MP514

Property Tax Revenue Trends of County Governments in Arkansas

1999-2012

UofA DIVISION OF AGRICULTURE
RESEARCH & EXTENSION
University of Arkansas System

Property Tax Revenue Trends of County Governments in Arkansas: 1999–2012

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Highlights

Property tax revenue is vital to the fiscal health of Arkansas county governments. Our 13-year (1999-2012) comparison of county-specific property tax revenue data reveals that:

Statewide Averages

- Total property tax revenue received by county governments in Arkansas increased 31%.
- However, property tax revenue declined in 23 counties during this period.
- Property tax revenue as a share of total county government revenue increased from 23% in 1999 to 24% in 2012.
- The amount of property tax revenue collected per person by county governments was about $79 in 2012.
- Property tax revenue per person increased 18% during the 13-year period.
- Property tax revenue per $1,000 of personal income was $2.24 in both 1999 and 2012 but dipped as low as $1.93 in 2003 and 2004.

Regional Comparisons

- Property tax revenue grew 38% in urban counties compared to about 22% in rural counties during this 13-year period.
- Urban counties were more reliant on property tax revenue than rural counties for the entire study period. In 2012 urban counties received 31% of their revenue from the property tax compared to only 17% for rural counties.
- Of the rural regions, the Delta counties got a slightly larger share of their revenue from the property tax (20%) as compared to the Highlands (17%) and Coastal Plains (16%).
- Property tax revenue collected per person was greater in urban counties ($83) compared to rural counties ($74) in 2012.
- However, from 1999 to 2012, property tax revenue per person increased by 22% in rural counties as compared to only 14% in urban counties.
- The amount of property tax revenue collected per $1,000 of personal income did not vary greatly among regions, ranging from a low of $2.17 in the Urban region to a high of $2.40 in the Highlands in 2012.
- All regions, except the Highlands, experienced a decline in the amount of property tax revenue generated per $1,000 of personal income from 1999 to 2012.

Economic Dependency Classifications

- Services-dependent counties experienced the largest growth in total property tax revenue, while federal/state government-dependent counties experienced the smallest growth.
- Federal/state government-dependent counties collected the most property tax revenue per person in 2012, $102, compared to only $66 in farming-dependent counties.
- Farming- and manufacturing-dependent counties were the least reliant on property tax revenue among county groups classified by their economic dependence in 2012.

Introduction

The property tax is one of the largest sources of revenue for most county governments in Arkansas. Although revenue from the property tax going to county governments increased considerably from 1999 to 2012, this revenue as a share of total county government revenue increased only slightly during this period. While some of the increase in property tax revenue was due to an increasing population, the amount of revenue collected per person also increased over this 13-year period. However, the property tax revenue collected per $1,000 of personal income remained at the same level.

The statewide averages conceal major differences among counties, regions of the state and economic dependency groupings. Urban counties, in general, collected more revenue per person from the property tax and were more reliant on the property tax than rural counties. Although total property tax revenue grew more rapidly in the urban counties, property tax revenue per capita increased by a greater percentage in the rural counties. Other differences among rural regions, among economic dependency classifications and among counties within regions of the state are presented in this report.

In the following sections of this publication, the authors present some of the trends of property tax revenue generated for county governments in Arkansas using the 1999 to 2012 financial reports from the Arkansas Division of Legislative Audit. The authors also analyze differences among counties based on urban-rural classification, geographic location and economic dependency. Four indicators are used to compare property tax revenue over time and among counties, regions and economic dependency. The four indicators are 1) total revenue, 2) per capita revenue, 3) revenue per $1,000 of personal income and 4) property tax revenue as a share of total county government revenue.

All dollar values are reported in 2012 constant (real) U.S. dollars unless otherwise indicated.[1]

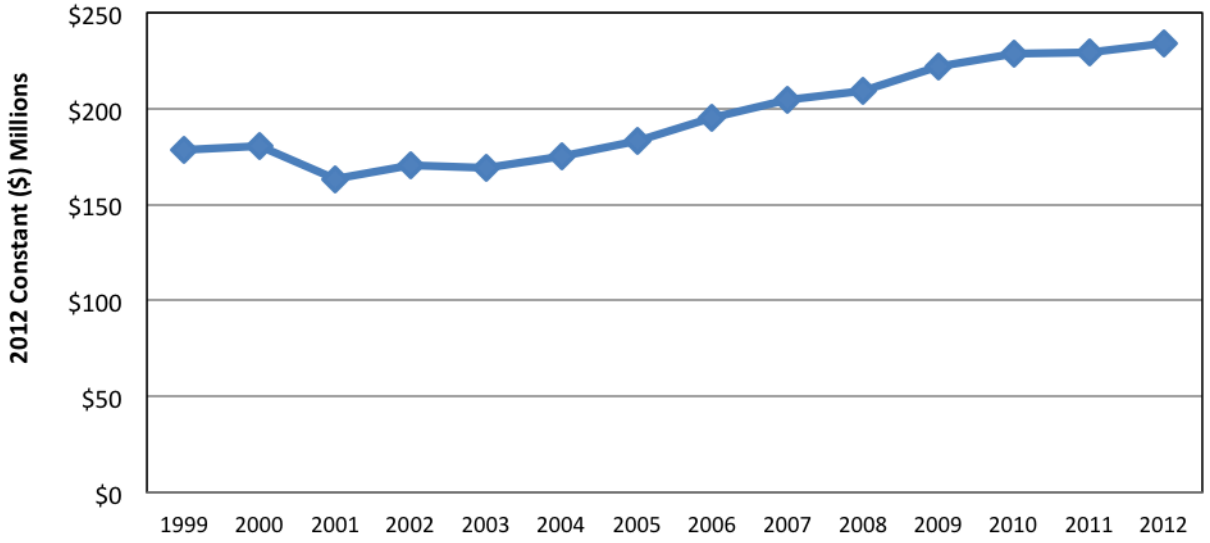
[1]The South urban (SU) consumer price index (CPI) was used to adjust the revenues for inflation. The revenues were then indexed to 2012 dollars so that 2012 nominal and real dollars were equal.

Statewide Property Tax Revenue

Though overall property tax revenue in Arkansas increased 31% – from about $179 million to $234 million – during the 13-year study period[2] (Figure 1), 23 Arkansas counties experienced declines in property tax revenue (Figure 2).

- The largest increase, 398%, occurred in Van Buren County as a result of higher property assessments due to an increase in natural gas extraction and a small increase in the millage.
- Phillips County saw the largest decrease (34%) due to a decline in property assessments and a slight decline in the millage.
- The median change in property tax revenue was a 21% increase.

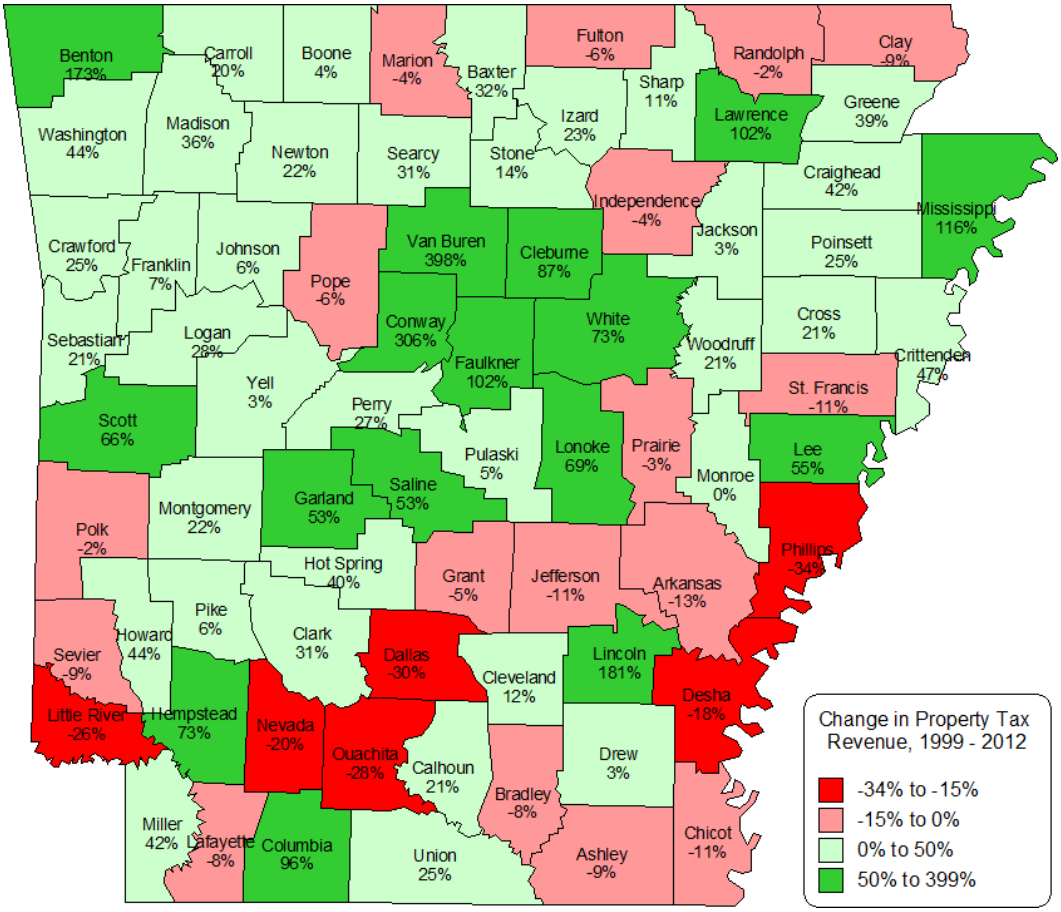
Figure 1. Total Property Tax Revenue Received by County Governments in Arkansas (1999–2012)



Sources: Arkansas Legislative Audit and U.S. Department of Labor

[2]At the time of this publication, the 2012 legislative audit report for Scott County had not been released; therefore, 2011 values were used as proxy values for 2012 for Scott County.

