Arkansas Property Tax:
Revenue, Assessments & Rates

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Highlights

The property tax continues to be a major revenue source for Boone County. School districts, county and city governments all benefit from the property tax. We find that:

Revenue
- Property taxes generated approximately $21 million in Boone County revenue in 2011.
- School districts receive the largest share of Boone County property tax revenue, 80%.
- Property tax revenue generated approximately 28% of Boone County school district funding in the 2010-11 school year.
- Boone County government received 11% of its total revenue from the property tax in 2010.
- City governments depend less on the property tax as a source of revenue than school districts and county governments.

Assessments
- Real estate property is the largest source of property tax revenue in Boone County and accounts for 76% of the total property assessments in the county in 2011.
- Between 2000 and 2011, Boone County property assessments increased by nearly 19%.
- Boone County’s 2011 property assessment per capita was $13,013.
- In Boone County, property assessments per person have risen by $853 between 2000 and 2011, an increase of 9%.
- In 2011, Boone County had $412 in property assessments for every $1,000 of personal income.
- Between 2000 and 2011, Boone County property assessments per $1,000 of personal income decreased by $72, or 15%.

Millage
- In Boone County, the average 2011 total property tax millage was 43 or a tax rate of $43 for every $1,000 of assessed property.
- Between 2000 and 2011, the average total property tax millage in Boone County increased by 5 mills, a growth of 15%.

National Comparisons
- In 2010, none of the U.S. states relied less on the property tax than Arkansas.
- In 2010, only Alabama had lower property tax revenue per person than Arkansas.
- Only Alabama and Oklahoma had lower property tax revenue as a percent of personal income than Arkansas in 2010.
**Introduction**

Property tax revenue has long been an important revenue source 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 in the state. We also compare the property tax base and rates among the 75 Arkansas counties and over time, which provides information on the property tax capacity and effort of local governments.

Figure 1 illustrates the sources and uses of property tax revenue with the thickness 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.

**Figure 1: Sources and Uses of Property Tax Revenue**

We first discuss the local use of the property tax revenue and then compare the importance of the property tax revenue for school districts, county governments, and city governments. The following section illustrates the property tax base, how it has changed from 2000 to 2011 and a comparison among counties. Next, property tax rates are presented and compared among counties. Finally, the property tax burden is compared among counties and states.
Local Use of Property Tax Revenue

Property taxes provide substantial revenue for local services. In 2011, Boone County property taxes generated approximately $21 million. 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 Boone County, school districts receive a large share of the property tax revenue (80%) with county and city governments receiving 13% and 7%, respectively (Figure 2). Community colleges and special districts also receive a small share of property tax revenue in some counties.

![Figure 2: Property Tax Revenue by Taxing Unit, Boone County, 2011](image)

Source: Arkansas Assessment Coordination Department

Of the estimated $21 million generated from the property tax in Boone County in 2011, $16.8 million went to school districts, $2.7 million went to county governments, and $1.5 million went to city governments.

Nationwide, property taxes generate a significant share of state and local tax revenue (Figure 3). In 2010, property taxes accounted for 18% of Arkansas’ state and local tax revenue, about half of the national average (33%). Arkansas relied less on the property tax than any other state in 2010.
School Districts

Property tax revenue generated approximately 27% of Arkansas school district funding in the 2010-11 school year. Of the $5.3 billion received by the 273 Arkansas school districts, nearly $1.5 billion 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 2010-2011, school districts received between 9% and 48% of their total revenue from property tax (Figure 4). 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 Receipts generated approximately $16.6 million for schools in Boone County in 2010-2011, and accounted for 28% of their total revenue (Figure 5).
County Governments

Like schools, county governments in Arkansas use the property tax to raise a substantial portion of their revenue. County governments received between 4% and 42% of their total revenue from the property tax in 2010 (Figure 6). In the same year, Boone County received 11% of its total revenue from the property tax. Statewide, property tax revenue composed nearly 22% of total county government revenue in the same year, but only 16 counties were above the state average. In 2010, the median county government relied on the property tax for 15% of its total revenue.

Figure 6: Property Tax Revenue as Percent of Total County Government Revenue, 2010

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.

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 rely on the sales tax to generate a larger share of local revenue for city governments.
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, accounted for 76% of the total property assessments in Boone County in 2011, compared to 19% from personal property, 5% from utility property, and 0% from mineral values (Figure 7).

![Figure 7: Total Property Assessments, Boone County, 2011](image)

Source: Arkansas Assessment Coordination Department

Most of the property assessments in Boone County in 2011 were assessments on real estate - $368.1 million as compared to $89.2 million in assessments on personal property. Utility property assessments were $24.9 million, and there were no mineral assessments. Total property assessments in the same year were $482.1 million.

Between 2000 and 2011, property assessments in Boone County increased by approximately 56%. After adjusting for inflation using the Consumer Price Index (CPI), property assessments increased by 19% during this same period, indicating an increasing tax base in the county (Figure 8).

