

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



Biennial Report

For The Years

2017 - 2018



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Sarah M. Bradshaw
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December 3, 2018

The Honorable Asa Hutchinson
Governor
State Capitol Building
Little Rock, AR 72201

Dear Governor Hutchinson:

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 2017 - 2018. 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 \$4,812,847,395 in 2017 to approximately \$5,036,088,778 in 2018. This is an increase of \$223,241,383 and represents, an approximate gain of 4.43% in assessed value.

Sincerely,

A handwritten signature in cursive script that reads "Sarah M. Bradshaw".

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

SMB/rsc

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 2018, the Tax Division valued and assessed the real and personal property of 246 telecommunications companies and their operating subsidiaries, 29 cable television companies and their operating subsidiaries, 33 electric companies and cooperatives, 16 gas companies, 12 pipeline companies, 3 solar companies, 4 water companies, 25 railroads, 382 private car companies, 18 airlines, 52 barge lines and 33,476 motor carriers. The market value of the utilities and carriers valued by the Tax Division in 2018 was approximately \$25,180,000,000, which represents an assessed value of approximately \$5,036,000,000 and an estimated property tax of \$239,864,680.

In 2017, the Tax Division valued the real and personal property of over 29,594 utilities and carriers. The assessed value of the utilities and carriers in 2017 was approximately \$4,813,000,000 and the estimated property tax on the assessed value was approximately \$228,184,330.

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 Tax Fund, funded by revenues resulting from the Tax Division's assessments on carriers. The Ad Valorem Tax Fund is used to fund the Counties and Municipalities Section of Legislative Audit, the Assessment Coordination Department, and the Tax Division. The taxes and penalties collected from water transportation companies in excess of \$2,500,000 are deposited in the State Treasury and credited to the Arkansas Port, Intermodal, and Waterways Development Grant Program. 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 2017 - 2018 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 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 thirty (30) day period to file a formal appeal of the assessment. 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 no appeals pending before the Public Service Commission. There is one appeal pending before the Highway 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.

THREE YEAR COMPARISON 2016 - 2018

CLASS OF PROPERTY	2016 ASSESSED VALUE	2017 ASSESSED VALUE	2018 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	0	0	0	0
AIRLINE (SITUS)	459,230	2,550,870	1,847,160	(703,710)
BARGE LINE (REAL)	0	0	41,660	
BARGE LINE (SITUS)	1,178,120	154,800	125,460	(29,340)
CABLE TELEVISION	189,977,270	190,833,950	205,105,270	14,271,320
CELLULAR TELEPHONE	438,126,190	412,413,140	419,465,940	7,052,800
ELECTRIC COOPERATIVE	643,140,300	657,546,320	684,587,980	27,041,660
GAS TRANSMISSION	536,994,690	554,841,210	556,149,280	1,308,070
MOTOR CARRIER (REAL)	8,722,860	8,548,740	8,641,860	93,120
PRIVATE CAR (SITUS)	709,900	3,671,450	2,687,600	(983,850)
PRIVATE ELECTRIC	1,264,714,770	1,528,790,830	1,551,316,850	22,526,020
PIPELINE	50,754,990	85,287,280	183,375,150	98,087,870
RAILROAD	505,904,800	533,722,630	560,776,230	27,053,600
RESELLER TELEPHONE	2,806,260	2,814,170	4,324,510	1,510,340
SOLAR	0	4,280,470	4,849,320	568,850
TELEPHONE	297,107,530	298,574,340	291,134,830	(7,439,510)
WATER COMPANY	7,274,670	7,842,820	7,518,040	(324,780)
TOTAL CERTIFIED TO COUNTIES	3,947,871,580	4,291,873,020	4,481,947,140	190,032,460
AIRLINE	25,603,500	22,561,740	25,166,470	2,604,730
BARGE LINE	77,500,380	69,391,310	127,013,090	57,621,780
MOTOR CARRIER	409,213,535	418,699,985	390,881,388	(27,818,597)
PRIVATE CAR	11,443,870	10,321,340	11,080,690	759,350
				0
TOTAL CERTIFIED TO D.F.A.	523,761,285	520,974,375	554,141,638	33,167,263
GRAND TOTAL	4,471,632,865	4,812,847,395	5,036,088,778	223,199,723

TEN YEAR COMPARISON 2008 - 2018

CLASS OF PROPERTY	2008 ASSESSED VALUE	2018 ASSESSED VALUE	GAIN OR LOSS
AIRLINE (REAL)	-	-	0
AIRLINE (SITUS)	1,040,240	1,847,160	806,920
BARGE LINE (REAL)	-	41,660	
BARGE LINE (SITUS)	36,810	125,460	88,650
CABLE TELEVISIONS	136,160,960	205,105,270	68,944,310
CELLULAR TELEPHONES	333,641,000	419,465,940	85,824,940
ELECTRIC COOPERATIVES	466,328,180	684,587,980	218,259,800
GAS TRANSMISSION	269,445,000	556,149,280	286,704,280
MOTOR CARRIER (REAL)	8,602,440	8,641,860	39,420
PIPELINE COMPANIES	31,818,290	183,375,150	151,556,860
PRIVATE CARS (SITUS)	1,823,750	2,687,600	863,850
PRIVATE ELECTRICS	844,960,000	1,551,316,850	706,356,850
RAILROAD COMPANIES	217,934,180	560,776,230	342,842,050
RESELLER TELEPHONES	1,586,040	4,324,510	2,738,470
SOLAR COMPANIES	-	4,849,320	4,849,320
TELEPHONES	382,754,800	291,134,830	(91,619,970)
WATER COMPANIES	4,301,800	7,518,040	3,216,240
TOTAL CERTIFIED TO COUNTIES	2,700,433,490	4,481,947,140	1,781,513,650

