

Arkansas Property Tax: Revenue, Assessments & Rates

Miller County

UofA
UNIVERSITY OF ARKANSAS
DIVISION OF AGRICULTURE
Cooperative Extension Service

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I. Introduction

Property tax revenue has long been an important source of revenue for state and local governments. In Arkansas the property tax generates revenue for school districts, county and city governments, community colleges and special districts. In this publication we provide information about the source and distribution of property tax revenue to provide a better understanding of the importance of the property tax for local governments. We also compare the property tax base and rates among counties and over time, which provides information on the property tax capacity and effort of local governments.



Figure 1 - Sources and Uses of Property Tax Revenue

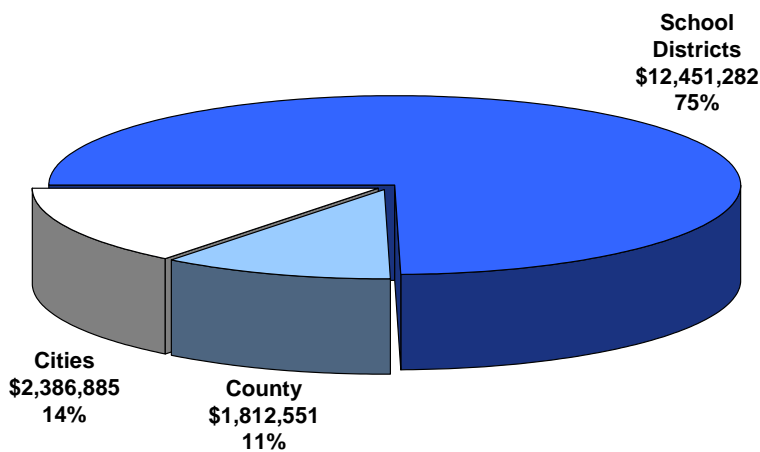
Figure 1 shows the sources and uses of property tax revenue with the width of the arrows depicting the share of property tax revenue flows for the state of Arkansas. These shares will vary among counties depending on the local tax structure, property tax base and rates.

In this publication we first show the distribution of the property tax revenue among local governmental units and then compare the importance of the property tax revenue for Arkansas, school districts and county governments. The next section depicts the property tax base of the county, how it has changed over time and a comparison among counties. Third, property tax rates are presented and compared among counties. Finally, the property tax burden is compared among counties and states.

II. Local Use of Property Tax Revenue

Property taxes provide substantial revenue for local services. In 2003, Arkansas property taxes generated an estimated \$1.37 billion. Differing property assessments and local tax rates led to variation in the amount and share of property tax revenue received by local governments and school districts. In Arkansas, school districts receive a large share of the property tax revenue (77%) with county and city governments receiving about 15 percent and eight percent respectively. Community colleges and special districts also receive a small share of property tax revenue in some counties.