Figure 2. Change in Property Tax Revenue (1999–2012)

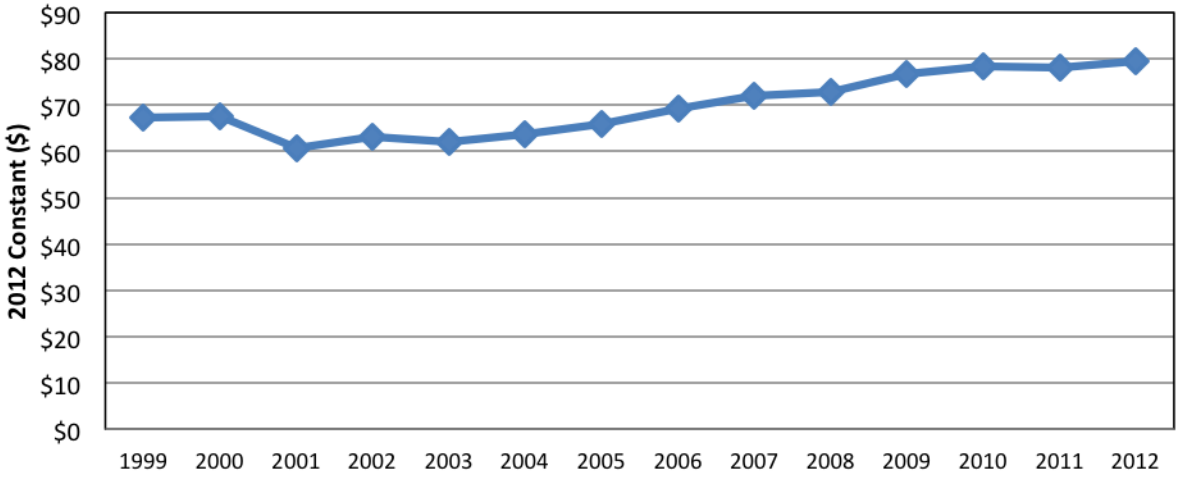


Sources: Arkansas Legislative Audit and U.S. Department of Labor

In per capita terms, property tax revenue increased 18% from $67 per person in 1999 to $79 per person in 2012 (Figure 3). As Figure 4 shows:

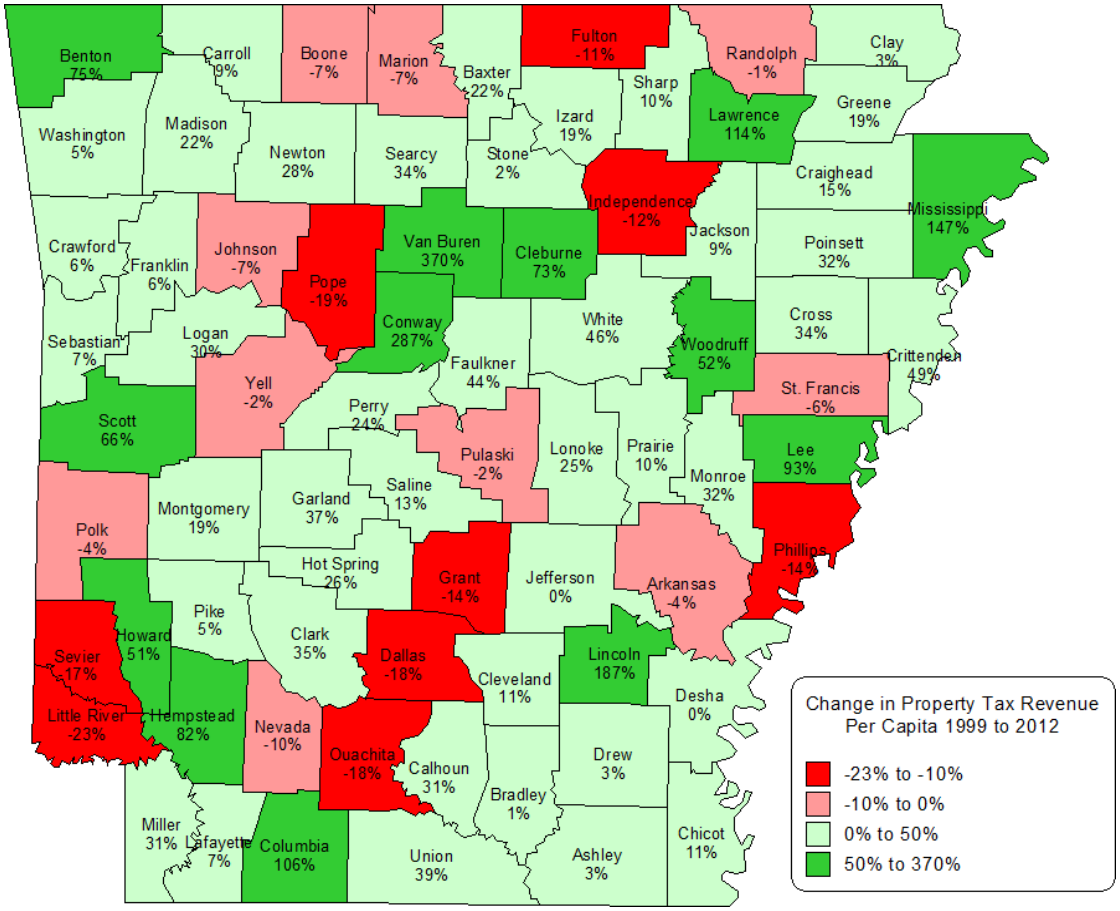
- The largest increase was in Van Buren County, where per capita property tax revenue grew 370% – from $44 per person to $208 per person.
- Little River County had the largest decrease, 23% from $91 per person to $70 per person.
- The median change in per capita property tax revenue was approximately an 11% increase.

Figure 3. Per Capita Property Tax Revenue Received by Arkansas County Governments (1999–2012)



Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Figure 4. Change in Per Capita Property Tax Revenue (1999–2012)



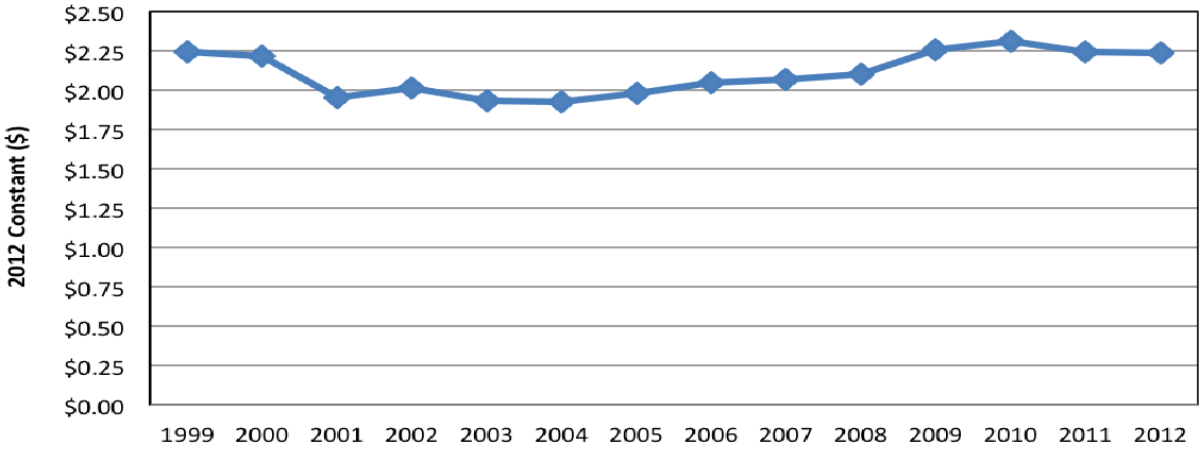
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Total property tax revenue per $1,000 of personal income remained at $2.24 in 1999 and 2012, although it dipped as low as $1.93 in 2003 and 2004 (Figure 5).

The share of total revenue accounted for by the property tax fluctuated from 1999 to 2008 then increased steadily until 2012, leading to a slight increase during the study period (Figure 6). In comparison to other major revenue sources, the property tax surpassed the sales tax as the greatest source of local revenue in 2010 and became the largest source of county government revenue overall in 2012.

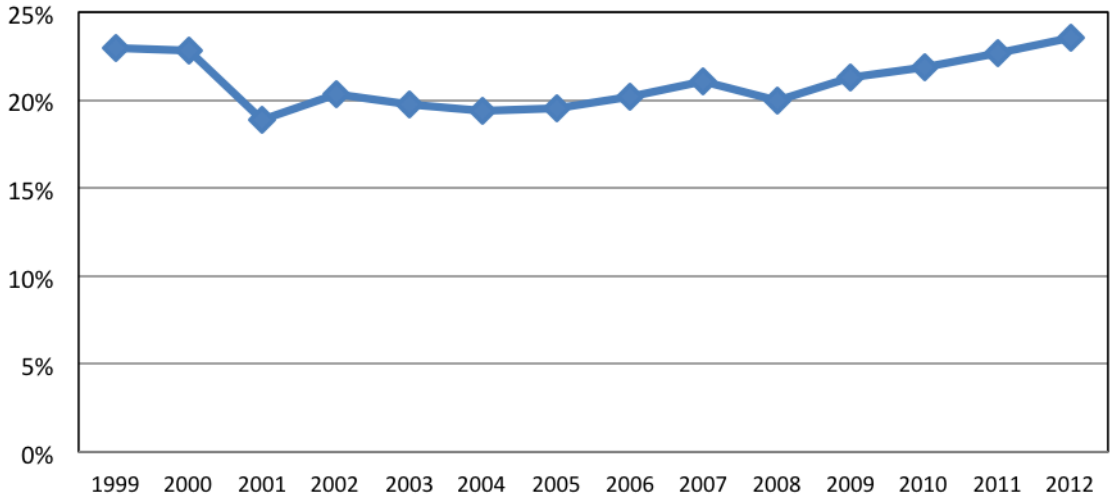
- In 2012 property tax revenue accounted for 24% of total county revenue overall, which was slightly higher than the 23% in 1999.
- Of all Arkansas counties, Saline County relied on property taxes the most in 2012 for 44% of its total revenue.
- At the other end of the spectrum, property taxes constituted the smallest share of revenue – only 5% – in Crittenden County.

