

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



Biennial Report

For The Years

2013 - 2014

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, 2014

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 2013 - 2014. 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 \$3,997,624,970 in 2013 to approximately \$4,206,232,790 in 2014. This is an increase of \$208,607,820 in the two-year period and represents, an approximate gain of 4.96% in assessed value.

Sincerely,

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

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

SMB/st

TABLE OF CONTENTS

Letter from the Director	1
Table of Contents	2
Mission Statement	3
Introduction	4
History and Agency Organization	5
Assessment Process	6
Three Year Comparison	8
Ten Year Comparison	9
County Comparison	10

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 2014, the Tax Division valued and assessed the real and personal property of 311 telecommunications companies and their operating subsidiaries, 29 cable television companies and their operating subsidiaries, 31 electric companies and cooperatives, 16 gas companies, 9 pipeline companies, 2 water companies, 25 railroads, 369 private car companies, 18 airlines, 51 barge lines and 34,363 motor carriers. The market value of the utilities and carriers evaluated by the Tax Division in 2014 was approximately \$21,030,000,000, which represents an assessed value of approximately \$4,206,000,000 and an estimated property tax of \$196,840,800.

In 2013, the Tax Division valued the real and personal property of over 38,495 utilities and carriers. The

assessed value of the utilities and carriers in 2013 was approximately \$3,997,000,000 and the estimated property tax on the assessed value was approximately \$187,299,420.

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 2013 - 2014 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 is one tax appeal 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 2012 - 2014

CLASS OF PROPERTY	2012 ASSESSED VALUE	2013 ASSESSED VALUE	2014 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0	0	0
AIRLINE (SITUS)	621,410	481,870	397,620	(84,250)
BARGE LINE (SITUS)	0	160,430	1,799,820	1,639,390
CABLE TELEVISION	163,589,380	173,261,130	186,617,980	13,356,850
CELLULAR TELEPHONE	394,282,890	398,066,830	440,618,960	42,552,130
ELECTRIC COOPERATIVE	581,564,160	597,372,990	604,906,960	7,533,970
GAS TRANSMISSION	531,920,800	544,640,710	530,980,250	(13,660,460)
MOTOR CARRIER (REAL)	8,293,060	8,250,240	7,720,250	(529,990)
PRIVATE CAR (SITUS)	2,291,390	1,973,100	2,886,000	912,900
PRIVATE ELECTRIC	1,042,940,000	1,123,737,600	1,180,626,630	56,889,030
PIPELINE	23,286,100	25,516,600	26,638,500	1,121,900
RAILROAD	326,764,800	374,531,000	415,118,360	40,587,360
RESELLER TELEPHONE	3,200,570	6,049,680	4,860,830	(1,188,850)
TELEPHONE	293,608,140	285,523,360	292,752,120	7,228,760
WATER COMPANY	4,226,150	4,392,370	7,784,330	3,391,960
TOTAL CERTIFIED TO COUNTIES	3,376,588,850	3,543,957,910	3,703,708,610	159,750,700
AIRLINE	24,403,570	23,723,810	22,568,640	(1,155,170)
BARGE LINE	44,551,930	57,717,300	71,979,320	14,262,020
MOTOR CARRIER	336,823,278	361,356,869	396,404,400	35,047,531
PRIVATE CAR	10,367,240	11,169,080	11,571,820	402,740
				0
TOTAL CERTIFIED TO D.F.A.	416,146,018	453,967,059	502,524,180	48,557,121
GRAND TOTAL	3,792,734,868	3,997,924,969	4,206,232,790	208,307,821

TEN YEAR COMPARISON 2004 - 2014

CLASS OF PROPERTY	2004 ASSESSED VALUE	2014 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	1,010,680	-	(1,010,680)
AIRLINE (SITUS)	1,675,020	397,620	(1,277,400)
BARGE LINE (SITUS)	28,820	1,799,820	1,771,000
CABLE TELEVISIONS	90,580,830	186,617,980	96,037,150
CELLULAR TELEPHONES	147,294,970	440,618,960	293,323,990
ELECTRIC COOPERATIVES	392,812,980	604,906,960	212,093,980
GAS TRANSMISSION	195,327,700	530,980,250	335,652,550
MOTOR CARRIER (REAL)	5,403,880	7,720,250	2,316,370
PIPELINE COMPANIES	31,630,750	26,638,500	(4,992,250)
PRIVATE CARS (SITUS)	4,413,950	2,886,000	(1,527,950)
PRIVATE ELECTRICS	734,497,800	1,180,626,630	446,128,830
RAILROAD COMPANIES	186,482,476	415,118,360	228,635,884
RESELLER TELEPHONES	769,390	4,860,830	4,091,440
TELEPHONES	422,207,500	292,752,120	(129,455,380)
WATER COMPANIES	4,081,430	7,784,330	3,702,900
TOTAL CERTIFIED TO COUNTIES	2,218,218,176	3,703,708,610	1,485,490,434

