

Members of the General Assembly:

It became clear that confusion exists about **HB1304** and the payment of **property taxes** by the Arkansas Teacher Retirement System (ATRS). Understanding how busy members are, I have provided an executive summary of this email at the beginning with more detail below. I have included an attachment that shows the payment of hundreds of thousands of dollars of property taxes in Arkansas by ATRS. HB1304 would not in any way change the amount of property taxes being paid by ATRS or exempt ATRS from property taxes, local zoning, or code enforcement.

#### **EXECUTIVE SUMMARY**

- ATRS pays property tax on all of its Arkansas timberland (over 100 sq. miles)
- ATRS pays property tax on all of its Arkansas farmland (3 farms in 3 counties)
- ATRS pays property tax on the Victory Building, all Arkansas property rented to private entities, and all unimproved landholdings in Arkansas.
- ATRS real estate holdings are subject to all zoning requirements, local permit requirements, and code compliance just like a private entity.
- Arkansas law has a stated goal that ATRS invest 5% of its assets in Arkansas.
- ATRS pays monthly retirement benefits to 45,000 retirees with a total payout of over a billion dollars a year.
- The monthly benefits paid by ATRS (over \$85 million dollars) go into every county and most all communities in Arkansas.
- The money flowing into every county and community supports local stores, retailers, convenience stores, banks, and many other enterprises that might close or struggle otherwise.
- For every dollar of contributions paid by an ATRS employer, over \$2.50 is paid to retirees in benefits.
- HB1304 does not reduce any property tax paid by ATRS, nor is there any projected impact on the state budget.
- HB1304 clarifies that an LLC owned 100% by ATRS is to be treated as a governmental entity for sovereign immunity and operational purposes.
- Using an LLC assists ATRS by allowing, for instance, the timberland manager to sell timber, enter into road maintenance contracts, sell non-strategic tracts, and otherwise

manage the 100 plus square miles timberland without bringing each contract to ATRS for signature.

- ATRS also uses LLCs to prevent the exposure of the entire trust fund to a claim of liability on one (1) property to protect members and the trust fund. LLCs are not used by ATRS to avoid state taxation, local taxation or regulation.

### **DETAILED EXPLANATION**

As an overview, ATRS understands there is a concern about ATRS investments in Arkansas and any harm those might cause to local schools or communities. ATRS has always focused on investing in Arkansas for 2 reasons. **First**, the General Assembly has passed a law that requires ATRS to have a goal of investing 5% of its assets in Arkansas. Today, that means that ATRS' 5% Arkansas investment goal is over \$750 million dollars. **Second**, ATRS understands what some in New York and the financial centers do not understand that is that Arkansas provides an **excellent** opportunity for quality returns on investments. For instance, the one (1) year return on Arkansas offices and buildings as of September 30, 2016 was 15.1% (since inception 8.2%).

### **PROPERTY TAXES**

ATRS pays \$100s of thousands of dollars of property taxes in Arkansas. I am attaching representative samples of property taxes paid by ATRS when the property, like the Victory Building, is owned **directly** in the name of ATRS and property taxes paid when the property is owned by an **LLC** that is 100% owned by ATRS. HB1304 in no way would change the payment of property taxes by ATRS or amount of property taxes being paid by ATRS.

ATRS' timberland holdings in Arkansas include over 65,000 acres of land spread across south Arkansas. Sales of timber, non-strategic outlying timberland tracts, fire suppression activities, and related transaction amount to hundreds of transactions and contracts to be signed per year that are transacted in the LLC by the manager on behalf of ATRS.

The Victory Building is a direct holding in the name of ATRS. Since the Victory Building is a direct holding, the ATRS executive director signs each lease and each lease amendment. Since ATRS owns over \$350 million dollars of timberland across several states it would be difficult for all transactions to be ATRS specific with each contract to be signed by ATRS staff. The LLC is a vehicle of convenience for operation, **not** a tax avoidance mechanism. The Department of Finance and Administration (DFA) is correct in its fiscal impact statement (copy attached) that HB1304 would have **no fiscal impact**.

ATRS and its LLCs are subject to all local zoning, permitting, codes, and duties just like a private owner. Nothing in HB1304 changes that equal type of tax and local compliance treatment with a private owner.

### **ATRS AND ARKANSAS**

The Arkansas General Assembly has passed a law that requires ATRS to have a goal of investing 5% of its assets in Arkansas related investments (copy attached). ATRS has not ignored that goal and sees **great opportunity** in Arkansas investments. The type of investments that ATRS makes typically is as a direct owner of real estate or as a limited partner in a business or company. For instance, ATRS owns office buildings that are rented to others, such as the Victory Building. ATRS is a 20% owner of Big River Steel in Osceola, and is a 32% owner of Highland Pellets in Pine Bluff (will use 175 loads of tree length pulpwood per day that really helps local timberland owners and loggers).