Figure 5. Total Property Tax Revenue Received by Arkansas County Governments Per $1,000 Personal Income (1999–2012)



Sources: Arkansas Legislative Audit and U.S. Department of Labor

Figure 6. Property Tax Revenue as a Share of Total County Government Revenue (1999–2012)



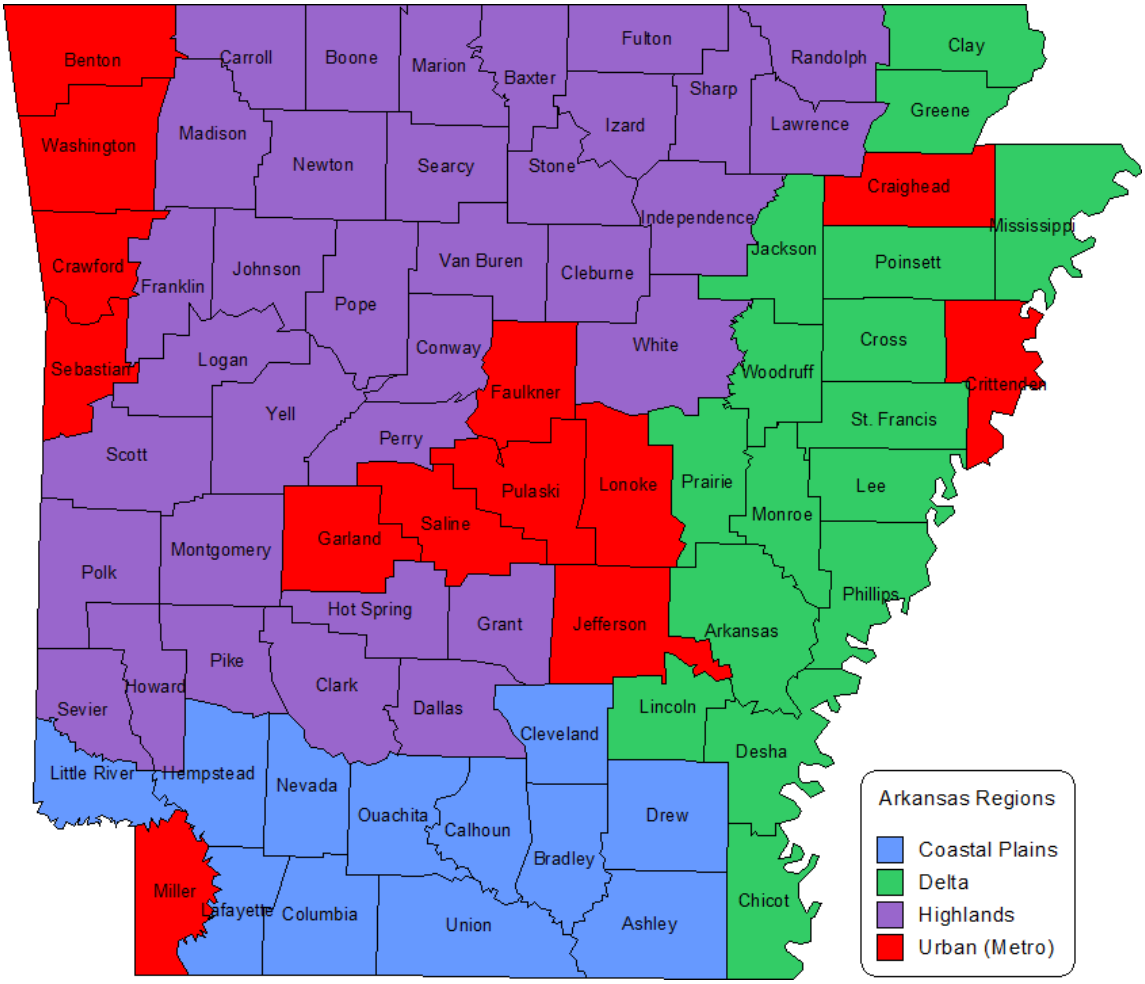
Source: Arkansas Legislative Audit

County Classifications

To gain more insight into the changing property tax revenue landscape in Arkansas, we have compared counties using three different categorizations:

- Counties are divided into metro (urban) and non-metro (rural) counties according to the 1999 U.S. Census Bureau designation.
- The rural counties are divided further into three separate geographic categories identified as the Coastal Plains, the Delta and the Highlands. Figure 7 illustrates the regional breakdowns.

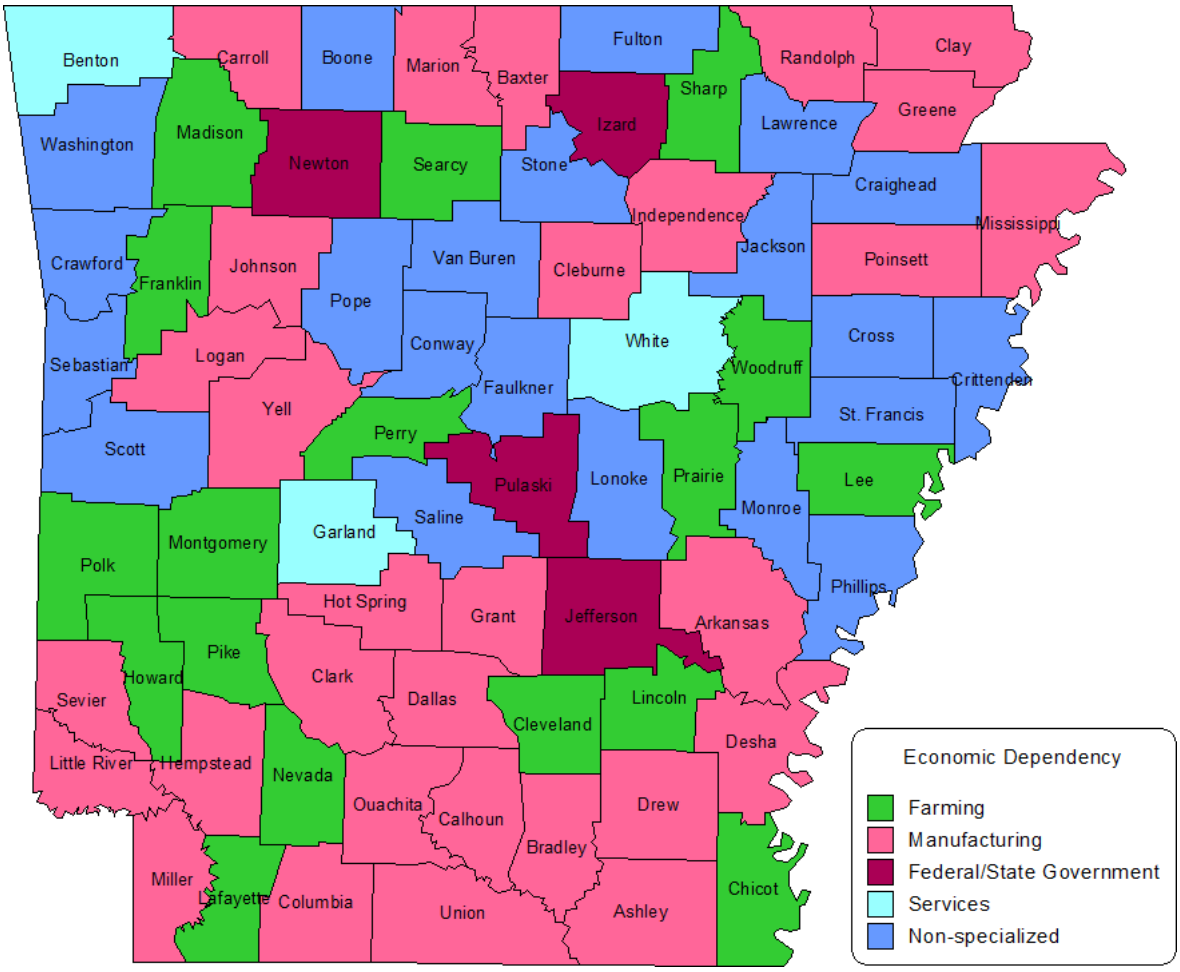
Figure 7. Arkansas Regions



Source: Cooperative Extension Service (*Rural Profile of Arkansas*)

- The Economic Research Service identifies economic dependence categories based on how much counties rely on various industries; there are farming-dependent, manufacturing-dependent, federal/state government-dependent, services-dependent and non-specialized counties. Figure 8 provides an economic dependence breakdown for all Arkansas counties.

Figure 8. Economic Dependence Classifications



Source: USDA Economic Research Service

Urban Versus Rural Property Tax Revenue

Both urban and rural areas saw increases in total property tax revenue from 1999 to 2012, but the increase was much greater for the urban counties.

