



It is essential that Arkansas maintain the integrity of local property assessments. Traditionally, property taxes have been a stable source of school funding for local communities to help support children. In FY17, approximately 37% (\$1.1 billion) of the total Foundation Funding came from local property taxes (25 Mill Uniform Rate of Tax). For the last several years, the growth in property taxes made up the majority of the increase in Foundation Funding. For example, the growth in Foundation Funding in FY17 was \$25,930,933 and the growth in the URT property taxes was \$26,098,316.

Property taxes provide local communities the opportunity to improve school facilities and meet other needs. In collaboration, local school districts and the state have invested approximately \$2.54 billion to upgrade academic facilities since the inception (2006-2007) of the Partnership Program through 2016-2017 (\$1.62 billion locally and \$920 million from the state). The Partnership Program has certainly stimulated the state's economy and supported construction trades statewide.

Current state law allow property owners, including companies, to appeal their REAL property assessed value and pay nothing until the appeal is resolved. If an increasing number of taxpayers, especially large companies, appeal their tax bills under current law, the state financial burden during the appeal process will increase as districts are made whole up to 98% of the URT. In addition, districts lose tax revenue generated by mills above the URT. An additional concern is that districts sell bonds and establish debt service payments based on their projected assessments. In a worse case scenario, districts may default on their bond payment, which, by law, is then paid by the state.

The solution to this critical problem is to change the law so that REAL property is treated the same as PERSONAL property. The taxpayer pays the undisputed amount of the tax bill and the disputed amount is placed in escrow until the case is settled. In addition, the appeal process needs to be expedited at the court level and the county should be required to notify school districts as soon as possible regarding filed appeals. AAEA encourages superintendents and business managers to maintain close communication with county officials and the schools' representative on the Equalization Board in order to keep abreast of potential appeals. AAEA encourages superintendents and business managers to maintain close communication with county officials and the schools' representative on the Equalization Board in order to keep abreast of potential appeals.

Talking Points:

- Property taxes have been a stable source of school funding for local communities to help support children and teachers.
- Property taxes provide local communities the opportunity to improve school facilities and meet other needs.
- The Facility Partnership Program provides adequate learning environments for students, suitable teaching environments for teachers, and has stimulated the state's economy while supporting construction trades statewide.
- In order to maintain the integrity of the property tax system, change the current law so that REAL property is treated the same as PERSONAL property. The taxpayer pays the undisputed amount of the tax bill and the disputed amount is placed in escrow until the case is settled. In addition, the appeal process needs to be expedited at the court level and the county should be required to notify school districts as soon as possible regarding filed appeals.

