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Property Tax Reform for Arkansas

Some Options for the Future

by James Metzger

Summary

- Arkansas continues to have one of the lowest property-tax burdens of any state. In 2002, it ranked 49th in state and local property taxes per capita and 48th in property taxes as a percent of personal income.

- If Arkansas' use of the property tax was similar to other states, it could have generated an extra $2 billion for schools and local government, nearly doubling the amount collected that year.

- Amendment 79 included property tax rate caps. While these "caps" are beneficial to individual owners and businesses, they are quietly "robbing" schools and local governments of the ability to cover rising costs each year.

- The primary purpose of the productive use provisions in Amendment 59 was to protect Arkansas property owners in rural areas (especially timber and farmland) from rapidly increasing property values. The favorable assessment received by farm and timberland owners has shifted the property tax burden to other taxpayers (whose valuations are set on the basis of market value rather than productive use) and other taxpayers through higher sales taxes. Out-of-state owners of timber and farmland have also benefited disproportionately under productive use.

- Arkansas should consider requiring farm and timber property owners who experience a profit windfall at the time of sale to pay a transfer tax that reflects the tax benefits they received while they were under the productive use provisions.

- Based on a sample of 26 counties, about one acre out of every seven acres of Arkansas timberland is owned by out-of-state residents and corporations.

Introduction

Few people would dispute that the local property tax on real estate and personal property is the most unpopular tax in Arkansas.[1] The long history of political controversy around the property tax – with its continual constitutional amendments changing previous amendments – dates back almost 50 years to Amendment 47, which abolished the longstanding state-level property tax. Yet ironically, the burden of the property tax in Arkansas is less than most other states, and has decreased in recent years even as the state struggles to find additional revenue to improve a court-determined inadequate public education system.

The State Role in Property Taxes

Arkansas continues to have one of the lowest property-tax burdens of any state. In 2002, it ranked 49th in state and local property taxes per capita ($370 per capita) and 48th in property taxes as a percent of personal income ($16 per $1,000 of personal income).[2] Nationally, the figures are twice as much: the average amount per capita was $969 and $32 per $1,000 of personal income.[3]

Most states rely on local and state property taxes to support public schools. In Arkansas, the property tax is levied on real, personal, and utility property. It is levied and administered at the local level and is therefore not a state-level tax. Nonetheless, the state plays a vital role in the property-tax system, which is a primary vehicle for funding schools and local governments. In 2003, it generated almost $1.2 billion, of which $917 million went to public schools.

State government is involved in property-tax administration in several important ways. First, the state's

Assessment Coordination Department (ACD) supports county assessors. ACD also reviews the value of property in each county. When assessed value in a county rises above 22 percent or falls below 18 percent of market value, ACD can force the county to *reappraise* (reset the value of) all property.[4] The state also affects local taxes through the amount of aid it gives the schools and the method it uses to decide how much money to give each school district.

The Local Role

The specific amount of revenue that a given district can expect to generate from local property taxes is a function of two variables: the amount of local property wealth and the rate at which property is taxed. In Arkansas, most property wealth is normally assessed for tax purposes at 20 percent of market value, with the actual assessments done by each of the state's 75 counties. (Some very important exceptions to this law are explained later.)

The rates at which property is taxed are typically expressed as "millages," which are rates per $1,000 of assessed value. Voters at the level of individual school districts set millage rates for public school taxes. For the year 2002, the average millage rate on Arkansas property was about 45 mills,[5] but some districts levied a rate of above 50 mills while some remained near the constitutionally mandated rate of 25 mills.

How Property Taxes Work

County officials assess the value of property by checking the amount for which the property could be sold — its *market value*. Then, they find its value for tax purposes — its *assessed value*. In Arkansas, most property is supposed to be assessed at 20 percent of its market value. So, for example, a house worth $90,000 would have an assessed property value of $18,000.

Property tax rates are also known as *millage rates* because taxes are set in mills. A mill is one-tenth of one cent. The tax rate is the number of mills of tax per dollar of assessed property value. Suppose a school district sets a tax rate of 30 mills (3.0 cents). The property tax owed on the $90,000 house would be $540.