Property Tax Revenue by Taxing Unit
Miller County, 2003

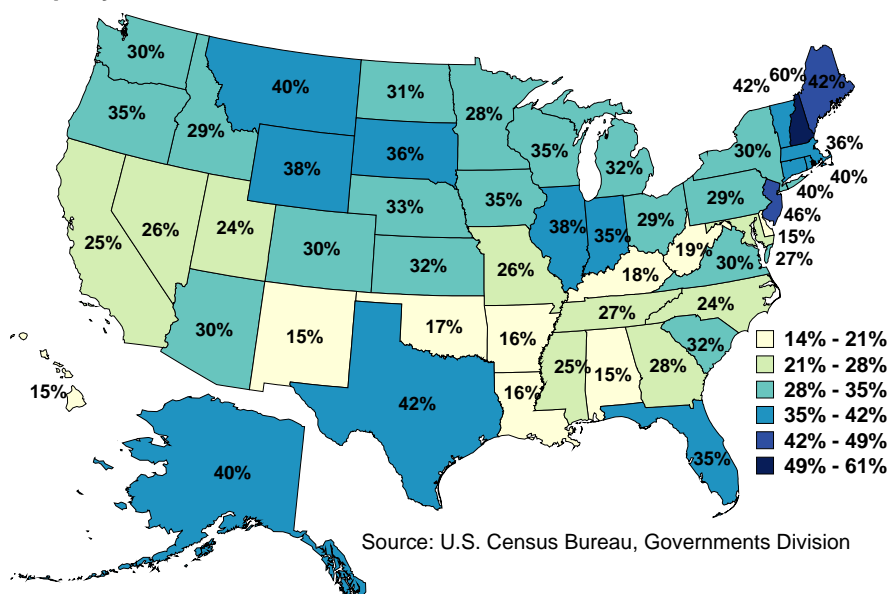


Of the estimated \$16.7 million generated from the property tax in Miller County in 2003, \$12.5 million (75%) went to school districts, \$1.8 million (11%) went to county government, and \$2.4 million (14%) went to city governments.

Figure 2 – Property Tax Revenue by Taxing Unit, Miller County, 2003
Source: Arkansas Assessment Coordination Department

Nationwide, property taxes generate a significant share of state and local tax revenue. In 2002, property taxes accounted for 16% of Arkansas’ state and local tax revenue, about half the national average of 31%. Only five states rely less on the property tax than Arkansas.

Property Tax Revenue as Percent of State & Local Tax Revenue, 2002



Source: U.S. Census Bureau, Governments Division

Figure 3 - Property Tax Revenue as Percent of State & Local Tax Revenue, 2002

A. School Districts

Property tax revenue generated approximately 28% of Arkansas school district funding in the 2003-04 school year. Of the \$3.2 billion received by the 309 Arkansas school districts, nearly \$900 million came from the property tax. Due to differences in tax capacity, effort, and state and federal aid, school districts vary in their reliance on property tax revenue to support their schools. In 2003-2004, school districts received between 11% and 41% of their total revenue from property tax. With oversight from locally elected school boards, school districts use property tax revenue for many vital operating expenses, including teacher salaries, school supplies and equipment, and building construction and maintenance.

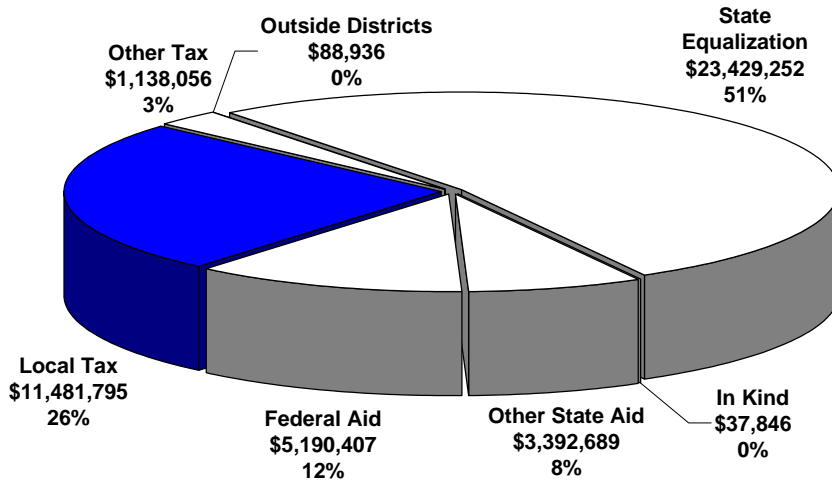
Property Tax as Percent of Total School District Revenue, 2003



