

State of Arkansas
95th General Assembly
Regular Session, 2025

A Bill

SENATE BILL 573

By: Senators J. Petty, Caldwell

By: Representative Jean

For An Act To Be Entitled

AN ACT TO AMEND THE METHOD OF VALUATION UNDER
ARKANSAS CONSTITUTION, ARTICLE 16, § 5, BY DEFINING
THE TERMS USED IN THE ESTABLISHED METHODS OF
VALUATION FOR PURPOSES OF PROPERTY TAX; TO CLARIFY
AND DEFINE A STANDARD OF VALUATION FOR PROPERTY TAX;
AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE METHOD OF VALUATION UNDER
ARKANSAS CONSTITUTION, ARTICLE 16, § 5,
BY DEFINING THE TERMS USED IN THE
ESTABLISHED METHODS OF VALUATION FOR
PURPOSES OF PROPERTY TAX.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. DO NOT CODIFY. Legislative intent.

The General Assembly intends for this act to be remedial and to clarify
the law.

SECTION 2. Arkansas Code Title 26, Chapter 23, Subchapter 1, is
amended to add an additional chapter to read as follows:

26-23-101. Definitions.

As used in this subtitle:

(1) "Cost approach" means an approach used to estimate the fair
market value of property based on the estimated current cost to construct
improvements plus the value of the land minus all forms of depreciation,



including without limitation any loss in value caused by physical deterioration, functional obsolescence, economic obsolescence, or any combination of physical deterioration, functional obsolescence, or economic obsolescence;

(2) "Economic life" means the period of time over which a structure or component of property may reasonably be expected to be profitably used for the purpose originally intended;

(3) "Economic obsolescence" or "external obsolescence" means the loss in value of property caused by factors external to the property, including without limitation the economics of an industry, increased costs or loss of material or labor sources, lack of utilization, excess operating costs, new legislation or regulation, changes in ordinances, reduced demand, increased competition, inflation or interest rates, and other factors;

(4) "Fair market value", "market value", "true and full market or actual value", "true market value", or "usual selling price of similar property" means the value prescribed by Arkansas Constitution, Article 16, § 5, which is the most probable price expressed in terms of money that a property will bring on the open market in a transaction between a willing and knowledgeable seller and willing and knowledgeable buyer in an arms-length transaction;

(5) "Functional obsolescence" or "internal obsolescence" means the loss in value of property caused by the inefficiencies or inadequacies of the property itself, resulting from changes in tastes, preferences, technical innovations or improvements, market standards, or other factors;

(6) "Income approach" or "income and expense approach" means an approach used to estimate the fair market value of property based on the present value of the projected income stream ultimately attributable to the taxable portion of the property;

(7) "Market approach" or "sales comparison approach" means an approach used to estimate the fair market value of property based on comparing sales of similar properties by identifying appropriate units of comparison and making qualitative comparisons with or quantitative adjustment to the sales prices of the comparable properties based on relevant market-derived elements of comparison;

(8) "Physical deterioration" or "physical depreciation" means a loss in value of property resulting from the using up or expiration of the

useful life or economic life of the property caused by ordinary wear and tear, deterioration, physical stresses, the forces of nature, or other factors;

(9) "Physical life" means the period of time over which a structure or component of property may reasonably be expected to physically exist before deteriorating or fatiguing to an unusable condition from physical causes; and

(10) "Useful life" means the period of time over which a structure or component of property may reasonably be expected to perform the function for which the structure or component of property was designed.

SECTION 3. EFFECTIVE DATE. Section 2 of this act is effective for assessment years beginning on or after January 1, 2025.

APPROVED: 4/17/25