Market value = $90,000
Assessed value = 20% X $90,000 = $18,000
Property tax = $18,000 X 3.0 cents = 54,000 cents
Property tax in dollars = 54,000/100 = $540.00

Schools

School districts can set millages for three purposes:

Maintenance and operations. Paying the normal costs of schools, such as teachers' pay and upkeep on buildings.

Capital outlays. Buying items such as computers and office machines.

Debt service. Paying for long-term costs such as building new schools.

Added together, these three millages equal the amount of property tax that goes to the school district. In 2003, all property taxes in Arkansas raised about $1.2 billion. About 76 percent of that money went to public schools. The rest went to county, city, library, and other projects.

According to Amendment 74 of the Arkansas Constitution, each district must raise a certain amount of revenue using a minimum tax rate of 25 mills. (Subsequent legislation allowed school districts to use excess debt millage to offset some of this 25 mills. In its *Lake View* decision, the supreme court ruled that this was an unconstitutional interpretation of the amendment[6] and legislation passed in the Second Extraordinary Session of 2003 codified this finding.)[7] The more money a district raises through property-tax assessments, the less it must depend on the state for assistance. State aid is then used to help most districts increase their revenue to a standard amount per student in all parts of the state.[8]

Low Property Taxes = Lost Revenue?

It is clear that the property tax is underutilized as a revenue source in Arkansas. As the recent Winthrop Rockefeller Foundation report on tax alternatives showed, Arkansas compensates for low property taxes by overusing excise and sales taxes.[9]

Every state's public finance system is unique, and any attempt at comparisons may omit important distinctions: for example, Texas' reliance on oil revenues or New Hampshire's and other states' prohibition against general sales taxes. Notwithstanding these facts, it is instructive to understand just how much property-tax revenue is lost in Arkansas each year because of our low level of tax.

Arkansas' average millage rate for real property was 45 mills in 2003, and total property-tax revenue for the year 2002 was $1.2 billion. Arkansas relies far less on the property tax than do other states. The Arkansas property tax generated 15.5 percent of all state and local tax revenue in 2002, compared to 30.8 percent nationally.[10] As such,

Sources of State and Local Tax Revenue: Arkansas vs. United States

	Arkansas		U.S.	
	Revenue Percent	Amount in Millions	Revenue Percent	Amount in Millions
Corporate Income	3%	177	3%	28,152
Sales and Use Taxes	39%	2,541	25%	222,987
Personal Income	24%	1,566	22%	202,858
Property Taxes	16%	1,004	31%	279,122
Excise Taxes	12%	799	11%	101,053
Other	6%	374	8%	70,799
Total Tax Revenue	100%	6,461	100%	904,971

Note: The Arkansas numbers do not take into account the 7/8 cent sales tax increase of 2004.

Arkansas ranked 45th in the nation in using property taxes as a revenue source.

Applying the national rate of 30.8 percent to Arkansas state and local general revenue collections in 2002 (approximately $6.5 billion), the property-tax income for schools and cities would have increased by $2 billion, nearly doubling the amount collected that year. Even comparing Arkansas to the Mid-South regional average percentage rate of 23.7 percent, Arkansas would have reaped a sizeable increase in revenue of $1.5 billion.[11] That difference exceeds the total amount of property taxes actually collected in the state in 2002.

Can the Lost Revenue be Found?

Amendment 79 and Local Caps

The original purpose of Amendment 79 was to protect property owners from large, sudden increases in the assessed values of their property. One of the impacts of the Amendment 79 caps on local revenue growth is that future millage rates may not provide sufficient revenue for local purposes. This has already begun to occur in jurisdictions where the enforcement of the caps has driven a wedge between market value – what a fair appraisal would conclude – and "book" value at the assessor's office – basically no more than last year's value plus 5 percent for homeowners and 10 percent for other property owners. These caps limit the increases that county assessors can place "on the books" during each tax year.

For example, if your home has increased in value by 12 percent annually since 2001, the assessor can only increase your assessed value by 5 percent for each year since then. In some areas of the state, rapid growth in property values exceeds these caps, meaning that assessed values will not reflect actual property values for many years to come.