Source: 2003-2004 Arkansas Department of Education Annual Statistical Report

Figure 4 – Property Tax as Percent of Total School District Revenue, 2003

**School District Revenue by Source,
Miller County, 2003-2004**



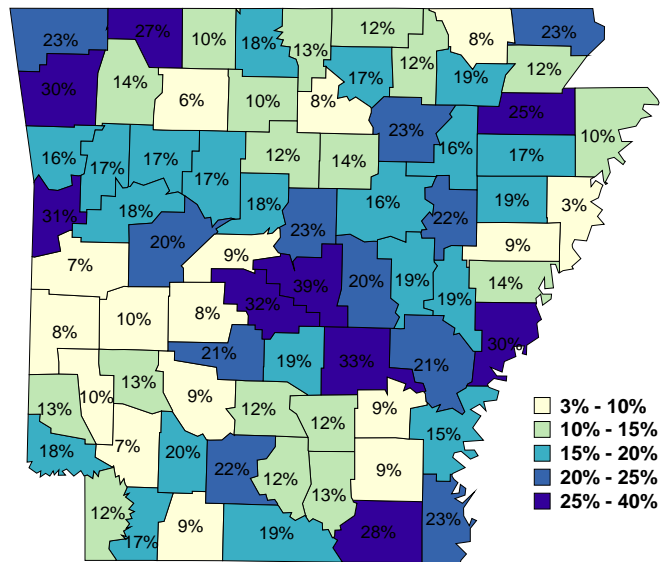
Property taxes generated approximately \$11.5 million for schools in Miller County in 2003-2004, and accounted for 26% of their total revenue.

Figure 5 – School District Revenue by Source, Miller County, 2003-2004
Source: Arkansas Department of Education Annual Statistical Report

B. County Governments

Like schools, county governments in Arkansas use the property tax to raise a substantial portion of their revenue. County governments received between 3% and 39% of their total revenue from the property tax. Statewide, property tax revenue composed 21% of total county government revenue in 2002, but only 17 counties were above the state average. The median county government relied on the property tax for 16% of its total revenue.

Property Tax as Percent of County Government Revenue, 2002



Source: Arkansas Bureau of Legislative Audit

Figure 6 – Property Tax as Percent of Total County Government Revenue, 2002

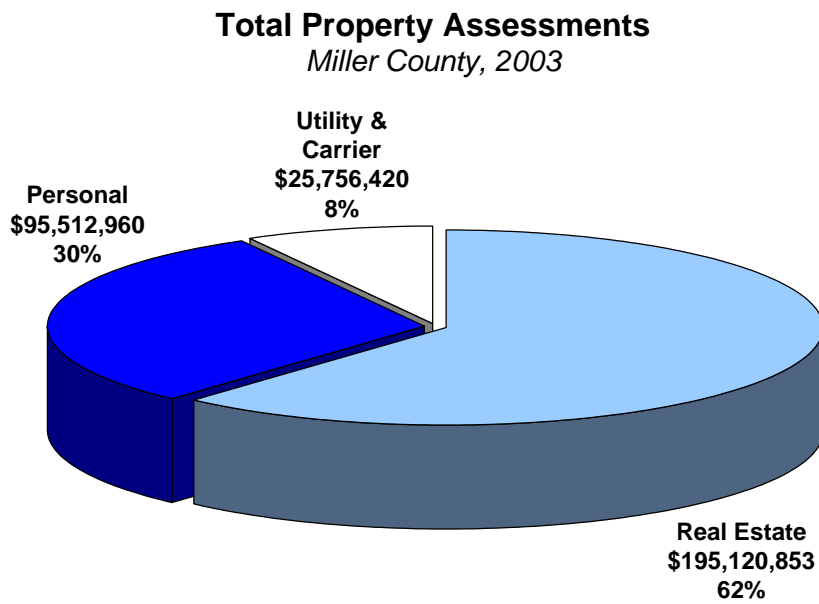
While the property tax revenue for some county governments has been increasing, many counties receive a smaller percentage of their revenue from the property tax than they have in the past. This is because most Arkansas counties also use the sales tax to generate revenue, thus reducing their reliance on the property tax.