- Urban property tax revenue grew 38% from $102 million to $141 million.
- Rural property tax revenue grew 22% from $77 million to $93 million.

However, in per capita terms, the increase in property tax revenue was greater for the rural counties relative to the urban counties.

- Per capita property tax revenue grew 22% in the rural counties from $61 per person to $74 per person.
- In the urban counties, per capita property tax revenue increased 14% from $73 per person to $83 per person.

Although per capita property tax revenue grew at a faster rate in rural counties, the urban counties still received more property tax revenue per capita ($83) compared to rural counties ($74) in 2012.

Property tax revenue per $1,000 of personal income increased slightly in rural counties but declined in the urban counties during the 13-year span.

- Rural counties saw a 3% increase from $2.29 to $2.35.
- Urban counties saw a 2% decrease from $2.21 to $2.17.

Urban counties rely more on the property tax than rural areas do, and the relative importance of the property tax increased in urban areas and decreased in the rural region from 1999 to 2012.

- In the urban counties, property tax revenue as a share of total revenue increased from 29% to 31%.
- In the rural counties, property tax revenue fell slightly from 18% of total revenue to 17% of total revenue.

Regional Comparisons of Property Tax Revenue

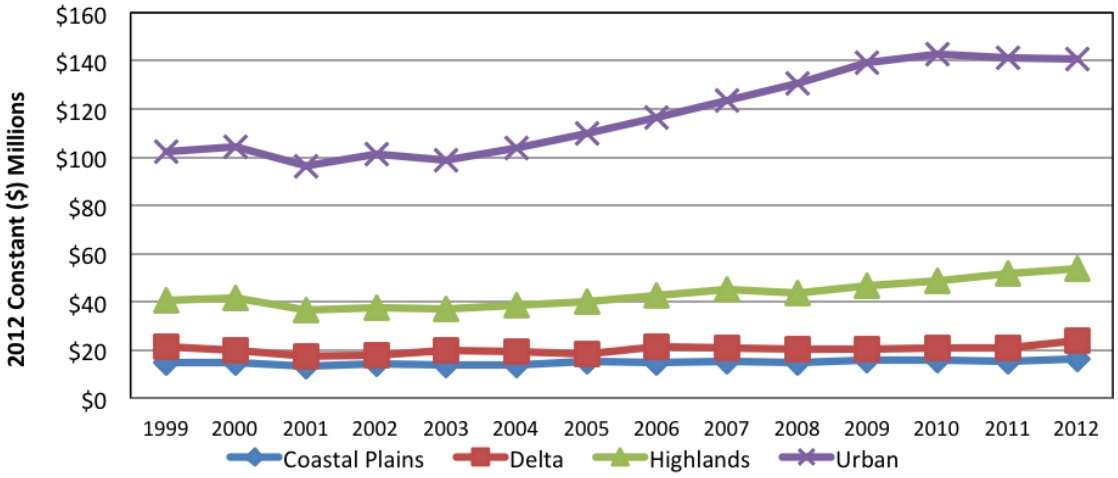
Property tax revenue grew in every regional classification over the 13-year study period (Figure 9).

- The greatest change occurred in the urban region (the metro counties), where property tax revenue increased 38%.
- Property tax revenue increased 32% in the Highlands, 11% in the Delta and about 9% in the Coastal Plains.

On a per capita basis, the urban region received more property tax revenue than any other region in all 14 years of the study (Figure 10).

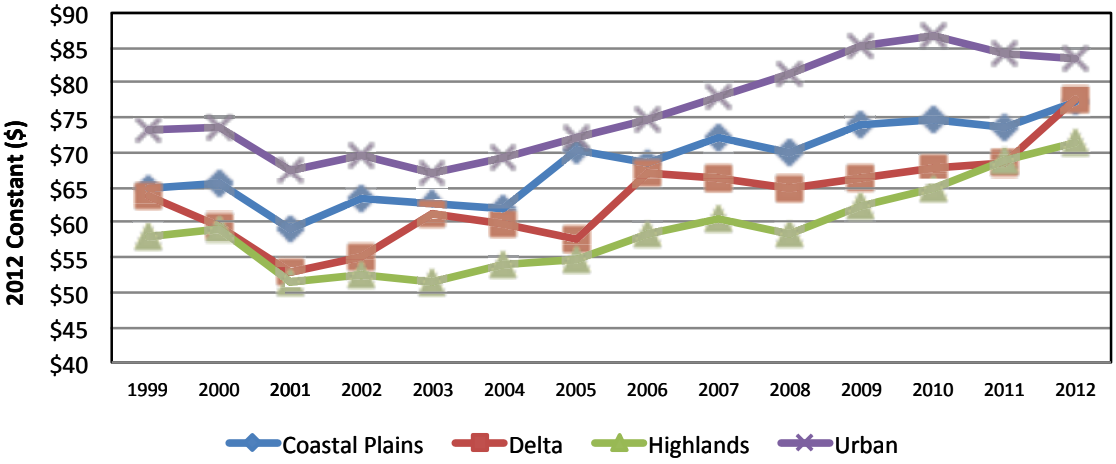
- However, the overall increase in per capita property tax revenue from 1999 to 2012 in the Urban region was lower than the other regions at 14%.
- The Highlands experienced the most growth at 23%.

Figure 9. County Government Property Tax Revenue by Region (1999–2012)



Sources: Arkansas Legislative Audit and U.S. Department of Labor

Figure 10. Per Capita County Government Property Tax Revenue by Region (1999–2012)



Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Total property tax revenue per $1,000 of personal income fell in three of the four regions from 1999 to 2012 (Figure 11).

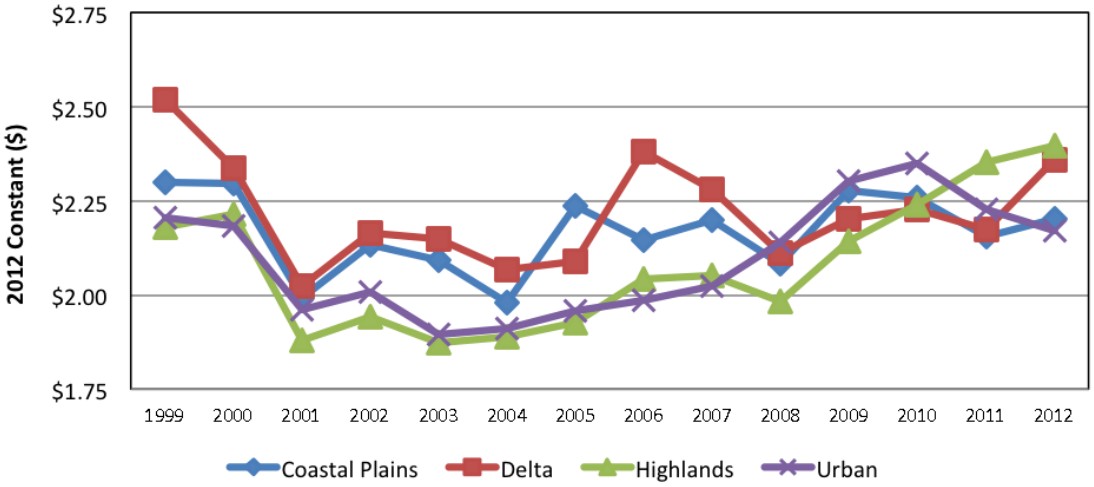
- The largest percentage decrease was in the Delta region, which saw a 6% drop from $2.52 to $2.36.
- The Coastal Plains and Urban regions also saw decreases in this category during the 13-year period, 4% and 2% respectively.
- Finally, the Highlands experienced an increase of about 10% from $2.18 to $2.40.

Of the four regions, the Urban region had the highest relative dependence on property tax revenue during all 14 years of the study (Figure 12).

In 2012:

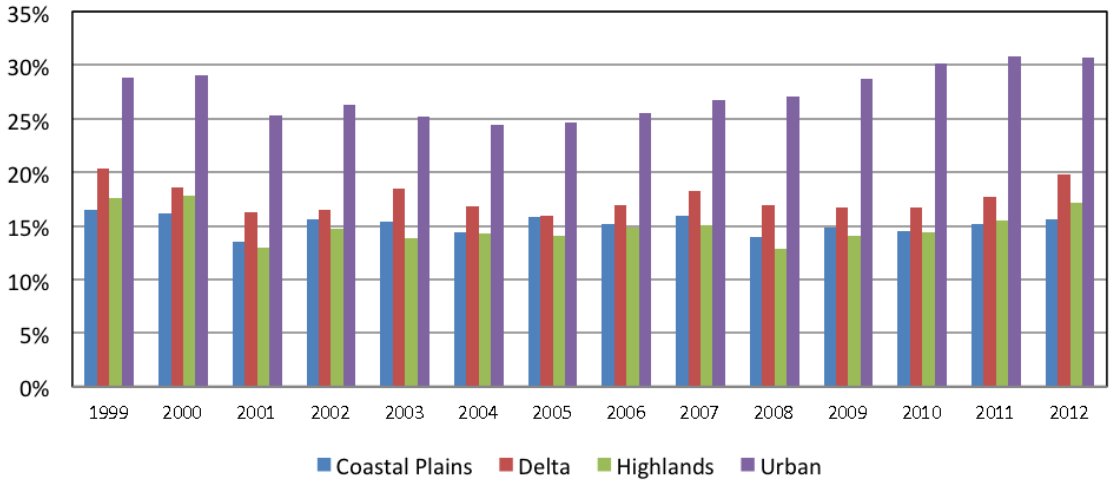
- Property tax revenue accounted for 31% of total revenue in the Urban region.
- The Delta relied on the property tax for 20% of its total revenue, the Highlands 17% and the Coastal Plains 16%.