2017 - 2018 COUNTY COMPARISON

COUNTY	2017 TOTAL	2018 TOTAL	GAIN/LOSS	COUNTY	2017 TOTAL	2018 TOTAL	GAIN/LOSS
ARKANSAS	29,203,678	29,590,162	386,484	LEE	37,582,661	37,849,377	266,716
ASHLEY	24,851,051	26,019,681	1,168,630	LINCOLN	13,736,719	14,456,281	719,562
BAXTER	34,443,535	36,160,167	1,716,632	LITTLE RIVER	27,482,487	27,342,900	(139,587)
BENTON	213,302,536	215,583,879	2,281,343	LOGAN	34,946,378	40,188,760	5,242,382
BOONE	30,489,876	31,405,495	915,619	LONOKE	58,171,583	60,725,442	2,553,859
BRADLEY	10,188,316	10,417,830	229,514	MADISON	21,907,354	23,182,729	1,275,375
CALHOUN	19,197,955	18,900,340	(297,615)	MARION	12,861,140	13,254,762	393,622
CARROLL	40,735,258	41,593,928	858,670	MILLER	58,745,906	59,859,674	1,113,768
CHICOT	22,210,441	25,731,359	3,520,918	MISSISSIPPI	86,211,867	87,347,812	1,135,945
CLARK	39,042,532	40,428,507	1,385,975	MONROE	18,178,135	18,735,257	557,122
CLAY	29,260,852	33,068,232	3,807,380	MONTGOMERY	6,634,900	6,811,512	176,612
CLEBURNE	28,338,704	30,788,068	2,449,364	NEVADA	19,022,029	19,195,288	173,259
CLEVELAND	14,033,740	14,912,733	878,993	NEWTON	10,682,522	11,297,711	615,189
COLUMBIA	36,267,029	37,483,881	1,216,852	OUACHITA	33,754,074	36,462,623	2,708,549
CONWAY	44,867,922	52,393,629	7,525,707	PERRY	9,802,568	10,195,893	393,325
CRAIGHEAD	75,032,214	82,485,271	7,453,057	PHILLIPS	39,926,725	39,951,973	25,248
CRAWFORD	59,017,795	61,566,317	2,548,522	PIKE	12,127,776	12,236,470	108,694
CRITTENDEN	74,301,953	81,299,267	6,997,314	POINSETT	33,429,937	35,998,128	2,568,191
CROSS	32,363,363	34,554,833	2,191,470	POLK	33,280,337	34,379,845	1,099,508
DALLAS	10,256,529	10,643,301	386,772	POPE	385,089,062	404,756,499	19,667,437
DESHA	41,789,977	43,160,034	1,370,057	PRAIRIE	14,143,138	16,066,014	1,922,876
DREW	28,872,158	22,844,586	(6,027,572)	PULASKI	412,492,294	424,130,775	11,638,481
FAULKNER	78,216,288	79,115,440	899,152	RANDOLPH	21,312,853	20,376,994	(935,859)
FRANKLIN	57,420,327	61,355,315	3,934,988	SALINE	62,560,659	65,037,403	2,476,744
FULTON	16,143,890	16,578,810	434,920	SCOTT	9,497,438	10,289,050	791,612
GARLAND	60,153,023	62,269,537	2,116,514	SEARCY	9,289,083	9,730,192	441,109
GRANT	16,159,919	16,671,013	511,094	SEBASTIAN	147,010,104	160,783,957	13,773,853
GREENE	28,979,602	31,730,255	2,750,653	SEVIER	23,173,651	23,069,503	(104,148)
HEMPSTEAD	198,405,583	196,457,026	(1,948,557)	SHARP	17,327,969	18,045,501	717,532
HOT SPRING	91,238,001	93,927,671	2,689,670	ST. FRANCIS	48,830,844	60,172,511	11,341,667
HOWARD	22,856,545	22,389,339	(467,206)	STONE	9,819,980	9,910,952	90,972
INDEPENDENCE	111,094,807	109,605,629	(1,489,178)	UNION	206,175,442	199,310,931	(6,864,511)
IZARD	15,381,606	15,385,347	3,741	VAN BUREN	14,601,235	22,673,759	8,072,524
JACKSON	39,682,484	42,226,046	2,543,562	WASHINGTON	190,972,175	205,405,244	14,433,069
JEFFERSON	166,835,325	169,913,476	3,078,151	WHITE	149,213,535	162,415,133	13,201,598
JOHNSON	27,987,876	37,848,794	9,860,918	WOODRUFF	58,971,465	64,771,701	5,800,236
LAFAYETTE	15,660,044	16,509,524	849,480	YELL	21,225,495	21,834,723	609,228
LAWRENCE	37,398,766	40,679,139	3,280,373	GRANDTOTAL	4,291,873,020	4,481,947,140	