C. City Governments

City governments depend less on the property tax as a source of revenue than school districts and county governments. In the late 1980s, Arkansas cities obtained a larger share of their local tax revenue from the property tax than they do currently. More recently cities are relying on the sales tax to generate a larger share of local revenue for city governments.

III. Property Assessments

Property tax revenue is collected from commercial and industrial establishments, utilities, and farms as well as from owners of residential establishments. Real estate property (land and buildings), the largest source of property tax revenue, accounts for 68% of the property in Arkansas, compared to 24% from personal property, and 7.5% from utilities and carriers.



Most of the property assessments in Miller County were assessments on real estate. In 2003, assessments on real estate were \$195 million as compared to \$96 million in assessments on personal property. Utility and carrier assessments were \$26 million.

Figure 7 - Total Property Assessments, Miller County, 2003
Source: Arkansas Assessment Coordination Department

Property assessments and the rate of increase in property assessments vary greatly among counties. On average property assessments in Arkansas increased 95% between 1990 and 2003. However, if these assessments are adjusted for inflation using the Consumer Price Index (CPI), assessments increased only 38% percent during this period.

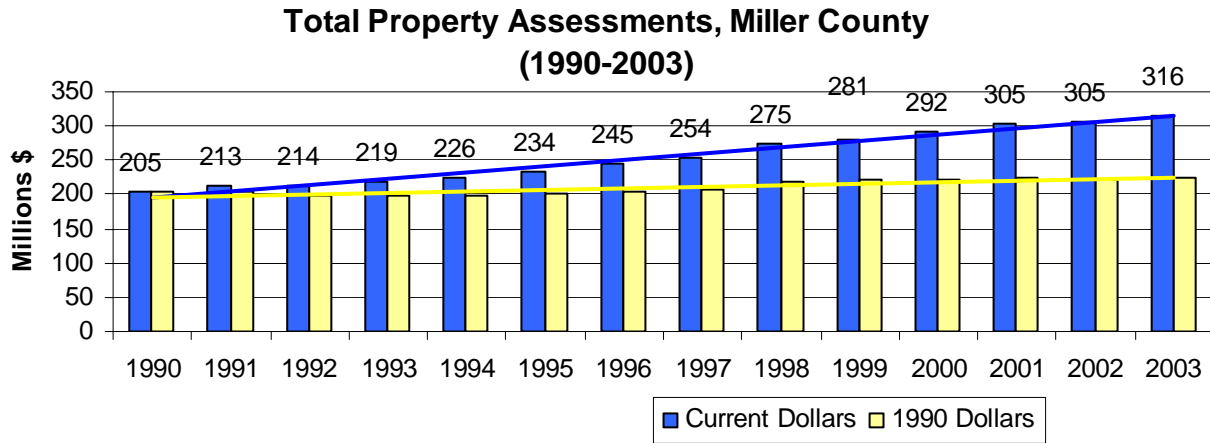
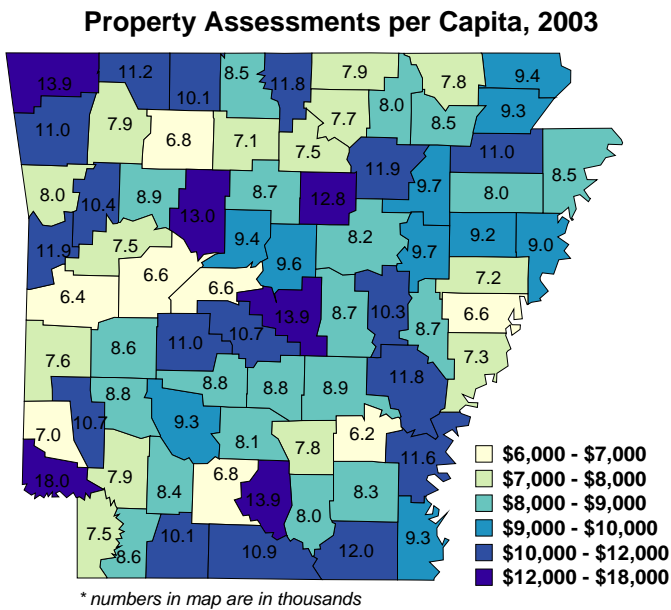


Figure 8 – Total Property Assessments, Miller County, 1990-2003
Source: Arkansas Assessment Coordination Department & the consumer price index.

