

**Tax Division
Arkansas
Public Service Commission
P.O. Box 8021
Little Rock, Arkansas 72203**



Biennial Report

For The Years

2011 - 2012

Colette D. Honorable
Chairman
(501) 682-1455

Olan W. Reeves
Commissioner
(501) 682-1453

Elana C. Wills
Commissioner
(501) 682-1451

**ARKANSAS
PUBLIC SERVICE COMMISSION
TAX DIVISION**
1000 Center Street
P.O. Box 8021
Little Rock, Arkansas 72203-8021
Phone (501) 682-1231 Fax (501) 682-6015
E-mail: tax@psc.state.ar.us



Sarah M. Bradshaw
Director
(501) 682-1231

December 5, 2012

The Honorable Mike Beebe
Governor
State Capitol Building
Little Rock, AR 72201

Dear Governor Beebe:

Pursuant to the provisions of Ark. Code. Ann. §26-24-121, the Tax Division of the Arkansas Public Service Commission submits its Biennial Report for the years 2011 - 2012. This report shows the assessed value of the property of utilities and carriers certified to the county assessors for placement on the tax rolls, and the assessed value of the property of certain carriers certified to the Department of Finance and Administration for collection of the tax.

The tax revenue resulting from utility and carrier assessments provides monetary support for the schools, cities, and counties of Arkansas. The annual tax revenue resulting from the assessments certified to the Department of Finance and Administration is used to partially fund the Tax Division, the Assessment Coordination Department, and the Counties and Municipalities Section of Legislative Audit.

The assessments on utility and carrier property in Arkansas as determined by the Tax Division have increased from \$3,527,652,933 in 2011 to approximately \$3,792,734,868 in 2012. This is an increase of \$265,081,935 in the two-year period and represents, an approximate gain of 6.99% in assessed value.

Sincerely,

A handwritten signature in cursive script, reading "Sarah M. Bradshaw".

Sarah M. Bradshaw
Director
Tax Division, P.S.C.

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MISSION STATEMENT

The Arkansas Public Service Commission is a pro-active, solutions-oriented agency that maximizes customer value and enhances the economic environment of the state. This is done by ensuring safe, reliable and reasonably-priced utility service; educating consumers to make independent and informed choices; and ensuring the fair and equitable ad valorem assessment and equalization of public utility and carrier property.

It is the mission of the Arkansas Public Service Commission Tax Division to efficiently and effectively render ad valorem assessments for utilities and carriers; to perform all duties regarding the ad valorem assessment of public utility and carrier property in a manner that is fair and equitable to all stakeholders; and to conduct its business in a manner that is responsive to all stakeholders and worthy of public trust.

INTRODUCTION

The Tax Division of the Arkansas Public Service Commission is responsible for the annual valuation and ad valorem assessment of public utilities and carriers operating in Arkansas.

During 2012, the Tax Division valued and assessed the real and personal property of 324 telecommunications companies and their operating subsidiaries, 31 cable television companies and their operating subsidiaries, 31 electric companies and cooperatives, 15 gas companies, 7 pipeline companies, 2 water companies, 25 railroads, 375 private car companies, 18 airlines, 13 barge lines and 41,753 motor carriers. The market value of the utilities and carriers evaluated by the Tax Division in 2012 was approximately \$18,965,000,000, which represents an assessed value of approximately \$3,793,000,000 and an estimated property tax of \$176,791,730.

In 2011, the Tax Division valued the real and personal property of over 41,790 utilities and carriers. The

assessed value of the utilities and carriers in 2011 was approximately \$3,528,000,000 and the estimated property tax on the assessed value was approximately \$164,440,080.

The property tax revenue resulting from the assessments made by the Tax Division is a significant source of monetary support for the schools, cities, and counties of Arkansas. In addition, Ark. Code Ann. § 26-26-1616 provides for an Ad Valorem Trust Fund, which is funded from revenues resulting from the Tax Division's assessments on carriers. The Ad Valorem Trust Fund is used to fund the Counties and Municipalities Section of Legislative Audit, the Assessment Coordination Department, and the Tax Division. The State Treasurer may transmit the remainder of the Fund to the respective counties in the state.