While the caps are beneficial to individual owners and businesses, they are quietly "robbing" schools and local governments of the ability to cover the rising burden of salaries, insurance, maintenance, and other costs each year. This places upward pressure on millage rates when the taxing units realize that revenue is not keeping pace with rising costs. Already, the state's ACD has estimated that the annual revenue loss for school districts alone in 2003 from the caps was more than $67 million, with many counties yet to make full use of the caps.

Individual homeowners could be protected from "shocking" increases in their annual property-tax payments in other ways that would not lock away the growth potential from local schools and governments. A better way would be to allow assessments to follow market values but use rate rollbacks to prevent rapid, large tax increases. Then all property owners would be taxed fairly on the actual value of their holdings, but at the same time everyone would receive a reduction in the rate of taxation. Long-term, taxpayers in those jurisdictions would benefit from a larger tax base for revenues and have control over their future (presumably lower) tax rates through millage elections.

Amendment 79 and Property Tax Relief

Amendment 79, passed by the voters as a property tax relief measure in 1999, authorized a homestead credit of up to $300 for all Arkansas homeowners. In 2004, this credit was received by 670,700 households and diminished local property-tax revenue throughout the state by more that $175 million. The amendment was coupled with an increase in the state sales tax by ½ percent to replace the lost revenue to schools and local governments.

This blanket approach to tax relief has created several problems for the tax system, in addition to reducing property tax revenues. First, it had little effect on the many lower-income taxpayers who rent their homes, since only homeowners are eligible for the credit. Second, the credit goes to any homeowner who owes property taxes, regardless of their income status and need: a person with a home worth $1 million can receive this tax break just as readily as a person with a $50,000 home. Many other states try to limit property tax relief through "circuit breakers" targeted to certain populations, such as senior citizens and lower-income families (including renters). Until the passage of Amendment 79, Arkansas used a circuit-breaker for older citizens.

A better tax policy would be careful targeting of property tax relief. If the credits were made available to families with incomes below some standard – e.g., $40,000 or $50,000 in annual family income – they would be less expensive for the state. This would generate new revenue that could be used for either (1) additional funding for public schools or school facilities or (2) additional tax relief for low-income families who are renters. Administratively, a tax credit for low-income renters could be handled easily by allowing a credit against their personal property taxes on automobiles, which most families must pay each year. By targeting the tax credits in this fashion, the state would be able to recoup some of the lost revenue from Amendment 79 and provide tax relief to the low- and middle-income families that need it the most.

Should Arkansas Assess and Collect in the Same Year?

The property taxes that Arkansans pay each year are based on the assessments made in the previous year. Consequently, the collections in any year are based on prior year property values. This creates a lag in the time that taxing districts may benefit from local economic growth and also risks of losing some revenue when owners move from an area, go out of business, or enter personal bankruptcy. Unlike Arkansas, many states assess property values, send out a tax bill, and collect taxes from owners in the same year. It has been suggested that Arkansas could generate new tax revenue from adopting this procedure.

Currently, the annual increase in the state's property-tax base is about $1 billion, which generates approximately $35 million in additional local revenue each year. If Arkansas conducted assessments and collections in the same year, the state or its local governments could collect an additional $35 million more (plus some change) in property tax revenue each year compared to what it would have collected under the current system. This is money that could conceivably be dedicated to paying for school facilities each year. Such a dedication, however, would have consequences. Dedicating this money to school facilities would, in effect, be robbing school districts of part of the property tax growth from the constitutionally mandated 25 mills they must levy each year for the maintenance and operation of public schools. In essence, it would be reducing the growth resources local school districts have available to pay for expenses that increase as a result of inflation each year.

Amendment 59 and Productive Use

Amendment 59 was designed to protect Arkansans from the negative effects of rapidly increasing property values. The amendment's productive-use provisions were designed to hold the line on assessed values on rural land, and insulate it from the tendency of land prices to escalate during times of economic growth. This was especially worrisome for small and medium-sized farmers and landowners whose property was not producing regular income that could help pay for increased taxes.