Property assessments in Miller County increased by approximately 55 percent from 1990-2003. After adjusting for inflation using the Consumer Price Index, property assessments increased by 10 percent during this same period, indicating an increasing tax base in Miller County.



Source: Arkansas Assessment Coordination Department & U.S Census Bureau

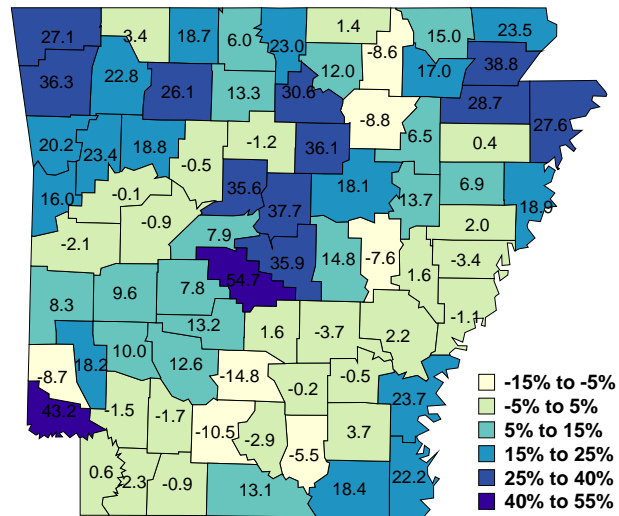
Figure 9 – Property Assessments per Capita, 2003

Dividing assessments by population indicates the capacity of counties to raise revenue from the property tax. Arkansas' average 2003 property assessment per person was \$10,717, with a range between \$6,200 and \$18,000. Only 17 of the 75 counties were above the average. Rural areas are more likely to have low assessments per capita and, therefore, less capacity to raise revenue from the property tax.

Using the normalized dollar values, it becomes clear how the real assessed value of property has changed between 1990 and 2003. The changes may be the result of rising property values and/or changes in the method of assessment. A change in the property assessments per person indicates whether the ability of a county to raise property tax revenue is growing or declining. Statewide, assessments per person have risen by \$1,200 in this period, an increase of 19%. However, 21 counties have seen a decrease in per capita assessments over the same period.

Change in Property Assessments per Capita

1990 to 2003



Source: Arkansas Assessment Coordination Department & U.S. Census Bureau

Figure 10 - Change in Property Assessments per Capita

Property Assessments per \$1,000 Personal Income, 2003



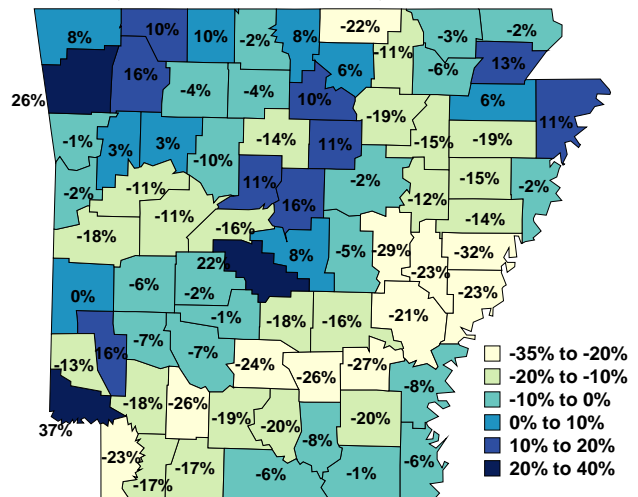
Source: Bureau of Economic Analysis & Arkansas Assessment Coordination Dept

Figure 11 - Property Assessments per \$1,000 Personal Income, 2003

Between 1990 and 2003, average property assessments per \$1,000 of personal income have remained nearly constant, decreasing by only \$1, or 0.2%. However, individual counties have seen considerable change, ranging from a 32% decrease to a 36% increase.