HISTORY

The origin of the Tax Division of the Arkansas Public Service Commission can be traced to Act 114 of 1883. In 1883, the General Assembly created the Board of Railroad Commissioners. The Board was given the power of original assessment of certain railroad properties for the purpose of taxation. Subsequent acts have broadened the responsibilities of the Tax Division and placed the administration and enforcement of the property tax laws related to public utilities and carriers under the direction and supervision of the Arkansas Public Service Commission. The Tax Division's assessment responsibilities have been expanded to include the assessment of airlines, motor carriers, barge lines and utilities operating within the state of Arkansas, as well as railroads.

AGENCY ORGANIZATION

The Tax Division's authorized budget for fiscal year 2011 - 2012 is \$1.4 million. The budget includes a contingency fund of \$400,000 for tax assessment appeals. The Tax Division must have prior approval to access the contingency fund. The Division is authorized to employ a staff of fifteen full-time employees and five part-time employees. The Tax Division's positions include a Director, an Assistant Director, an Assistant Director Motor Carrier Programs, a Financial Analyst, a Fiscal Support Manager, a Tax Valuation Supervisor, a Research Project Analyst, an Administrative Analyst, a Finance Program Analyst, and six Tax Valuation Analysts and five part-time positions.

ASSESSMENT PROCESS

Each year, the Tax Division mails Ad Valorem Report forms to the utilities and carriers to obtain the information needed for the assessment process. With the exception of motor carriers and private car companies, the companies are required to file the completed forms with the Tax Division on or before March 1. Motor carrier companies are required to file the completed report forms by March 31, and private railroad car companies are required to file the completed report forms by April 1. Utilities and carriers may be granted an extension of not more than sixty days to file the report forms. Companies that fail to file the report form within the time required are delinquent and are subject to penalties prescribed in Ark. Code Ann. § 26-26-1604.

Once the Tax Division receives the report forms, it begins the process of valuing and assessing the companies. The Tax Division considers the economic and financial factors that impact the various industries and

factors that may affect a specific company's valuation in the valuation and assessment process. The Tax Division personnel must have specialized knowledge of the industries assessed and stay abreast of the economic, regulatory and technological changes that take place in the utility and carrier industries. As part of the assessment process, the Tax Division holds informal pre-assessment hearings with the utilities or carriers that request such hearings.

Once the Tax Division completes the valuation and assessment process, the utility assessments are submitted to the Arkansas Public Service Commission for approval and the carrier assessments are submitted to the Arkansas State Highway Commission for approval. After the Commissions approve the assessments, a notice of assessment is mailed to each of the utilities and carriers assessed by the Tax Division. The utilities and carriers then have a ten (10) day period to file a formal appeal of the assessment. When the appeal period ends, the final

assessment amounts for utilities and railroads are certified to the County Assessors on or before July 15th to be placed on the county tax rolls. Motor carrier, airline, barge line and private car company assessments are certified to the Department of Finance and Administration in February of the year following the assessment. The applicable millage rates are applied to the assessments by county or state officials to produce the tax amounts to be billed and collected.

When a utility or carrier files a timely petition for review of its assessment, a hearing on the petition is held before the appropriate commission. Currently, there are ten tax appeals pending before the Public Service Commission. The decisions of the Public Service Commission and the Highway Commission on utility or carrier assessment appeals may be appealed to the Pulaski County Circuit Court. The Circuit Court's decision may be appealed to the Arkansas Supreme Court.