ATRS has over 45,000 retirees that receive monthly benefit payments totaling over \$85 million dollars (over \$1 billion dollars annually). The average benefit paid by ATRS is almost \$23,000. The vast majority of these payments are paid and spent right here in Arkansas. Every county and virtually every community in Arkansas has a retiree receiving a monthly benefit that helps the local community's economy. I have attached a map showing monthly retirement benefits by county. For every dollar of contribution received from ATRS employers, ATRS pays over \$2.50 in benefits. Those benefits are spent in local communities at gas stations, shops, retailers, plumbers, carpenters, repair shops, accountants, grocery stores, restaurants, drug stores, car dealerships, movie theaters, and related businesses. In some communities, the profitability of some businesses may depend upon this economic engine that is delivered monthly through retiree spending.

A question was raised that perhaps ATRS investments in Arkansas detract from school funding and local property taxes. **First**, ATRS pays property taxes as outlined above. **Second**, the \$85 million dollars a month delivered to retirees supports businesses that pay property tax, creates sales tax on typical purchases, generate income tax on the benefits paid and the business profits generated, that also recirculates through the economic engine. Stated another way, without the \$85 million dollars a month that ATRS delivers to retirees, the number of businesses in many communities would be smaller and the taxes collected by the state would be much lower. ATRS tries to be a great partner of local schools and Arkansas.

HB1304 is a clarification that an ATRS LLC is the same as ATRS for sovereign immunity purposes. The one tax mentioned in the bill is the property transfer tax. Under Arkansas law, a land sale or purchase by government is **not** subject to the property transfer tax. If ATRS were to sell the Victory Building, it would not be subject to the property transfer tax since title is held in the name of ATRS. HB1304 is to clarify that an LLC that is 100% owned by ATRS (government) is also not subject to the transfer tax. This bill eliminates the need for the ATRS LLC to deed land back to ATRS to make a transaction (a sale by government) that is not subject to the transfer tax. This in no way affects the property taxes paid by ATRS.

Owning and operating certain holdings in LLCs is more efficient, prevents the entire ATRS trust fund from being exposed to a liability claim on a single property, and provides a better audit trail. HB1304 clarifies that property held by either ATRS or its 100% owned LLCs should be treated the same for immunity, liability, and operational purposes. **All** current property taxes are still payable, all local zoning **continues** to apply, and all local permits are still **required**. HB1304 provides ATRS no business advantage over a similarly situated private owner.

ATRS remains very transparent in its holdings and operations. At the bottom of this email, you will find my email address, my direct office line (my calls are not screened), and my cell

number (please feel free to call me at night and on weekends, if I am available I will answer). If I don't know the answer to your questions immediately, I can usually have the answer promptly. ATRS is willing to help and is dedicated to ensuring the General Assembly has full and fair knowledge of ATRS and its operations. If I can answer any questions, or provide any needed assistance, please feel free to contact me. Providing a retirement system that recruits, retains and rewards career educators is the mission and constant goal of ATRS. To the extent you can help us do that in a better and fair way, we are at your service.

Respectfully,  
George Hopkins  
[georgeh@artrs.gov](mailto:georgeh@artrs.gov)  
501-682-1820 (office)  
501-318-5998 (cell)

[George Hopkins](mailto:georgeh@artrs.gov) <[georgeh@artrs.gov](mailto:georgeh@artrs.gov)>  
Director  
ARTRS

—Attachments: \_\_\_\_\_

Property Tax Samples.pdf	1.2 MB
5% Investment Goal.pdf	334 KB
Benefits by county.pdf	101 KB
georgeh.vcf	282 bytes



# Pulaski County

**Debra Buckner  
Treasurer**

## TAX COLLECTION DIVISION

Telephone (501) 340-6040

Fax (501) 340-6077

www.pulaskicountytreasurer.net

email: treasurer@pulaskicountytreasurer.net

REMIT TO: PO Box 430

Little Rock AR 72203

TO PAY ON-LINE GO TO:

<http://pulaskicountytreasurer.net>

WOODLAND HEIGHTS LLC

C/O D MALONE

1400 W 3RD ST

LITTLE ROCK, AR 72201

Date Printed

10/15/2013

### REAL ESTATE TAX STATEMENT

Bill #	Yr	Values	Taxes	HRAC	Cost	Penalty	Interest	Specials
	12	3679200	257911.92	0.00	0.00	0.00	0.00	0.00