Figure 11. County Government Property Tax Revenue Per $1,000 Personal Income by Region (1999–2012)



Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Figure 12. Property Tax Revenue as a Share of Total County Government Revenue by Region (1999–2012)



Source: Arkansas Legislative Audit

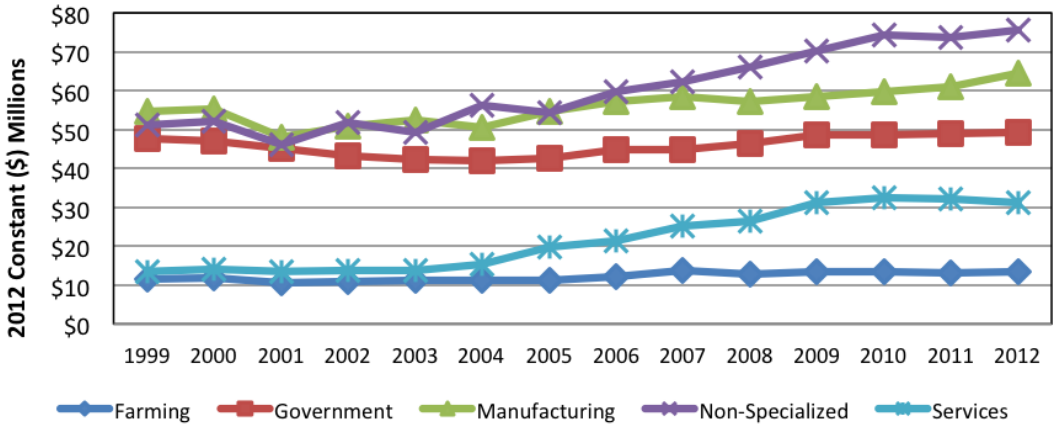
Property Tax Revenue by Economic Dependence

There were substantial differences in total property tax revenue trends among the economic dependency categories from 1999 to 2012. As Figure 13 illustrates:

- Services-dependent counties saw the greatest change: a 130% increase in property tax revenue from 1999 to 2012.
- The non-specialized counties also experienced a substantial increase in property tax revenue, 47%.
- During the same period, the federal/state government-dependent counties saw only a 3% increase in property tax revenues.

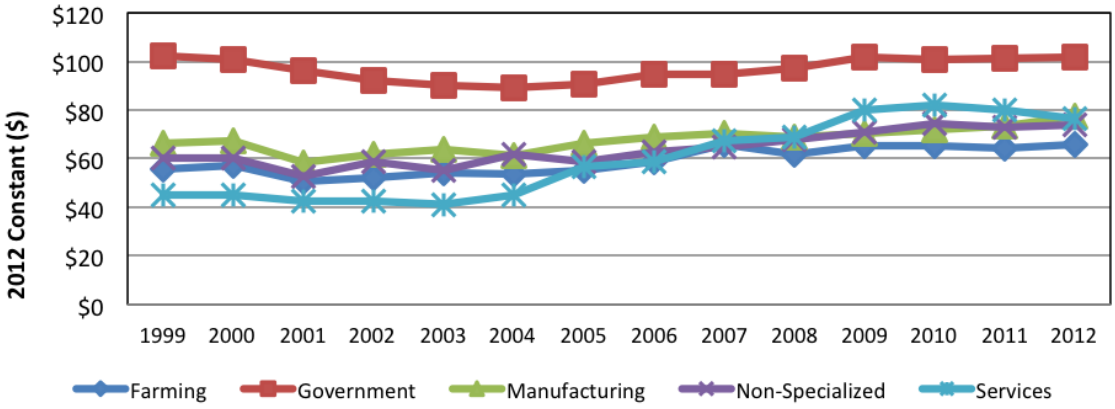
In per capita terms (Figure 14), federal/state government-dependent counties received substantially more property tax revenue per person than any other economic dependency category for the entire study period. In 2012 federal/state government-dependent counties received property tax

Figure 13. County Government Property Tax Revenue by Economic Dependence (1999–2012)



Sources: Arkansas Legislative Audit and U.S. Department of Labor

Figure 14. Per Capita County Government Property Tax Revenue by Economic Dependence (1999–2012)



Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

revenue per capita of $102, while farming-dependent counties received the lowest per capita amount of $66 per person.

There was a wide variation in the change in per capita property tax revenue from 1999 to 2012 among the five economic dependency groups.

- The changes ranged from a decline of 1% in the federal/state government-dependent counties to an increase of 71% in services-dependent counties.
- The increase in per capita property tax revenue was slightly lower than the state average (18%) in manufacturing-dependent counties,17%, and higher than the state average in farming-dependent and non-specialized counties, 19% and 23%, respectively.

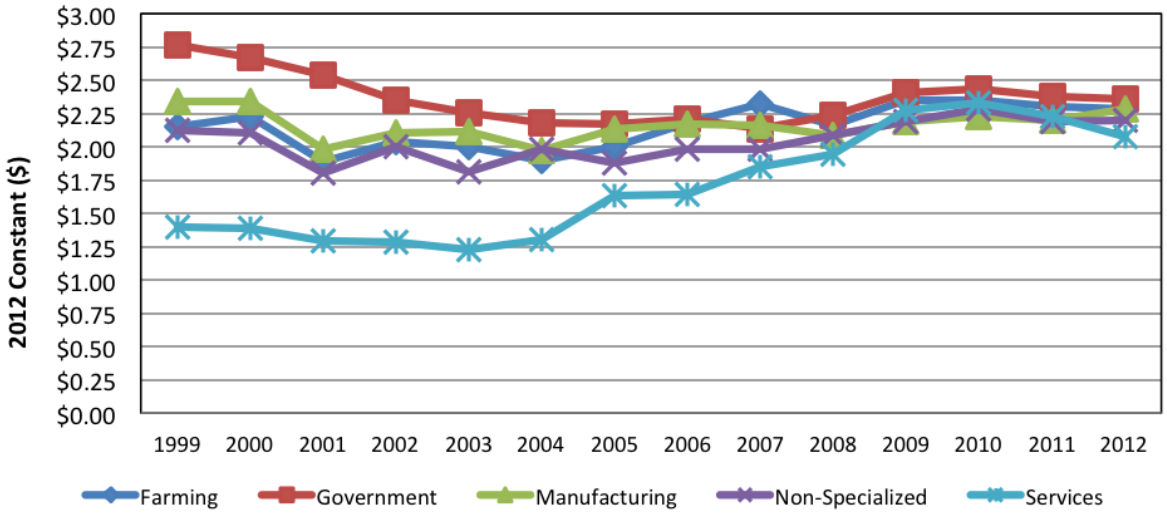
Property tax revenue per $1,000 of personal income grew in three of the five county groups based on economic dependence (Figure 15) from 1999 to 2012. The exceptions were the government- and manufacturing-dependent groups, with declines of 15% and 3%, respectively, during this 13-year period.

- The largest increase, 48%, was in services-dependent counties.
- Non-specialized and farming-dependent counties during the same period experienced smaller increases of 4% and 6%, respectively.

In absolute terms, the property tax revenue generated per $1,000 of personal income varied greatly among the five economic dependency groups in 1999 but converged to similar amounts by 2012.

- In 2012 property tax revenue per $1,000 of personal income ranged from $2.08 in services-dependent counties to $2.36 in federal/state government-dependent counties.

Figure 15. County Government Property Tax Revenue Per $1,000 of Personal Income by Economic Dependence (1999–2012)



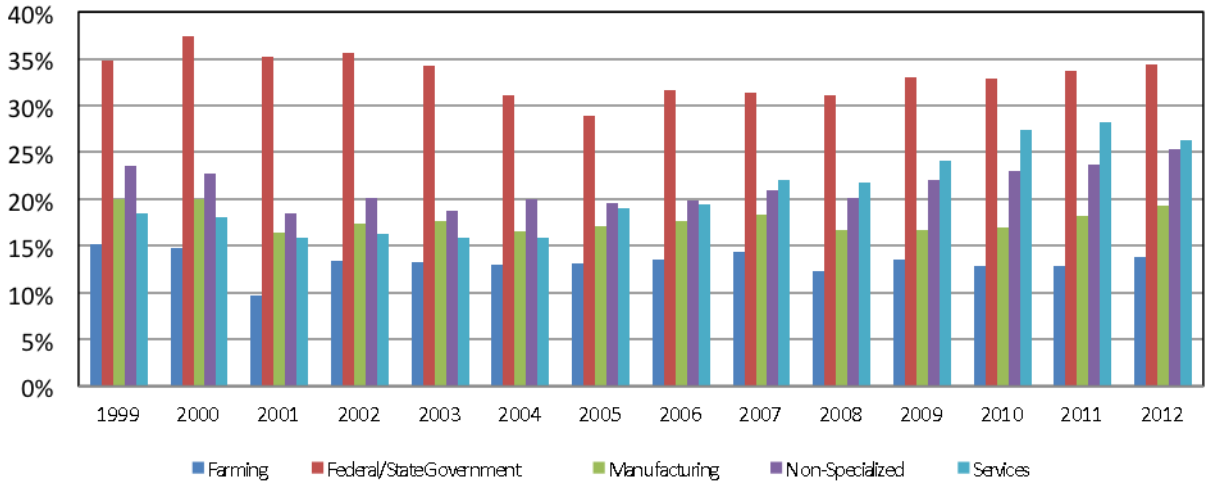
Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Property tax revenue was a greater share of total county government revenue in federal/state government-dependent counties than in any other dependency group during all 14 years of the study (Figure 16).

In 2012:

- Property tax revenue accounted for 34% of total revenue in federal/state government-dependent counties.
- Services-dependent and non-specialized counties relied on the property tax to generate 26% and 25% of their total revenues, respectively.
- The manufacturing- and farming-dependent counties relied on the property tax to generate only 19% and 14% of total revenues, respectively.