THREE YEAR COMPARISON 2010 - 2012

CLASS OF PROPERTY	2010 ASSESSED VALUE	2011 ASSESSED VALUE	2012 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0		0
AIRLINE (SITUS)	720,930	655,600	621,410	(34,190)
BARGE LINE (SITUS)	0	0		0
CABLE TELEVISION	160,126,980	160,136,210	163,589,380	3,453,170
CELLULAR TELEPHONE	361,853,740	397,215,170	394,282,890	(2,932,280)
ELECTRIC COOPERATIVE	504,941,630	536,165,490	581,564,160	45,398,670
GAS TRANSMISSION	369,175,000	495,380,000	531,920,800	36,540,800
MOTOR CARRIER (REAL)	9,733,290	8,282,990	8,293,060	10,070
PRIVATE CAR (SITUS)	3,247,000	2,882,350	2,291,390	(590,960)
PRIVATE ELECTRIC	849,285,000	894,810,000	1,042,940,000	148,130,000
PIPELINE	30,078,800	24,605,680	23,286,100	(1,319,580)
RAILROAD	247,582,250	300,811,330	326,764,800	25,953,470
RESELLER TELEPHONE	1,686,050	2,312,830	3,200,570	887,740
TELEPHONE	327,374,410	308,570,090	293,608,140	(14,961,950)
WATER COMPANY	4,030,500	4,031,360	4,226,150	194,790
TOTAL CERTIFIED TO COUNTIES	2,869,835,580	3,135,859,100	3,376,588,850	240,729,750
AIRLINE	29,605,080	28,168,920	24,403,570	(3,765,350)
BARGE LINE	19,971,750	24,342,200	44,551,930	20,209,730
MOTOR CARRIER	347,497,729	329,890,773	336,823,278	6,932,505
PRIVATE CAR	8,460,540	9,391,940	10,367,240	975,300
				0
TOTAL CERTIFIED TO D.F.A.	405,535,099	391,793,833	416,146,018	24,352,185
GRAND TOTAL	3,275,370,679	3,527,652,933	3,792,734,868	265,081,935

TEN YEAR COMPARISON 2002 - 2012

CLASS OF PROPERTY	2002 ASSESSED VALUE	2012 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	1,010,680	-	(1,010,680)
AIRLINE (SITUS)	5,223,860	621,410	(4,602,450)
BARGE LINE (SITUS)	29,400	-	(29,400)
CABLE TELEVISIONS	77,478,220	163,589,380	86,111,160
CELLULAR TELEPHONES	98,682,320	394,282,890	295,600,570
ELECTRIC COOPERATIVES	367,544,890	581,564,160	214,019,270
GAS TRANSMISSION	185,361,910	531,920,800	346,558,890
MOTOR CARRIER (REAL)	5,498,680	8,293,060	2,794,380
PIPELINE COMPANIES	32,858,650	23,286,100	(9,572,550)
PRIVATE CARS (SITUS)	4,297,950	2,291,390	(2,006,560)
PRIVATE ELECTRICS	696,832,190	1,042,940,000	346,107,810
RAILROAD COMPANIES	149,378,684	326,764,800	177,386,116
RESELLER TELEPHONES	6,971,950	3,200,570	(3,771,380)
TELEPHONES	432,018,910	293,608,140	(138,410,770)
WATER COMPANIES	4,141,130	4,226,150	85,020
TOTAL CERTIFIED TO COUNTIES	2,067,329,424	3,376,588,850	1,309,259,426