Productive use gives favorable treatment to agricultural and timberland by assessing property value on the basis of its current use as agricultural or timberland, not on the basis of its actual market value.

Not only does this productive-use provision shift the burden to other taxpayers in the county (whose valuations are set by market forces), but also it shifts the burden for paying for local schools away from local taxes and more toward state funding by taxpayers from other parts of the state. This happens through the working of the state's school-funding formula, called the Minimum Foundation Program (MFP). Like many states, Arkansas' basic approach to school funding is to set a minimum level of funding per student for any district, regardless of its individual ability to raise that money locally.

A major problem for school funding systems like Arkansas' is that local wealth, the source of all property-tax revenue, is not evenly distributed across county and school-district boundaries. Schools like Lake View in Phillips County — now merged with another district — do not have big cities or large industries to increase the tax base; in 2000 it raised only $827 in local revenue per student.[12] Elsewhere, schools like Little Rock and Russellville can be supported more readily from local revenue; with higher millage rates, they raised about $3,200 per student that year. For this reason, many states like Arkansas have a minimum foundation program (MPF) where state taxes – primarily sales and income – are used to assist the local schools. In recent years, this program has become known as "equalization funding."

The MFP basically compares local revenue per student to a desired average revenue per student statewide; in 2004-2005 that figure – determined by the legislature – was $5,400. Most school districts fell short of this amount; only those with a large industrial presence or a power plant can generate more revenue than needed. The state Education Department certifies the "revenue gap" for each district, determines a reliable estimate of the number of students in each district, and allots the resulting amount for each school system.

Table 1

County Landowner Data - 28 Arkansas Counties

County	Out-of-State Owner Acres	Out-of-State Timber Acres	Arkansas Owner Acres	Arkansas Timber Acres	OOS+AR Acres =	Total Acres
Boone	35,691	26,113	242,205	131,229	277,896	385,190
Carroll	49,351	37,792	238,434	144,578	287,785	411,091
Clark	48,034	43,330	428,588	388,371	476,622	564,909
Craighead	8,943	3,925	83,027	13,158	91,970	456,339
Crittenden	55,081	2,558	49,112	13,057	104,193	407,514
Cross	24,855	7,394	108,685	41,282	133,540	398,317
Drew	none listed	44,829	none listed	327,828	none listed	534,854
Grant	15,182	14,500	354,077	338,719	369,259	405,152
Hempstead	90,109	85,774	201,439	169,035	291,548	474,509
Hot Spring	22,912	20,744	294,849	258,844	317,761	398,208
Jefferson	41,157	25,796	227,498	151,305	268,655	584,800
Lee	38,248	17,631	108,135	42,801	146,383	396,480
Lonoke	17,166	8,838	213,112	79,361	230,278	513,587
Madison	56,847	49,266	333,967	239,623	390,814	535,763
Nevada	106,344	103,354	225,228	206,104	331,572	397,331
Ouachita	70,823	6,363	340,892	50,456	411,715	473,408
Pike	16,330	14,524	308,707	286,806	325,037	392,915
Poinsett	16,143	5,785	88,220	37,198	104,363	488,602
Pope	16,268	13,692	173,185	127,839	189,453	531,738
Prairie	11,467	6,136	183,475	91,719	194,942	432,518
Pulaski	6,916	4,499	275,411	195,239	282,327	517,069
Saline	19,305	14,787	292,569	262,306	311,874	411,162
Scott	21,042	17,444	99,937	82,295	120,979	467,520
St. Francis	37,378	15,159	120,556	49,584	157,934	388,090
Stone	46,069	43,290	246,511	208,582	292,580	390,067
Union_1A	none listed	21,359	none listed	44,123	none listed	675,430
Union_1B	14,950	13,891	49,005	39,764	63,955	67,5430
Washington	39,817	32,233	364,512	232,903	404,329	611,885
Yell	26,002	22,865	193,848	146,163	219,850	607,290
Totals	952,430	723,871	5,845,184	4,400,272	6,797,614	13,251,738

Productive use provisions lower the assessed value in many districts because of protected land, lower their local wealth, and lower the amount of local revenue per student that can be raised. Through the MPF formula, the resulting gap is made up from state general revenue, completing the cycle and shifting the burden from rural property owners to the larger taxpaying public.

