



ACORN

March 24, 1976

QUESTIONS AND ANSWERS

ABOUT ACORN'S PROPERTY TAX CAMPAIGN

Q. What exactly is ACORN doing?

A. ACORN is acting in accordance with Arkansas Statute 84-444, which allows private citizens to place on the tax rolls property which the County Assessor has missed. ACORN is also exercising its right, under this same law, to claim a bounty equal to 10% of the tax and penalties due.

Q. What property is ACORN putting on the tax rolls?

A. The intangible property of the banks and savings and loan associations in counties that have ACORN affiliates.

Q. Didn't the Assessor already put this property on the tax rolls?

A. No. The only property listed on the tax rolls for these institutions is their real estate and their furniture, business machines, and vehicles. Not one of these financial institutions have any of their intangible property listed on the tax rolls.

Q. What is intangible property?

A. Money, stocks, bonds, and credits are all forms of intangible property.

Q. Is this type of property taxable?

A. Yes. Arkansas Statute 84-201 states that:
"All property whether real or personal in this State, all moneys, credits, investments in bonds, stocks, joint stock companies or otherwise, of persons residing therein, the property of corporations now existing or hereafter created, and the property of all banks or banking companies now existing or hereafter created, and of all bankers and brokers, shall be subject to taxation, and

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such property, moneys, credits, investments in bonds, stocks, joint stock companies or otherwise, or the value thereof, shall be entered on the list of taxable property for that purpose."

Q. This applies to banks as well?

A. Yes. The 1973 Legislature passed Act 182 of 1973 (Arkansas Statute 84-487), which says:

"For the purposes of the ad valorem personal property tax, financial institutions shall assess and be taxed upon their personal property the same as other owners of personal property, except as prohibited by federal law."

Q. Exactly what property is ACORN putting on the tax rolls?

A. All of the banks' and savings and loan associations' assets, except for that portion of the assets which is made up of real estate, equipment, furniture, and vehicles; these last types of property are already assessed and taxed.

Q. But aren't those assets made up, in large part, of money which the bank owes to its depositors?

A. Yes, but that has nothing to do with the bank's obligation to pay taxes on that property. After all, an individual or any other business isn't allowed to subtract what he owes from his assessment. An individual with a mortgaged house isn't allowed to subtract what he owes the bank from his assessment; he pays taxes on the whole value of the house. Similarly, a business isn't allowed to subtract what it owes its creditors from its assessment; the assessment is based on the gross value of the business, not its net worth.

Q. Well, just how much money do the banks owe?

A. In the counties where ACORN groups are placing bank property on the tax rolls (Pulaski, Jefferson, Sebastian, Garland, Washington, Benton, Craighead, Arkansas, and Lawrence), banks and savings and loan associations have approximately \$ *3.9 billion* in intangible assets. At the legally required 20% assessment level, we are talking about \$ *780 million* in assessed value. Applying to this assessed value the appropriate millages, the total tax liability comes to approximately \$ *60 million*. In addition, Arkansas Statute 84-440 provides for a 25% penalty for wilful failure to assess, raising the amount of tax owed to \$ *73 million*.

Q. And how much money does ACORN expect to receive?

A. 10% of that, or \$ *7.3 million*.

Q. What is the legal basis for ACORN's claim?

A. Arkansas Statute 84-444 says:

"In any case where the Assessor for any cause shall have failed to list any taxable property on the assessment rolls as by law required, and such property shall be discovered and reported under oath to the county clerk by someone other than the Assessor or his deputy, a member of the equalization board, county clerk or other county official, if it be after the assessment rolls have been delivered to the county clerk and before the collector closes his books, the party making such discovery and report, on filing claim therefor, shall be allowed an amount equal to ten per cent (10%) of the total tax and penalty to be extended against the property so reported; same to be paid out of the County General Fund as other claims against the county are paid."

Q. Why is ACORN turning in only financial institutions?

A. Financial institutions are the biggest property tax evaders in the state. It is because of their tax evasion that our taxes are going up and up, and threatening to go even higher. ACORN members believe that those who own the most wealth should pay the taxes, and banks and savings and loan associations clearly own the most wealth.

Q. Does ACORN think that all intangible property, not just the intangible property of financial institutions, should be taxed?

A. No. For too long low to moderate income citizens have been taxed on virtually all the property we own, while the rich and the large corporations and financial institutions -- the owners of large amounts of intangible wealth -- have gone virtually untaxed. We have paid enough. It is time for the tax evaders to begin paying their share. Intangible property taxes should only be levied against those who own large amounts of intangible property: the rich, the large corporations, the financial institutions. ACORN plans to work for a tax system which exempts the low to moderate income family's savings from the intangible property tax, because ACORN members believe that only those who can afford to pay additional taxes should pay.