2011 - 2012 COUNTY COMPARISON

COUNTY	2011 TOTAL	2012 TOTAL	GAIN/LOSS	COUNTY	2011 TOTAL	2012 TOTAL	GAIN/LOSS
ARKANSAS	21,470,832	22,752,633	1,281,801	LEE	33,210,558	36,996,376	3,785,818
ASHLEY	20,627,223	21,536,566	909,343	LINCOLN	11,557,932	11,799,688	241,756
BAXTER	31,708,140	31,779,058	70,918	LITTLE RIVER	15,142,827	17,406,169	2,263,342
BENTON	149,430,543	167,177,826	17,747,283	LOGAN	27,293,135	28,654,163	1,361,028
BOONE	24,869,237	25,763,693	894,456	LONOKE	43,034,657	46,675,262	3,640,605
BRADLEY	8,059,197	8,593,994	534,797	MADISON	16,524,730	16,520,528	(4,202)
CALHOUN	10,642,200	10,895,716	253,516	MARION	9,409,923	10,071,226	661,303
CARROLL	25,249,800	29,038,098	3,788,298	MILLER	40,134,676	42,398,631	2,263,955
CHICOT	17,910,374	18,198,267	287,893	MISSISSIPPI	66,117,650	68,094,111	1,976,461
CLARK	29,940,281	31,345,897	1,405,616	MONROE	12,490,755	13,702,013	1,211,258
CLAY	19,411,255	20,005,198	593,943	MONTGOMERY	5,010,844	5,327,716	316,872
CLEBURNE	23,595,955	25,226,241	1,630,286	NEVADA	14,616,874	15,708,718	1,091,844
CLEVELAND	9,484,951	10,024,460	539,509	NEWTON	8,471,612	9,064,518	592,906
COLUMBIA	27,455,506	28,164,668	709,162	OUACHITA	22,673,957	24,223,044	1,549,087
CONWAY	39,311,711	42,005,634	2,693,923	PERRY	8,636,163	8,751,159	114,996
CRAIGHEAD	51,170,638	55,480,117	4,309,479	PHILLIPS	41,773,375	45,369,227	3,595,852
CRAWFORD	48,963,260	50,286,540	1,323,280	PIKE	10,418,329	11,051,964	633,635
CRITTENDEN	57,716,879	58,095,521	378,642	POINSETT	23,854,284	25,050,470	1,196,186
CROSS	20,126,268	22,129,721	2,003,453	POLK	21,972,580	23,678,031	1,705,451
DALLAS	7,807,424	8,574,950	767,526	POPE	292,004,377	306,041,840	14,037,463
DESHA	36,700,657	36,741,641	40,984	PRAIRIE	9,084,181	9,658,987	574,806
DREW	16,056,670	16,632,803	576,133	PULASKI	386,240,850	382,114,350	(4,126,500)
FAULKNER	65,319,707	70,093,936	4,774,229	RANDOLPH	17,962,157	18,030,073	67,916
FRANKLIN	37,853,226	42,508,202	4,654,976	SALINE	44,816,889	45,958,593	1,141,704
FULTON	13,176,136	13,704,211	528,075	SCOTT	8,141,609	8,643,416	501,807
GARLAND	42,298,056	44,186,847	1,888,791	SEARCY	7,818,505	8,086,321	267,816
GRANT	12,933,377	12,981,710	48,333	SEBASTIAN	119,253,328	118,512,886	(740,442)
GREENE	19,931,113	20,795,275	864,162	SEVIER	16,367,216	17,002,935	635,719
HEMPSTEAD	68,404,258	159,460,365	91,056,107	SHARP	15,243,352	15,646,423	403,071
HOT SPRING	50,211,098	53,684,668	3,473,570	ST. FRANCIS	35,066,710	38,591,250	3,524,540
HOWARD	15,115,862	15,474,277	358,415	STONE	10,714,628	10,271,870	(442,758)
INDEPENDENCE	102,398,507	106,113,790	3,715,283	UNION	39,317,641	41,184,121	1,866,480
IZARD	15,807,053	16,253,458	446,405	VAN BUREN	12,746,178	13,325,903	579,725
JACKSON	28,004,989	29,645,561	1,640,572	WASHINGTON	130,294,535	139,916,809	9,622,274
JEFFERSON	141,022,108	146,296,858	5,274,750	WHITE	122,143,097	135,396,099	13,253,002
JOHNSON	22,073,482	22,480,301	406,819	WOODRUFF	50,150,084	56,422,864	6,272,780
LAFAYETTE	12,044,731	12,773,605	728,874	YELL	14,293,200	15,566,731	1,273,531
LAWRENCE	27,552,998	28,772,059	1,219,061	GRANDTOTAL	3,135,859,100	3,376,588,850	