As an alternative taxing procedure, several other states with productive-use provisions in their property-tax laws have recovery arrangements that require a landowner who experiences a windfall profit to pay a fair share of taxes on the basis of the sale price. Those sellers who benefited from the productive-use provisions – where market values were unfair to them when their land was not for sale but was in production – now are benefiting unfairly from the Section 15 tax break when they sell their land. This lowers the amount of locally-raised funds to support the local schools and governments, and also impairs the rest of each county's taxpayers whose millage rates and tax bills are forced higher to subsidize the special protection allowed these landowners.

A better way would be a "state transfer tax" for education – imposed at the time of such land sales – that might recoup some of this lost revenue, and avoid the constitutional issues around Amendment 59. The recovery laws of other states are intended to rectify that inequity. [13] These laws generally collect a tax that is comparable to the amount of several years of taxation on the property at the higher market value, and are imposed on the seller who is benefiting from the sale at the higher market value rather than the productive-use value for assessment purposes.

Tax Breaks for Out-of-State Property Owners

The unintended consequence of Amendment 59 was that this tax benefit was bestowed on all owners of farm and timberland, regardless of whether or not they resided in Arkansas. Until now, it was impossible to know how much of a tax giveaway this created, but recent data on ownership of timber acreage collected by Mississippi State University (MSU) offers a much clearer picture detailing that for about one-third of counties in Arkansas.

The MSU study included 28 counties, 26 with complete data. The records show that the complete holdings of timberland owners account for 56 percent of the total land in these counties (see Table 1). About 69 percent of the property owned by timberland owners is timberland.

Timber constitutes more than one in three acres (39 percent) of the total land in these counties. Notable counties in the survey group are Grant (87 percent of land is timber), Nevada (78 percent in timber), and Pike counties (77 percent in timber). In contrast, in several Delta counties (Craighead and Crittenden counties) only 4 percent of their total land area is considered to be timberland.

About one acre in seven (14 percent) of Arkansas timberland is owned by out-of-state residents and corporations. Out of state ownership is particularly heavy in Nevada (26 percent of total acreage) and Hempstead (18 percent of total) counties (see Table 1).

While we do not have the same type of data for farmland, the productive use provision gives out-of-state owners of farmland an unfair tax break. A tax break that was supposed to help small, local farmers and timber owners has created an export of potential tax revenue from local schools and governments to the pockets of non-residents and out of state companies who unfairly benefit.

Meanwhile, school boards and local officials find it difficult to fund increasingly expensive school programs and other services that promote economic growth and good jobs for Arkansas in the future. When they do not have sufficient local revenue from lower-than-market-value land, this places added pressure on the state to raise revenue through sales and income taxes to provide the missing funds for these schools and local governments. The state transfer tax that was discussed above would help recoup some of these revenue losses also.

Narrow the Range

Another alternative to improve equity in local funding of education would be narrowing the allowable variance below the assessment ratio. At present, ACD conducts ratio studies of real and personal property in all counties of the state, and measures the difference between assessed values and 20 percent of actual values. Legally, the counties are expected to have an average assessment percentage of between 18 and 22 percent, and are subject to penalties if the ratio study finds them outside these boundaries.

With the advent of better assessment procedures and computerization of the assessors' offices, the current tolerance level afforded the county assessors appears to be excessive. A 10 percent error rate is easily within the capabilities of most of the county assessors now, and additional revenue could be gained by decreasing the allowable difference between the assessments and market or actual value. For example, the ratio studies could use 19 to 21 percent as the new boundaries for acceptable performance by the assessors, once their operations have incorporated the current ACD procedures and have computerized. This would help the assessors improve

