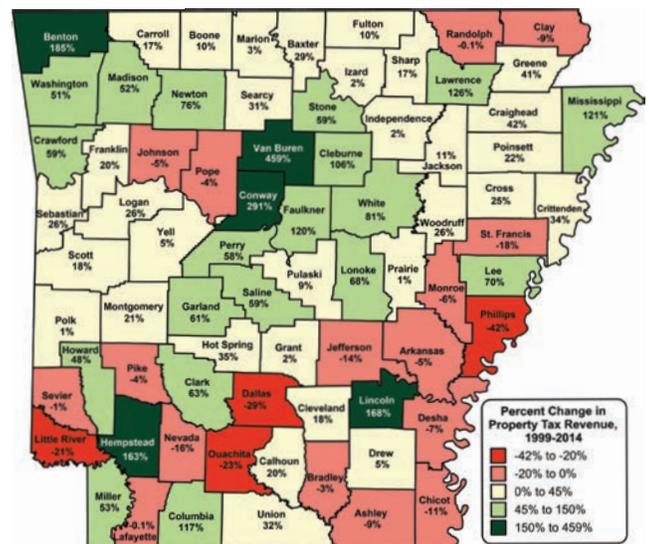
in 2014. This fact sheet highlights some key findings.

County Government Property Tax Revenue

Although property tax revenue going to county governments in Arkansas increased 36% from 1999 to 2014, 20 counties received less revenue from property tax in 2014 compared to 1999 (Figure 1).²

- Property tax revenue received by county governments increased from \$184.7 million in 1999 to \$251.7 million in 2014. The median change in property tax revenue was a 20% increase.

Figure 1. Percent Change in Property Tax Revenue, 1999-2014



Sources: Legislative Audit Reports, Arkansas Department of Legislative Audit; South Urban CPI, Bureau of Labor Statistics

Arkansas Is Our Campus

Visit our web site at: <http://www.uaex.edu>

¹The full report, MP514, *Property Tax Revenue Trends of County Governments in Arkansas, 1999-2014*, is available online at <http://www.uaex.edu/business-communities/government-policy/local-government-finance.aspx>

²All dollar values are reported in 2014 constant (real) dollars unless otherwise specified. The South Urban (SU) consumer price index (CPI) was used to adjust values for inflation.

- While property tax revenue per capita grew 22% overall, from \$70 in 1999 to \$85 in 2014, there were large variations in growth among individual counties, with 17 counties experiencing declines.
 - Phillips County saw the largest decrease in per capita property tax revenue (22%) and Van Buren County saw the largest growth (433%).
- Total county property tax revenue per \$1,000 of personal income increased marginally, from \$2.24 in 1999 to \$2.26 in 2014.
 - Crittenden County had the lowest property tax revenue per \$1,000 of personal income in 2014 (\$0.50) and Van Buren County had the highest (\$8.28).
- Property tax revenue as a share of total revenue was 23% in 1999 and 2014.

Urban and Rural Comparison

Total property tax revenue generated by county governments grew faster in urban counties of the state than in rural counties, while per capita property tax revenue grew faster in rural counties. Despite these differences in growth, both total and per capita property tax revenue were higher in urban counties than rural counties. Urban counties were also more dependent upon property tax revenue than rural areas.

- In 2014, property tax revenue per person was \$88 in urban counties and \$80 in rural counties.
- Property tax revenue per \$1,000 of personal income decreased 4% in urban areas during the 15-year period from 1999 to 2014 but grew 9% in rural areas.
- The share of total revenue generated from property tax revenue was 30% in urban counties in 2014, while rural counties only received 17% of total revenue from property tax.

Regional Comparison

- Property tax revenue grew in every region from 1999 to 2014, with urban counties experiencing the largest growth (44%), followed by the Highlands (37%), Coastal Plains (19%) and Delta (12%).
- Per capita property tax revenue also grew in every region, with the highest growth in the Coastal Plains (32%) and the lowest growth in the urban counties (16%).

- On both a total and per capita basis, urban counties in Arkansas received more property tax than any other region.
- Property tax revenue per \$1,000 of personal income grew in each rural region of the state (13% in the Highlands, 10% in the Coastal Plains and 2% in the Delta) but decreased 4% in the urban region.

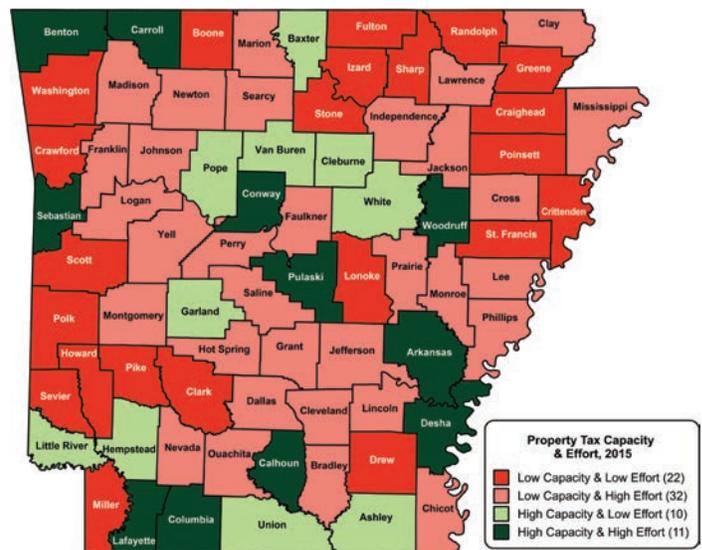
Capacity and Effort

To evaluate the potential of county governments to raise additional revenue from property taxes, property tax capacity and effort are analyzed and presented in Figure 2. Capacity refers to a county's property tax base (property assessments) and effort refers to the millage or tax rate.

Capacity and effort can be used together to determine how much property tax revenue counties raise and identify the potential to increase revenue from this source.

- Counties with low capacity and high effort (32), represented with light pink, have a small tax base and high tax rate and, therefore, are receiving about as much revenue as possible from property tax.
- The counties in light green (10) have a large tax base and low tax rate and, therefore, have the potential to raise additional revenue from property tax.

Figure 2. Property Tax Capacity and Effort, 2015



Source: 2015 Assessed Values (Payable 2016), Arkansas Assessment Coordination Department; Population Estimates, U.S. Census Bureau; 2015 Millage Book (Payable 2016), Arkansas Assessment Coordination Department

DR. WAYNE P. MILLER is a professor of community and economic development in Little Rock, and TYLER R. KNAPP is a program associate in community and economic development in Little Rock. They are faculty of the University of Arkansas System Division of Agriculture.

Pursuant to 7 CFR § 15.3, the University of Arkansas System Division of Agriculture offers all its Extension and Research programs and services (including employment) without regard to race, color, sex, national origin, religion, age, disability, marital or veteran status, genetic information, sexual preference, pregnancy or any other legally protected status, and is an equal opportunity institution.