Property assessments and the rate of increase in property assessments vary greatly among counties. The median increase in property assessments between 2000 and 2011 in the state was 50%. However, if these assessments are adjusted for inflation using the CPI, the median increase in assessments was 15% with a range of -17% to 261% across the 75 counties.
Dividing assessments by population indicates the capacity of counties to raise revenue from the property tax (Figure 9). Arkansas’ average 2011 property assessment per person was $12,846, with a range between $7,724 and $32,641. Only 29 of the 75 counties were above the average. In the same year, Boone County had property assessments per capita of $13,013. Rural areas are more likely to have low assessments per capita and, therefore, less capacity to raise revenue from the property tax.
Using constant dollar values, it becomes clear how the real assessed value of property has changed between 2000 and 2011 (Figure 10). 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 $2,075 in this period, an increase of 23%. However, six counties saw a decrease in per capita assessments over the same period. During the same period, Boone County experienced an increase of $853, or 9%.
Dividing assessments by total personal income is another way of measuring the property tax base (Figure 11). In 2011, Arkansas averaged $411 in property assessments for every $1,000 of personal income, with a range between $267 and $1,106 in the 75 counties. In the same year, Boone County had property assessments of $412 per $1,000 personal income.
Between 2000 and 2011, average property assessments per $1,000 of personal income decreased by $55, or 11%. Individual counties experienced volatile changes, ranging from a 35% decrease to a 144% increase (Figure 12). Boone County experienced a decline of $72, or 15%.

Figure 12: Change in Property Assessments per $1,000 Personal Income, 2000-2011

Sources: Arkansas Assessment Coordination Department; Bureau of Labor; Bureau of Economic Analysis; Woods&Poole
**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.

Statewide, the average 2011 total property tax millage was 45.9 or a tax rate of $45.9 for every $1,000 of assessed property. School districts had an average millage of 36.6, while county governments averaged 7.4 mills and city governments averaged 3.9 mills. Figure 13 shows average total millage by county in 2011. Boone County had an average total millage of 43.

![Figure 13: Average Total Millage by County, 2011](image)

Source: Arkansas Assessment Coordination Department

In 2000, the average total property tax millage in Arkansas was 40.3. Therefore, between 2000 and 2011, the average total property tax millage increased by 5.4 mills, a growth of 14%. The average total millage growth varied widely from a decline of 9.6% to an increase of 34.6% in individual counties during this period (Figure 14). In three counties, the average total millage decreased, while in six counties the average total millage increased over 25%. Boone County experienced an increase of 5 mills, or 15%.
Property Tax Burden

Based on property tax revenue estimates\(^1\) by the Arkansas Assessment Coordination Department, the property taxes in Arkansas on average generated an estimated $553 in revenue per person in 2011. Counties received property tax revenue as high as $1,236 or as low as $322 per person (Figure 15). Only 37% of counties were above the state average, and the median county received an estimated $523 in property tax revenue per person. In the same year, Boone County received an estimated $568 in property tax revenue per capita.

\(^1\) These are estimates from the Arkansas Assessment Coordination Department based on rates and assessments, assuming 100% payment of property taxes.
Property taxes generated revenue equal to 2% of Arkansas’ personal income in 2010. Property tax revenue as a share of personal income ranged from 0.4% to 3.6% in the 75 counties, with only 20% of Arkansas counties receiving higher than 2% (Figure 16). Boone County received property tax revenue that was an estimated 1.8% of personal income.
Arkansas’ property tax burden is low when compared with other states and measured on a per capita basis and share of personal income. In 2010, Arkansas had property tax revenue per capita of $596 compared to $1,431 for the United States. As Figure 17 illustrates, in 2010, only Alabama had lower property tax revenue per person than Arkansas ($538).

**Figure 17: Property Tax Revenue per Capita, 2010**

Arkansas’ 2010 property tax revenue was 1.8% of total personal income, nearly half the national average of 3.4%. Only two states, Alabama and Oklahoma, had lower property tax revenue as a percent of personal income in 2010 (Figure 18).
Figure 18: Property Tax Revenue as Percent of Personal Income, 2010

Sources: U.S. Census Bureau-Governments Division; Bureau of Economic Analysis
Summary

The property tax continues to be a major revenue source for Boone County. The tax generated approximately $21 million for primary and secondary schools, county and city governments in 2011. This is an estimated $568 per person and approximately 1.8% of Boone County’s total personal income.

Most of the property tax revenue went to primary and secondary schools (80%), while county governments received 13% and cities about 7%. While schools received the largest share of total property tax revenue, this revenue accounted for only approximately 28% of school funding in the 2010-11 school year. Boone County government received 11% of its total revenue from the property tax in 2010, whereas cities are less dependent on property tax revenue for their operations.

Both property assessments and the average total millage increased from 2000 to 2011 by 19% and 15%, respectively. This resulted in an increase in property tax revenue during this period. Property assessments per person also increased during this period (9%), although property assessments per $1,000 of personal income decreased by 15%.

While the property tax is an important source of revenue for schools and local governments in Arkansas, the state obtained a smaller share of its revenue from this tax than any other state in 2010. Only Alabama had lower property tax revenue per person and only Alabama and Oklahoma had lower property tax revenue as a percent of total personal income in 2010.
Glossary

Assessments: All real estate (land and buildings) and some personal property is assessed a value which is 20% of the 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 and buildings) and personal property of households, businesses, utilities and carriers.

State and 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 and 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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