2013 - 2014 COUNTY COMPARISON							
	2013	2014			2013	2014	
COUNTY	TOTAL	TOTAL	GAIN/LOSS	COUNTY	TOTAL	TOTAL	GAIN/LOSS
ARKANSAS	23,266,369	24,788,801	1,522,432	LEE	38,111,552	38,160,255	48,703
ASHLEY	21,865,802	22,593,048	727,246	LINCOLN	12,343,370	12,511,562	168,192
BAXTER	32,079,689	32,571,684	491,995	LITTLE RIVER	22,855,695	24,369,399	1,513,704
BENTON	172,020,774	184,175,029	12,154,255	LOGAN	30,182,571	31,642,301	1,459,730
BOONE	25,719,649	26,955,283	1,235,634	LONOKE	48,785,921	51,254,864	2,468,943
BRADLEY	8,671,517	9,081,586	410,069	MADISON	16,932,153	18,328,959	1,396,806
CALHOUN	10,886,807	12,288,807	1,402,000	MARION	10,519,038	11,308,865	789,827
CARROLL	29,442,895	31,005,706	1,562,811	MILLER	48,306,009	50,251,106	1,945,097
CHICOT	18,519,884	19,550,010	1,030,126	MISSISSIPPI	67,484,153	69,304,793	1,820,640
CLARK	31,883,412	34,024,811	2,141,399	MONROE	14,400,591	15,606,881	1,206,290
CLAY	20,630,158	22,021,496	1,391,338	MONTGOMERY	5,415,112	5,924,641	509,529
CLEBURNE	24,860,345	25,758,672	898,327	NEVADA	15,782,096	17,008,590	1,226,494
CLEVELAND	10,181,535	10,903,344	721,809	NEWTON	9,336,046	9,715,649	379,603
COLUMBIA	28,462,637	32,065,021	3,602,384	OUACHITA	25,493,444	28,000,589	2,507,145
CONWAY	42,679,315	42,839,272	159,957	PERRY	8,834,160	8,740,392	(93,768)
CRAIGHEAD	57,000,587	61,952,892	4,952,305	PHILLIPS	45,972,864	41,370,002	(4,602,862)
CRAWFORD	50,819,185	52,897,358	2,078,173	PIKE	11,591,039	11,836,002	244,963
CRITTENDEN	61,710,356	65,360,566	3,650,210	POINSETT	26,619,333	28,665,779	2,046,446
CROSS	24,178,591	26,654,028	2,475,437	POLK	25,669,775	28,284,631	2,614,856
DALLAS	8,756,494	9,173,977	417,483	POPE	302,852,530	325,014,411	22,161,881
DESHA	36,851,860	37,314,001	462,141	PRAIRIE	9,510,247	10,106,358	596,111
DREW	16,935,874	18,059,800	1,123,926	PULASKI	405,608,360	428,739,248	23,130,888
FAULKNER	73,503,044	76,264,668	2,761,624	RANDOLPH	17,557,251	17,284,919	(272,332)
FRANKLIN	42,113,078	42,824,761	711,683	SALINE	50,802,196	54,976,874	4,174,678
FULTON	13,981,661	14,453,696	472,035	SCOTT	9,015,724	8,617,695	(398,029)
GARLAND	46,614,240	50,024,645	3,410,405	SEARCY	8,204,125	8,300,268	96,143
GRANT	13,297,567	13,731,731	434,164	SEBASTIAN	127,395,718	134,926,979	7,531,261
GREENE	21,537,924	23,339,971	1,802,047	SEVIER	23,215,984	24,355,247	1,139,263
HEMPSTEAD	185,929,244	187,709,570	1,780,326	SHARP	15,943,043	16,478,117	535,074
HOT SPRING	80,139,363	82,477,318	2,337,955	ST. FRANCIS	39,828,172	39,699,138	(129,034)
HOWARD	19,870,006	20,950,757	1,080,751	STONE	8,912,843	9,748,027	835,184
INDEPENDENCE	106,945,593	106,641,222	(304,371)	UNION	41,077,803	44,849,432	3,771,629
IZARD	15,987,038	15,295,108	(691,930)	VAN BUREN	13,230,882	13,716,295	485,413
JACKSON	31,258,105	32,750,791	1,492,686	WASHINGTON	149,970,340	157,005,243	7,034,903
JEFFERSON	147,896,287	154,399,317	6,503,030	WHITE	138,014,361	139,367,888	1,353,527
JOHNSON	22,897,630	23,863,631	966,001	WOODRUFF	58,316,061	58,626,102	310,041
LAFAYETTE	13,691,673	12,823,592	(868,081)	YELL	16,492,682	18,498,628	2,005,946
LAWRENCE	30,288,478	31,526,511	1,238,033	GRANDTOTAL	3,543,957,910	3,703,708,610	