Dividing assessments by total personal income is another way of measuring the property tax base. In 2003, Arkansas averaged \$431 in property assessments for every \$1,000 of personal income, with a range between \$301 and \$820 in the 75 counties.

Change in Property Assessments per \$1,000 Personal Income, 1990-2003



Source: Bureau of Economic Analysis & Arkansas Assessment Coordination Dept

Figure 12 - Change in Property Assessments per \$1,000 Personal Income, 1990-2003

IV. Property Tax Rates

Property tax rates (millage) are an indicator of the local tax effort used to support local services. Counties, cities, and school districts have different boundaries and tax rates, which means that citizens in the same county have different tax rates depending on whether they live in a town or rural area and in which school district they live. To facilitate comparison among counties, property tax rates within a county are weighted and averaged.



Figure 13 - Average Total Millage by County, 2003

In 1995, the average total property tax millage in Arkansas was 44.8. Between 1995 and 2003, the average property tax millage increased by 3 mills, a growth of 6.7%. The average total millage varied widely from -10% to 57% in individual counties during this period. In five counties the average millage decreased, while in four counties the millage increased over 25%.

Statewide, the average 2003 total property tax millage was 47.8, or a tax rate of \$47.81 for every \$1,000 of assessed property. School districts had an average millage of 36.8, while county governments averaged 7.2 mills and city governments averaged 6.1 mills.

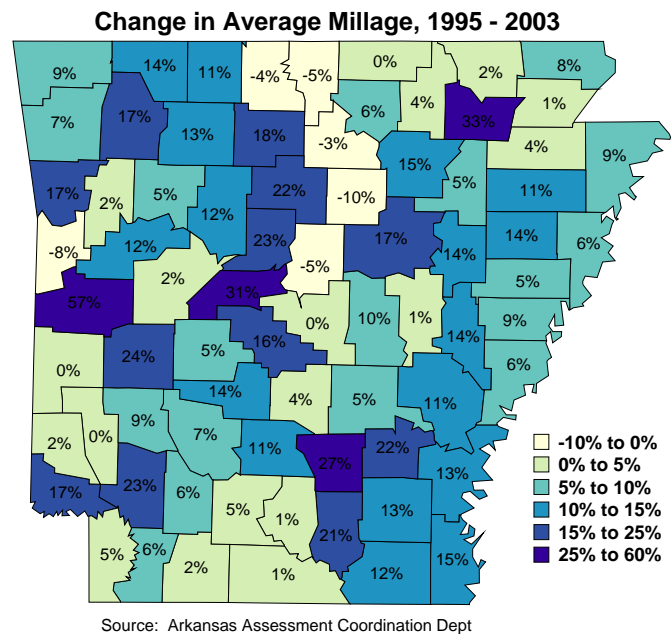
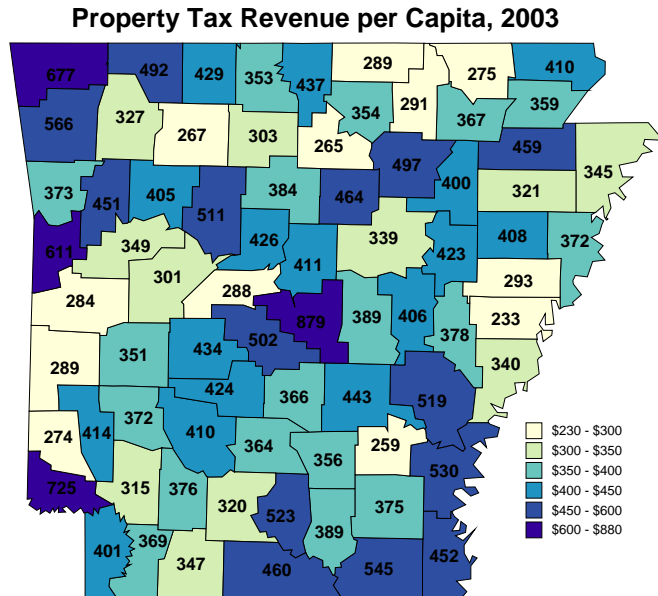