Table 2

Arkansas State and Local Taxes As Shares of Family Income for Non-Elderly Taxpayers							
Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less Than 12,000	$12,000 - $20,000	$20,000- $33,000	$33,000- $55,000	$55,000- $100,000	$100,000- $242,000	$242,000 or more
Average Income in Group	$7,000	$16,200	$26,800	$43,400	$71,700	$137,900	$498,100
Sales and Excise Taxes	**10.2%**	**9.1%**	**8.0%**	**6.1%**	**4.8%**	**3.1%**	**1.6%**
Property Taxes	**1.9%**	**1.6%**	**1.2%**	**1.5%**	**1.4%**	**1.5%**	**1.1%**
Income Taxes	**0.2%**	**1.6%**	**2.6%**	**3.0%**	**4.0%**	**4.7%**	**5.5%**
TOTAL TAXES	**12.4%**	**12.3%**	**11.8%**	**10.6%**	**10.2%**	**9.3%**	**8.2%**
Federal Deduction Offset	----------	- 0.1%	- 0.0%	- 0.2%	- 0.8%	-1.5%	-2.0%
Burden After Offset	**12.4%**	**12.2%**	**11.8%**	**10.3%**	**9.5%**	**7.9%**	**6.1%**

Note: Tax burden includes the impact of Arkansas tax changes enacted during 2003-04; data primarily reflect household data and not corporate tax filings, although some incidental business income is reported on personal tax returns.
Source: Institute on Taxation and Economic Policy, August 2004

assessment practices and maintain equity among the counties.

Raise the Assessment Percentage

Another alternative would be to raise the current assessment ratio of 20 percent of market or appraised value to a higher percentage. For each percentage point increase in the ratio, statewide revenue would increase about 5 percent. An increase to a new assessment ratio of 25 percent would theoretically increase potential revenue for all taxing jurisdictions by about $250 million, less the reduction in collections because of the Amendment 79 "caps" on residential and commercial property (which would significantly reduce this revenue). At historical rates, about 76 percent of this amount – a maximum of approximately $190 million, given the caps – would be available to local schools.

State Property Taxes for Educational Adequacy

Technically Arkansas has no state property tax. A constitutional amendment passed by the voters in 1958 enacted that "No ad valorem tax shall be levied upon property by the State."[14]

However, Arkansas does impose a state mandate on local property taxes. Amendment 74 of 1996 mandates that all school districts must have a minimum of 25 mills for maintenance and operations (M&O).[15]

The effect of Amendment 74 on school funding is two-fold. First, a minimum rate of property tax (for adjusted M&O) is set for all school districts at 25 mills. This amount is "remitted" to the state, which is obligated to return the money to school districts for local expenditures. (The Supreme Court decision in *Lake View* held that this M&O adjustment was not enforced properly.) Second, the amendment does not require the state to return the revenue "dollar-for-dollar" to individual districts, so the state may reallocate some of these funds to different districts. The General Assembly can propose an increase in the rate, but it must be approved by a vote of the people.[16]

Although the state does not have complete discretion in using the revenue from the 25-mill levy, it may direct it to local schools throughout the state without strict regard for the origin of the revenue. In effect, Arkansas now has a limited form of a state property tax.

While any increase in the 25-mill levy would have to be approved by Arkansas voters, a higher state property tax could generate considerable new funding for schools.

For FY2003, total assessed property in Arkansas was valued at almost $25 billion, and in FY2004 that figure was projected to reach approximately $27 billion.[17] A one mill property tax increase would raise about $27 million per year across the state, not counting adjustments for collection costs.

Is the Property Tax a Fair Tax?

The Arkansas tax system is regressive in nature: it takes a higher percentage of income from the lower income groups than from the higher income brackets.[18] According to ITEP estimates based on 2002 property tax revenues, the lowest income group pays 1.9 percent of its income for property taxes either directly or through rental payments to owners of property. As shown in Table 2, higher income groups pay less of their income for property taxes; e.g., the top group pays 1.5 percent or less of their income in such taxes.

Any increase in property taxes, at either the state or local level, would make the tax system slightly more regressive in nature (although not to the degree that sales and excise tax raises would). The lowest income group already pays about 2 percent of its income in property taxes, while the top 1 percent of incomes pay less than ½ of 1 percent after the federal offset. This gap would increase slightly with any property tax increase through higher assessments or rates.