Parcel # 44L0390200100 Acreage: 6.620  
 School: 001 Millage Rate: .0701 Tax Rate: 1.40%  
 Legal 8700 RILEY DR LITTLE ROCK, AR 72205  
 LOT C-4-R1 BLOCK 0 WOODLAND HGTS HPR  
 LOT C-4-R1, BEING A REPLAT OF C-4-R

General Taxes Due	257,911.92
Net Assessor Adj.	0.00
2012 Tax Credit	0.00
<b>SUBTOTAL</b>	<b>257,911.92</b>
Payments Received	-257,911.92
<b>Current Amount Due</b>	<b>0.00</b>
Delinquent Amount Due	0.00
Delinquent Specials / Liens	0.00

**Total Amount Due 0.00**

#### 2012 Original Tax Breakdown

ENTITY	MILLS	TAX	ENTITY	MILLS	TAX
COUNTY GENERAL FUND	0.00500	18,396.00	CHILDRENS HOSPITAL	0.00060	2,207.52
COUNTY ROAD FUND/SPL	0.00145	5,334.84	LITTLE ROCK GENERAL	0.00500	18,396.00
LITTLE ROCK BOND AND	0.00300	11,037.60	LITTLE ROCK LIBRARY	0.00330	12,141.36
LITTLE ROCK POLICE P	0.00100	3,679.20	LITTLE ROCK FIREMENS	0.00100	3,679.20
LITTLE ROCK SCHOOL D	0.04640	170,714.88	LITTLE ROCK ROAD FUN	0.00145	5,334.84
LITTLE ROCK CAPITAL	0.00190	6,990.48			

PAYMENTS MUST BE POSTMARKED ON OR BEFORE OCT. 15, 2013 TO AVOID PENALTIES AND COSTS

SEE REVERSE SIDE FOR IMPORTANT INFORMATION

# REAL ESTATE PROPERTY Tax Statement 2015

**CREDIT CARD PAYMENTS**  
 A Portal Administration Fee will apply  
     
 1-866-257-2055  
 or pay online at [www.pulaskicountytreasurer.net](http://www.pulaskicountytreasurer.net)  
 or by mobile at [www.pctax.mobi](http://www.pctax.mobi)

**Pulaski County**  
 Debra Buckner, Treasurer  
 201 S. Broadway, Suite 150  
 Little Rock, AR 72201  
 Phone: (501) 340-6040  
 Email: [treasurer@pulaskicountytreasurer.net](mailto:treasurer@pulaskicountytreasurer.net)

\*D05R1\*34\*1\*0006856\*\*\*\*\*SCH 5-DIGIT 72201  
 ARKANSAS TEACHER RETIREMENT SYSTEM  
 C/O JERRY MEYER  
 1400 W 3RD ST  
 LITTLE ROCK AR 72201-1889

**CO. CODE**  
60

**BILL NUMBER**  
263533-15

<b>PARCEL NUMBER</b> 34L0201708200	<b>ASSESSED VALUE</b> 4,055,690
<b>MILLAGE RATE</b> .0700	<b>TAX %</b> 1.40%
	<b>TAXABLE VALUE</b> 4,055,690



1.310

Property Address: 1401 W CAPITOL AVE LITTLE ROCK, AR 72202  
 Legal Description: LOT 11-12 BLOCK 331 CITY OF LR L17 ALL LT S 1,2,3,4,5 & 6 & W30' OF LTS 7,8 & 9 & W50' OF LTS 10,11 & 12

VICT

2015 GENERAL TAXES AND COST 283,898.30

**TOTAL TAXES DUE \$283,898.30**

IF YOU CHOOSE TO PAY BY INSTALLMENTS, PLEASE REMIT AS FOLLOWS:

<b>\$ 70,974.58</b>	<b>PAYABLE on or before 4/18/16.</b>	<b>2 \$ 70,974.58</b>	<b>PAYABLE 4/19 - 7/18/16</b>	<b>3 \$ 141,949.14</b>	<b>PAYABLE 7/19 - 10/17/16</b>
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2015 TAX DOLLAR BREAKDOWN (WHOLE DOLLARS) -- TAXES CAN NOT BE PAID SEPARATELY

TAXING UNIT	MILLS	AMOUNT	CITY	MILLS	AMOUNT
COUNTY GENERAL FUND	.00500	\$20,278	LITTLE ROCK GENERAL	.00500	\$20,278
CHILDRENS HOSPITAL	.00060	\$2,433	LITTLE ROCK BOND AND	.00300	\$12,167
COUNTY ROAD FUND/SPL	.00145	\$5,880	LITTLE ROCK LIBRARY	.00330	\$13,383
LITTLE ROCK SCHOOL D	.04640	\$188,184	LITTLE ROCK POLICE P	.00100	\$4,055
			LITTLE ROCK FIREMENS	.00100	\$4,055
			LITTLE ROCK ROAD FUN	.00145	\$5,880
			LITTLE ROCK CAPITAL	.00180	\$7,300