Figure 16. Property Tax Revenue as a Share of Total County Government Revenue by Economic Dependence (1999–2012)



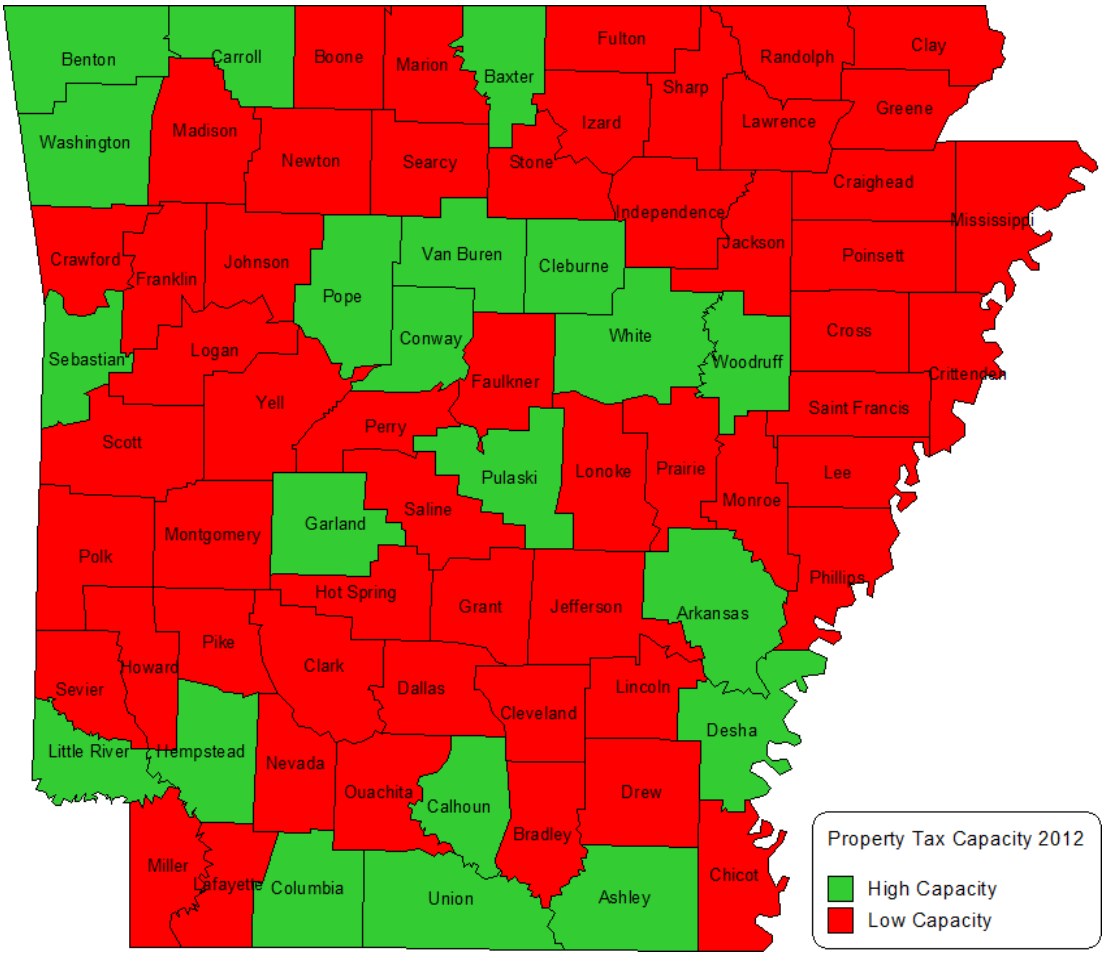
Source: Arkansas Legislative Audit

Property Tax Capacity and Effort

In an effort to evaluate the ability of local governments to raise revenue through the property tax, property tax capacity and effort are analyzed in this section.

- **Capacity** refers to the county's tax base, which is the value of real and personal property that can be taxed to generate revenue. Counties that have per capita property assessments greater than the state average ($14,697) for 2012 are considered to have high capacity. All other counties are considered to have low capacity (Figure 17).

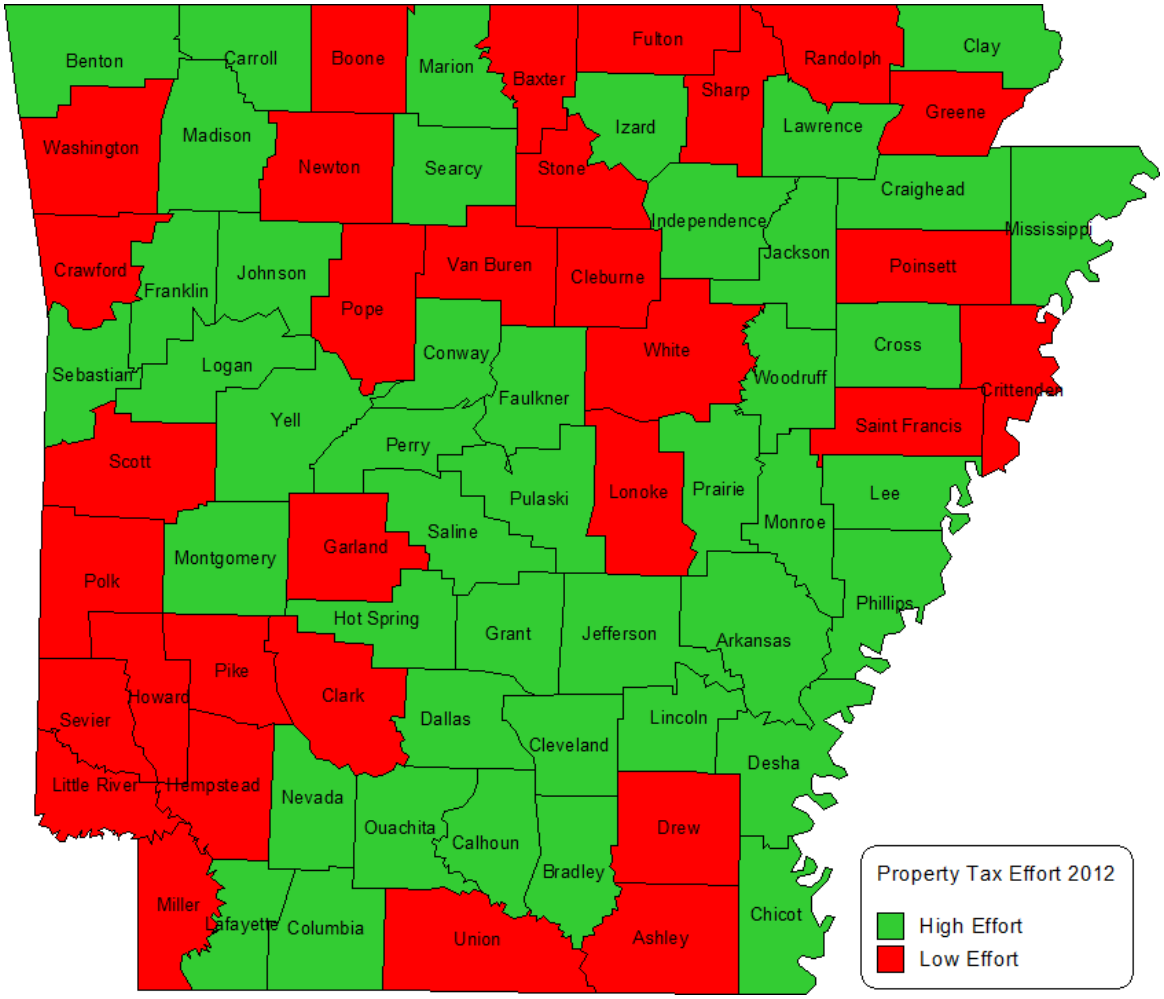
Figure 17. Property Tax Capacity (2012)



Sources: Arkansas Assessment Coordination Department and U.S. Census Bureau

- **Effort** refers to the tax rates and measures the county millage compared to the state average. Counties that have a millage rate greater than the state average for 2012 (7.57) are considered to be high-effort counties. All other counties are considered to be low-effort counties (Figure 18).