The federal offset plays a small role in the actual burden of property taxes, since they are deductible against federal income taxes for taxpayers who itemize their deductions. Such deductions mostly apply to higher income groups who have more to itemize, so the resulting burden changes slightly for the highest 40 percent of taxpayers. After adjusting for all deductions, the total tax burden of the top 1 percent of taxpayers drops from 8.2 percent to 6.1 percent of income. These taxpayers, more than any other group, are able to offset about 25 percent of their income and property taxes as a deduction against federal income taxes.

Conclusion

As noted earlier, few people would dispute that the local property tax is the state's most unpopular tax. This fact, and the lingering sense of inequities in the system, has made politicians and leaders reluctant to address obvious areas of needed tax reform. Yet studies and surveys have repeatedly shown that a majority of Arkansans are willing to suffer a tax increase if the purpose is clear – e.g., building better schools in their district – and if the increase is considered fair to all. It is time to clarify our priorities and take the mystery out of the property tax.

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Footnotes:

[1] Recent polling data confirms this. In response to questions about funding education, Arkansans repeatedly placed any increase in the property tax at or very near the bottom of revenue raising options. *See* Arkansas News Bureau poll, February, 2004, 2003 Arkansas Poll by the Diane D. Blair Center of Southern Politics and Society, and Zogby poll, 2003 commissioned by Arkansas Advocates for Children & Families.

[2] These statistical property tax comparisons take into account the $300 homestead exemption available to homeowners in Arkansas.

[3] U.S. Bureau of the Census and Government of the District of Columbia, Department of Finance and Revenue, "Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison," annual.

[4] Otherwise, reassessment is required by law every three years.

[5] This state average includes millages for cities and counties, also. Most of the millage goes to local schools, however.

[6] In the Lake View decision, the Arkansas Supreme Court stated, " The General Assembly's legislation permitting excess debt service millage is clearly contrary to the plain meaning of Amendment 74." Lakeview School District No. 25 of Phillips County v. Huckabee, 351 Ark. 31, 91 S.W. 3d 472 (Ark. 11/21/2002).

[7] The Arkansas law, codified as Arkansas Code Annotated 26-80-402(7)(B), states that "only those mills voted for maintenance and operation shall be used in the calculation."

[8] For a more complete discussion of property taxes and school funding, see two reports by Arkansas Advocates for Children and Families: "How Are Public Schools Funded," July 2001, and "Cutting the Property Tax: What Would be the Effects on Arkansas Families?" October 2000.

[9] The Winthrop Rockefeller Foundation, "Tax Options for Arkansas," June 2003, p. 15.

[10] U.S. Bureau of the Census, "State and Local Governments – Revenue by State," available on-line at <http://www.census.gov/govs/www/est/02.html>.

[11] States selected for this comparison were Alabama, Georgia, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas.

[12] These numbers were derived with this formula: (.025* assessed value of property in school district)/ # of children under age 18 in the school district.] The assessed value data is available on-line at: http://www.arkansas.gov/acd/statewide_values_rate s.html The number of children under 18 in a school district is available on-line at: http://www.aecf.org/cgi-bin/cliks.cgi?action=profile&areatree_expand=AR&areatree_rowexpand=school#jumpto (In the Little Rock School District, 25 mills of property tax produced $1,294.40 per student while in the Lake View District, 25 mills produced only $452.67 per student.)

[13] The Tennessee law, codified as Sections 67-5-1002 through 1011, calls for the imposition of "rollback taxes" when land ceases to qualify as agricultural, forest, or open space land. The "rollback taxes" capture the difference between the discounted assessed value and the value of land in its new use.

[14] Secretary of State, "Constitution of the State of Arkansas of 1874," Amendment 47, May 1997, p. 96.

[15] *History of Public School Education in Arkansas*, pp. 48-49; see also "Constitution," pp. 40-96; *25 mills refers to an adjusted M&O calculation.

[16] "Constitution of the State of Arkansas of 1874," p. 130.

[17] "Funding Projections," Arkansas Department of Education, available online at http://adedata.k12.ar.us:8080/FY03_04/Finance.

[18] Institute on Taxation and Economic Policy, "Who Pays?", Washington, D.C., August 2004.