Figure 14 - Change in Average Millage, 1995 - 2003

V. Property Tax Burden

Based on property tax revenue estimates* by the Assessment Coordination Department, the property taxes generated an estimated \$502 in revenue per person in 2003. Counties received property tax revenue as high as \$879 or as low as \$233 per person. Only 16 percent of counties were above the state average, and the median county averaged an estimated \$401 in property tax revenue per person.



Source: Arkansas Assessment Coordination Department & U.S. Census Bureau
Figure 15 – Property Tax Revenue per Capita, 2003

Property Tax Revenue as Percent of Personal Income, 2003



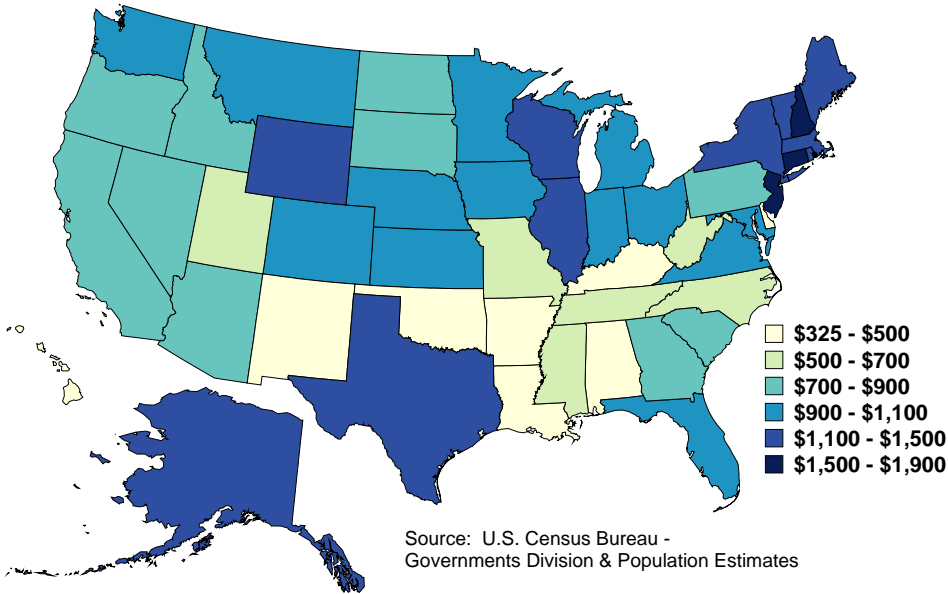
Source: Arkansas Assessment Coordination Department & U.S. Census Bureau

Figure 16 – Property Tax Revenue as Percent of Personal Income, 2003

Property taxes generated revenue equal to two percent of Arkansas' personal income in 2003. Property tax revenue as a share of personal income ranged from 1.1% to 3.4% in the 75 counties, with only one-fourth of Arkansas counties receiving higher than two percent.

*It should be noted that these are estimates; the Arkansas Assessment Coordination Department estimates revenue based on rates and assessments, assuming 100% payment of property taxes.

Property Tax Revenue per Capita, 2002



When compared with other states and measured on a per capita basis and share of personal income, the property tax burden in Arkansas is low. In 2002, Arkansas had a property tax of \$371 compared to \$969 for the United States. Only Alabama had less property tax per person.