Figure 18. Property Tax Effort (2012)

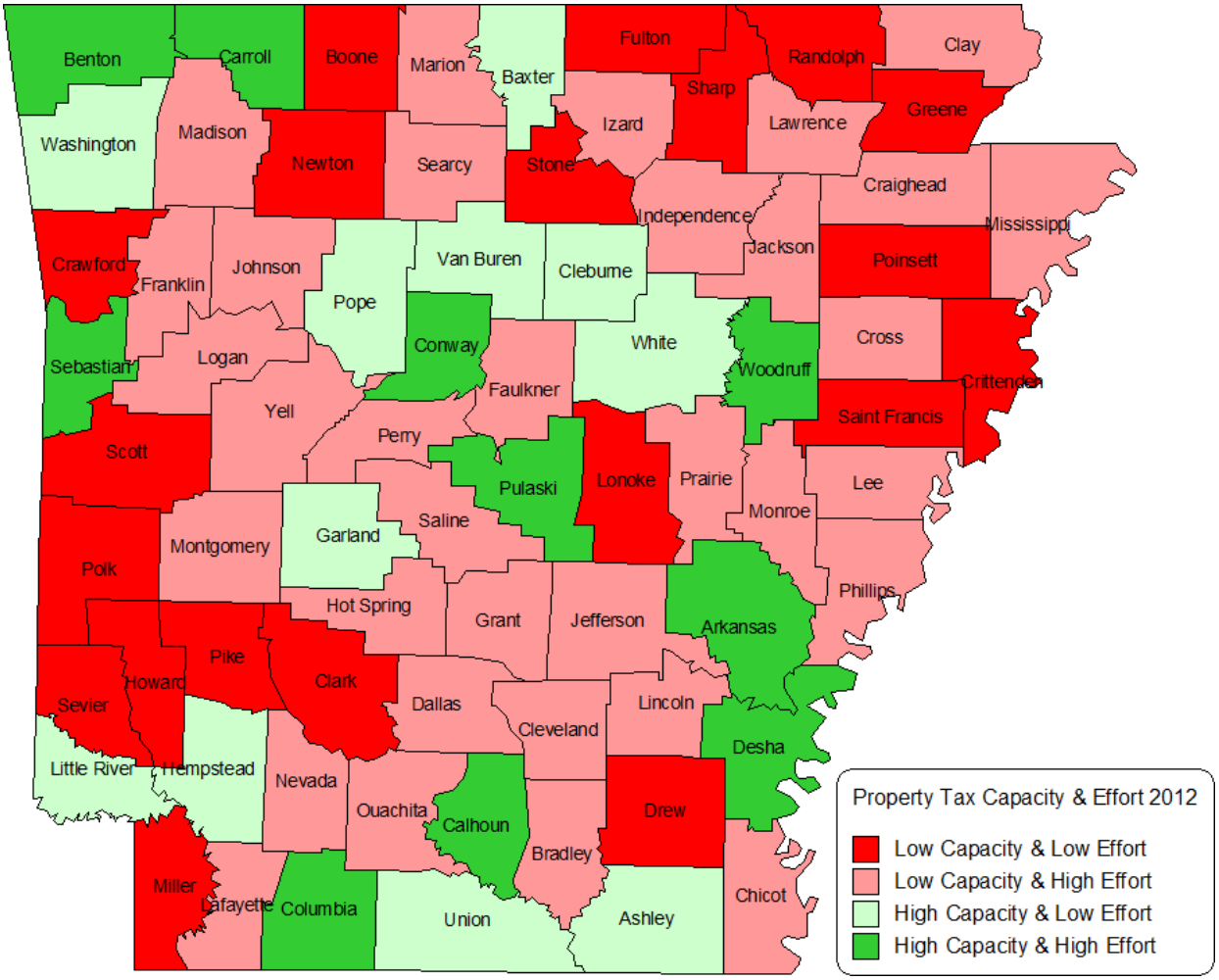


Source: Arkansas Assessment Coordination Department

Once measured, these two figures can be used together to estimate the potential to generate revenue from the property tax in comparison with other counties in the state (Figure 19).

- Of particular interest are the counties that have a low capacity and high effort. These counties, represented by stripes in Figure 19, are receiving about as much revenue from the property tax as can be expected given their capacity.
- Thirty-four counties (45% of the 75 counties in the state) were in the low capacity and high effort group in 2012.
- On the other end of the spectrum, 11 counties had high capacity and low effort, indicating potential to raise additional revenue from the property tax.

Figure 19. Property Tax Capacity and Effort (2012)



Sources: Arkansas Assessment Coordination Department and U.S. Census Bureau

Summary

Although total property tax revenue grew by 31% from 1999 to 2012, there was considerable variation in revenue growth among counties, regions and economic dependency groups in Arkansas. Changes in county government property tax revenue ranged from a decline of 34% in Phillips County to an increase of 398% in Van Buren County. The Urban region experienced the highest increase in revenue during this period (38%), while the Coastal Plains saw the least (9%). By economic dependency, services-dependent counties saw their revenue from the property tax grow 130% during this period, the largest increase of any county grouping.

Statewide, the property tax generated 24% of total county government revenue in 2012. This varied greatly among counties, from 5% in Crittenden County to 44% in Saline County. Urban county governments on average generated a larger share of their revenue from the property tax, 31% compared to only 17% for rural counties. The share of total county government revenue generated by the property tax increased slightly from 1999 to 2012 from 23% to 24%.

The per capita property tax revenue collected by county governments also increased during this 13-year period. Unlike total property tax revenue, the increase was greater for rural compared to urban counties.

One indicator of the property tax burden, property tax revenue collected per $1,000 of personal income, remained the same in 1999 and 2012, despite lower values in the years between. Of the four regions, only the Highlands saw an increase (10%) in the amount of revenue collected per $1,000 of personal income.

Property tax revenue received by Arkansas counties increased steadily from 2001 to 2012 and became the largest source of revenue for county governments in Arkansas overall in 2012.

Appendix

County Government
Property Tax Revenue Maps

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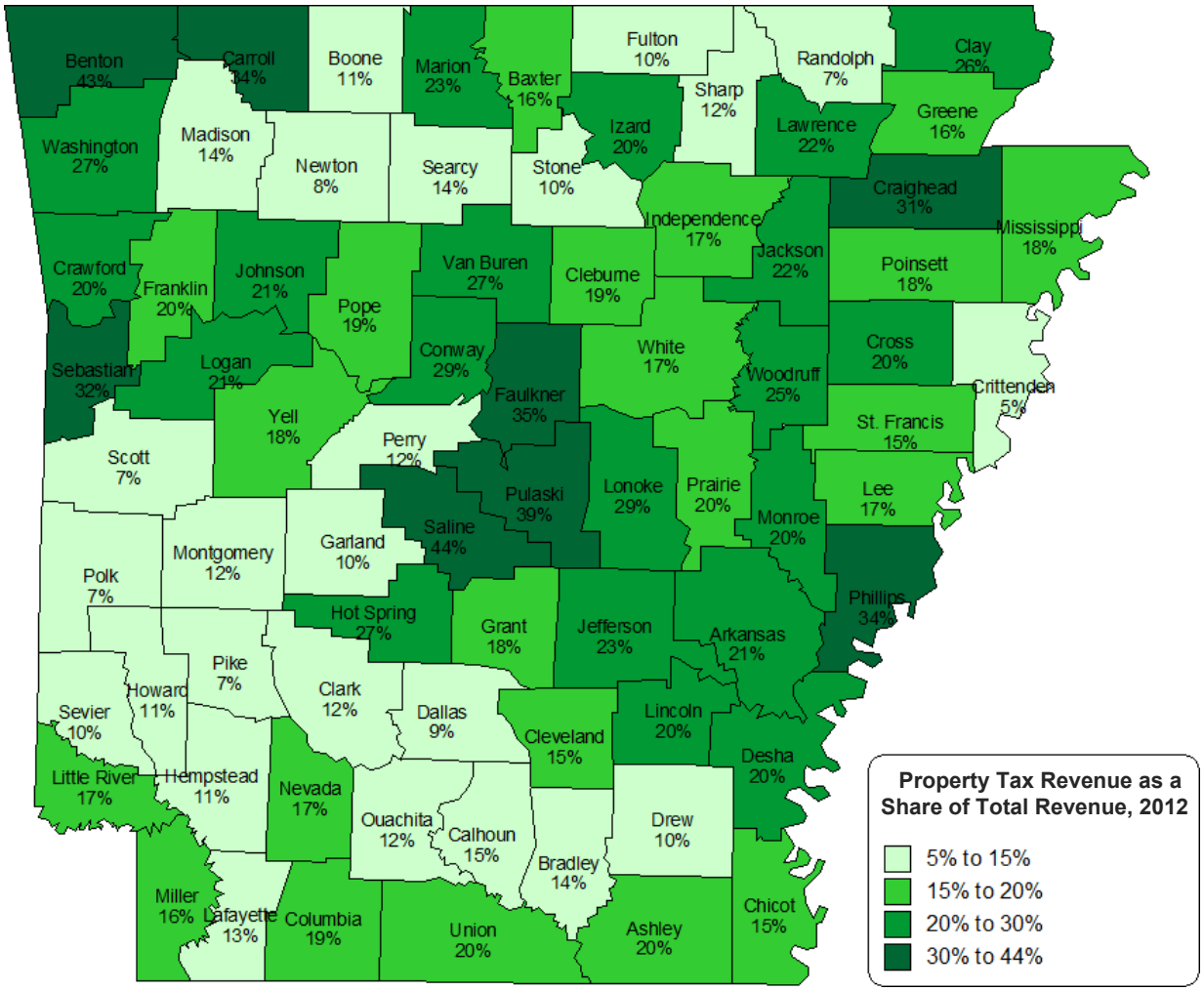
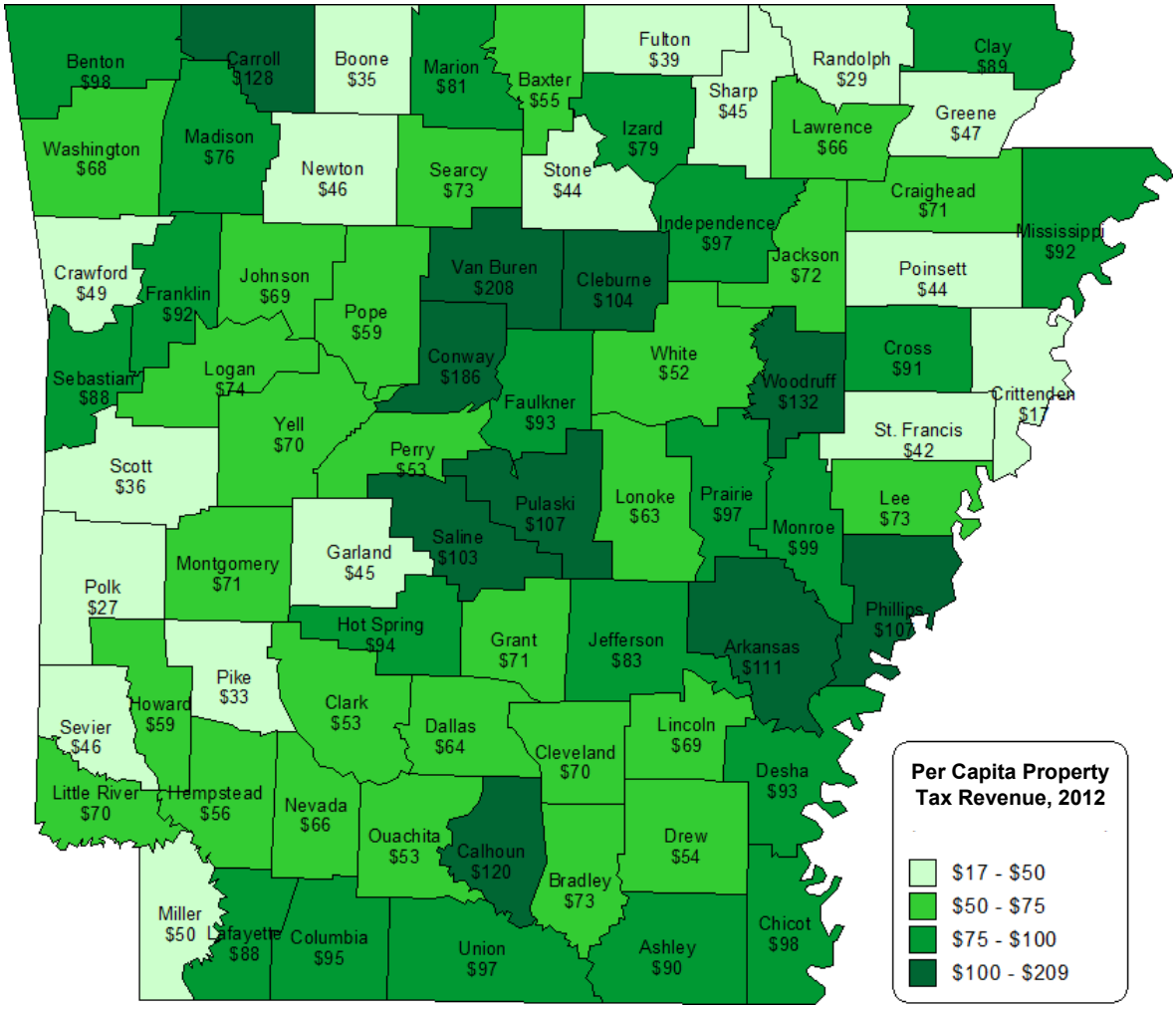
Map 1. Property Tax Revenue as a Share of Total Revenue (2012)