Remember, low to moderate income people have always paid taxes on our homes, our furniture, our small lots, and our automobiles. That's almost all the property that we own. But the rich, the large corporations, and the financial institutions have only been taxed on part of what they own. The way the system has worked, the more money you have and the more stocks and bonds you own, the bigger the tax break you get. It's no coincidence that the type of property which the County Assessors ignore is the type of property which is owned primarily by the rich.

If low to moderate income families have been lucky enough to save some money, those savings should remain untaxed. ACORN's goal is to force those who are rolling in intangible wealth -- the rich, the big corporations, and the financial institutions -- to begin paying their share.

Q. Will the taxes of low to moderate income families go up under ACORN's plan?

A. No, not at all. What ACORN is working for is a progressive tax system: a tax system that exempts the intangible property of low to moderate income families.

Q. What effect will this tax have on the schools, and on city and county services?

A. The schools, and city and county services, will be helped tremendously. For example, take a look at the situation in Pulaski County:

In 1975 the total assessed value of real and personal property in Pulaski County was \$625,868,736. At the rate of 75 mills, the tax revenue from this property is approximately \$47 million. Now, the banks and savings and loan associations in the County own about \$2 billion of intangible assets, or \$400 million of assessed value. The addition of this amount to the County totals increases the assessed value of real and personal property in the County by 64%! And, this increases the amount of tax revenue by 64% as well, an increase of \$30 million! That is a lot of money which can certainly be put to good use in government services and in our schools.

Or, the citizens of the County can use the additional revenues to cut taxes. If the property of Pulaski County's financial institutions was on the tax rolls, the millage could be reduced by about 40%, to 46 mills, and the County could still generate the \$47 million in tax revenues that it will generate this year.

Q. Isn't that a lot of money to ask the banks to pay?

A. The State Constitution says that all property in the State is to be assessed and taxed at the same rate. Article 16, Section 5 of the Constitution reads as follows: "No one species of property from which a tax may be collected shall be taxed higher than another species of property of equal value." We are merely seeing to it that the laws of this State are obeyed. Sure, it seems like the law requires banks to pay a lot of money in property taxes; however, the banks have a lot of money, and all ACORN is asking is that they pay taxes on it at the same rate that all other property is subject to.

Q. Is there any danger that banks and savings and loan associations might leave the state if they have to pay this tax?

A. No. Banks and savings and loan associations are run by their Boards of Directors; those Directors are important Arkansas businessmen, who rely on these financial institutions in order to operate their businesses. We doubt very much that these Directors would consider moving their banks into other states where they would be of no use to the businesses of this state.

Q. Is there any danger that the banks will charge depositors a fee, in order to make up the tax liability, or that the banks will reduce interest rates on savings accounts?

A. Banks are not permitted to charge fees of this sort. And, while we have no doubt that banks would probably love to reduce

interest rates for ACORN members, banks can not selectively reduce interest rates; if banks reduce our interest rates, they would have to reduce the interest rates for their large corporate depositors -- and we doubt very much that they would dare to do that.

Q. Is taxing intangible property the answer to the problem of property tax inequities?

A. It is part of the answer, because it would end a form of tax evasion which has benefitted the rich. However, there are other reforms in the property tax system which are necessary in order to achieve a completely just system. For example: there should be an exemption for the first several thousand dollars worth of property, in order to protect those small property-owners who have all their assets tied up in their homes and lots and who can't afford to pay much tax on their property. Furthermore, an equitable property tax system would be structured like the income tax: the more property one owns, the higher the tax rate should be.

Q. What does ACORN's action today have to do with the proposed property tax amendment which will be on the ballot in November?

A. That amendment would allow the Legislature to set the assessment rate for intangible property, or to exempt intangible property from the property tax altogether. It is well known that in proposing this amendment the Legislature was, in part, responding to the suit of an ACORN member in Lawrence County, who obtained a writ of mandamus forcing the Lawrence County Assessor to begin assessing intangible property. The Legislature, and the wealthy individuals and corporations who are well represented in it, fears that similar suits all around the state would result in widespread taxation of intangible property. Thus, the Legislature quickly proposed and passed this Amendment, which gives the Legislature the power to reduce, or eliminate, the property tax on intangibles. ACORN feels that this amendment is a clear attempt to prevent intangible wealth from being taxed. Our action today is an equally clear attempt to make sure that intangible wealth is taxed.

Q. What will ACORN do with the bounty?

A. ACORN will use the money to continue the organization's efforts to make Arkansas a better place to live in for its low to moderate income majority. We will use the money to continue our work to achieve a fair tax system, as well as to continue our work on all the other issues which ACORN members think are important.

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