Figure 17 – Property Tax Revenue per Capita, 2002

Arkansas' 2002 property tax revenue was 1.58% of total personal income, half the national average of 3.15%. Only two states, Alabama and Delaware, had lower property tax revenue as a percent of personal income.

Property Tax Revenue as Percent of \$1,000 of Personal Income, 2002

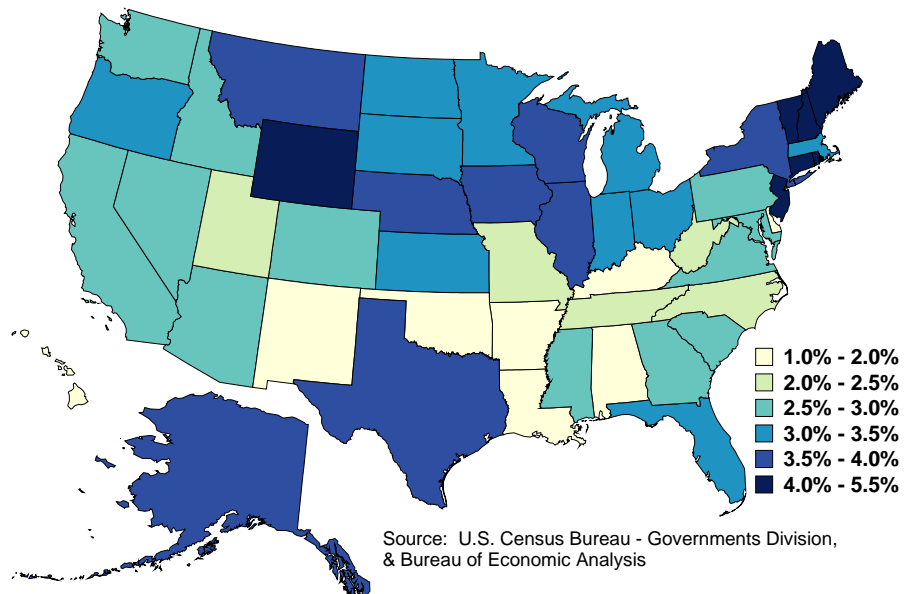


Figure 18 – Property Tax Revenue as Percent of Personal Income, 2002

GLOSSARY

ASSESSMENTS All real estate (land & buildings) and some personal property is assessed a value which is 20 percent of market value.

AVERAGE TOTAL MILLAGE The average millage in a particular geographic area. The average is computed by weighting the millage in different political and administrative districts by the assessments in the districts.

CONSUMER PRICE INDEX An index showing the change in the cost of a fixed basket of goods and services over time. The index is used to measure inflation in the cost of goods and services.

FEDERAL AID Revenue and the value of goods received from the federal government.

IN KIND The value of in-kind goods and services received by local school districts or other entities.

LOCAL TAX Taxes of local governmental entities including counties, cities, school districts and other special districts.

MILLAGE The tax rate on real and personal property. Millage is usually reported in rates per \$1,000 of assessed value.

PERSONAL PROPERTY TAX This is a tax on some movable property including such items as cars, boats, motorcycles, recreational vehicles, etc.

PROPERTY TAX A tax on real estate (land & buildings) and personal property of households, businesses, utilities and carriers.

STATE & LOCAL TAX REVENUE The sum of all tax revenue collected by state and local governments, including the state, county, city, school and special districts.

STATE EQUALIZATION REVENUE Revenue received by school districts from the state to attempt to equalize base funding among school districts in Arkansas.

TOTAL PERSONAL INCOME The total income received by residents of an area, including earnings, transfer payments, and interest, dividends and rent.

UTILITY & CARRIER PROPERTY TAX Taxes on real and personal property of utility and carrier companies. Carriers include businesses like pipeline, railroad, transportation, bus and airline companies.

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Project Director

Dr. Wayne P. Miller, University of Arkansas Division of Agriculture, Cooperative Extension Service

Design/Data Analysis

Ben F. Olson, University of Wisconsin Student, Political Science Department



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