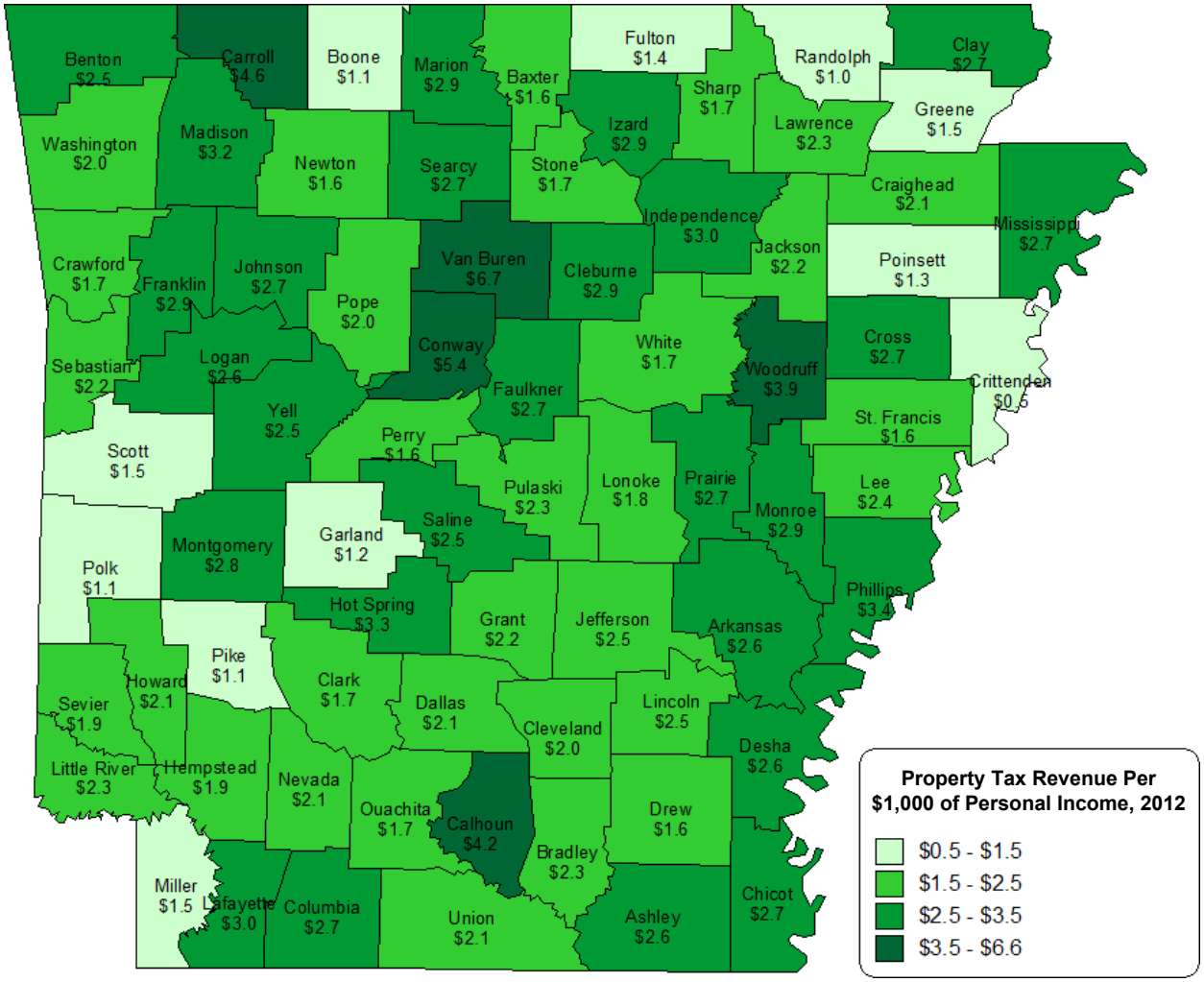
Source: Arkansas Legislative Audit

Map 2. Per Capita Property Tax Revenue (2012)



Sources: Arkansas Legislative Audit and U.S. Census Bureau

Map 3. Property Tax Revenue Per $1,000 of Personal Income (2012)



Sources: Arkansas Legislative Audit and Bureau of Economic Analysis

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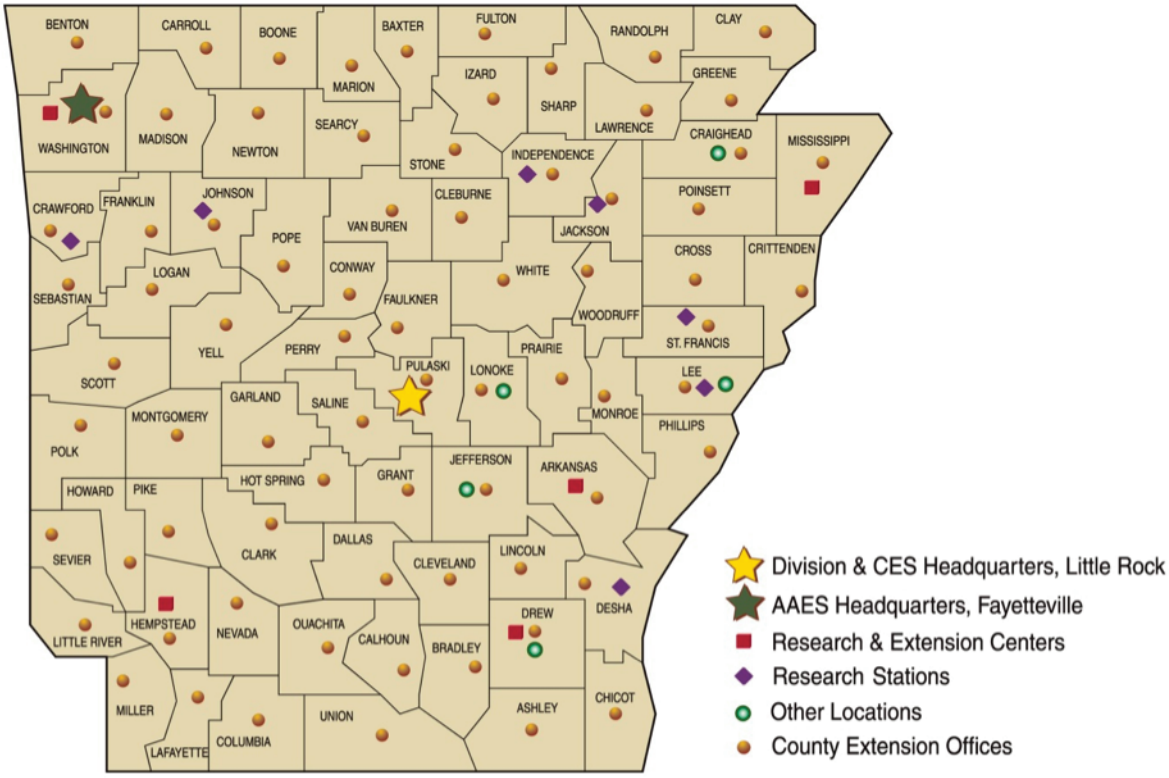

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