**THIS IS THE ONLY BILL YOU WILL RECEIVE - SEE REVERSE SIDE FOR DETAILS**  
**RECEIPTS CAN BE VIEWED AND PRINTED AT WWW.PULASKICOUNTYTREASURER.NET**  
 DELINQUENT PENALTIES AT 1.5% PER ANNUM AND COSTS CAN BE AVOIDED BY PAYMENT IN FULL BY OCTOBER 14TH

SEE REVERSE SIDE FOR IMPORANT INFORMATION

REAL ESTATE PROPERTY Tax Statement 2015

CREDIT CARD PAYMENTS A Portal Administration Fee will apply... VISA, MasterCard, Discover, American Express logos

Pulaski County Debra Buckner, Treasurer 201 S. Broadway, Suite 150 Little Rock, AR 72201 Phone: (601) 340-6040 Email: treasurer@pulaskicountytreasurer.net

\*D05R1\*35\*1\*0006861\*\*\*\*\*SCH 5-DIGIT 72201 ARKANSASTEACHER RETIREMENT SYSTEM C/O JERRY MEYER 1400 W 3RD ST LITTLE ROCK AR 72201-1889

Table with 2 columns: CO. CODE (60), BILL NUMBER (263532-15)

Table with 2 columns: PARCEL NUMBER (34L0201707800), ASSESSED VALUE (1,242,700); MILLAGE RATE (.0700), TAX % (1.40%), TAXABLE VALUE (1,134,159)



Property Address: 1300 W. 7TH ST LITTLE ROCK, AR 72202 LOT 1 THRU 12 BLOCK 330 CITY OF LR L17 L OTS 1 THRU 12 BLK 330 3 1N 12W

2.070

VICT

2015 GENERAL TAXES AND COST 79,391.15

TOTAL TAXES DUE \$79,391.15

IF YOU CHOOSE TO PAY BY INSTALLMENTS, PLEASE REMIT AS FOLLOWS:

Table with 3 columns: PAYABLE (19,847.79), PAYABLE (19,847.79), PAYABLE (39,695.57) with dates 4/18/16, 7/18/16, 7/19 - 10/17/16

2015 TAX DOLLAR BREAKDOWN (WHOLE DOLLARS) -- TAXES CAN NOT BE PAID SEPARATELY

Table with 3 columns: TAXING UNIT, AMOUNT, MILLS. Includes rows for COUNTY GENERAL FUND, CHILDRENS HOSPITAL, COUNTY ROAD FUND/SPL, LITTLE ROCK SCHOOL D, LITTLE ROCK GENERAL, LITTLE ROCK BOND AND, LITTLE ROCK LIBRARY, LITTLE ROCK POLICE P, LITTLE ROCK FIREMENS, LITTLE ROCK ROAD FUN, LITTLE ROCK CAPITAL.



THIS IS THE ONLY BILL YOU WILL RECEIVE - SEE REVERSE SIDE FOR DETAILS RECEIPTS CAN BE VIEWED AND PRINTED AT WWW.PULASKICOUNTYTREASURER.NET

5% Goal



1 of 1 DOCUMENT

Arkansas Code of 1987 Annotated Official Edition  
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\*\*\* Current through all 2016 laws; and including unofficial updates through laws effective Jan. 23, 2017 of the 2017 Regular Session (unofficial updates do not include changes and corrections by the Arkansas Code Commission) \*\*\*

Title 24 Retirement And Pensions  
Chapter 2 Public Employee Retirement Plans Generally  
Subchapter 6 -- State Retirement Systems Investments

**GO TO ARKANSAS STATUTES ARCHIVE DIRECTORY**

*A.C.A. § 24-2-608 (2017)*

**24-2-608. Investment authority and limitations -- Arkansas-related investments.**

(a) In acquiring, investing, reinvesting, exchanging, retaining, selling, and managing funds held by each of the trusts, fiduciaries administering the systems shall manage the funds so as to favorably impact the economic condition of and maximize capital investment in the State of Arkansas when appropriate investment alternatives are available.

(b) It is the intention of the General Assembly that, as assets become available for investment, the systems shall seek to invest not less than five percent (5%) nor more than ten percent (10%) of their portfolios in Arkansas-related investments.

(c) In calculating the percentage of Arkansas-related investments, the systems shall not include Federal National Mortgage Association investments nor Government National Mortgage Association investments.

(d) Nothing in this section shall in any way limit or impair the responsibility of a fiduciary to invest in accordance with the prudent investor rule set forth in §§ 24-2-610 -- 24-2-619.

**HISTORY:** Acts 2001, No. 151, § 8.

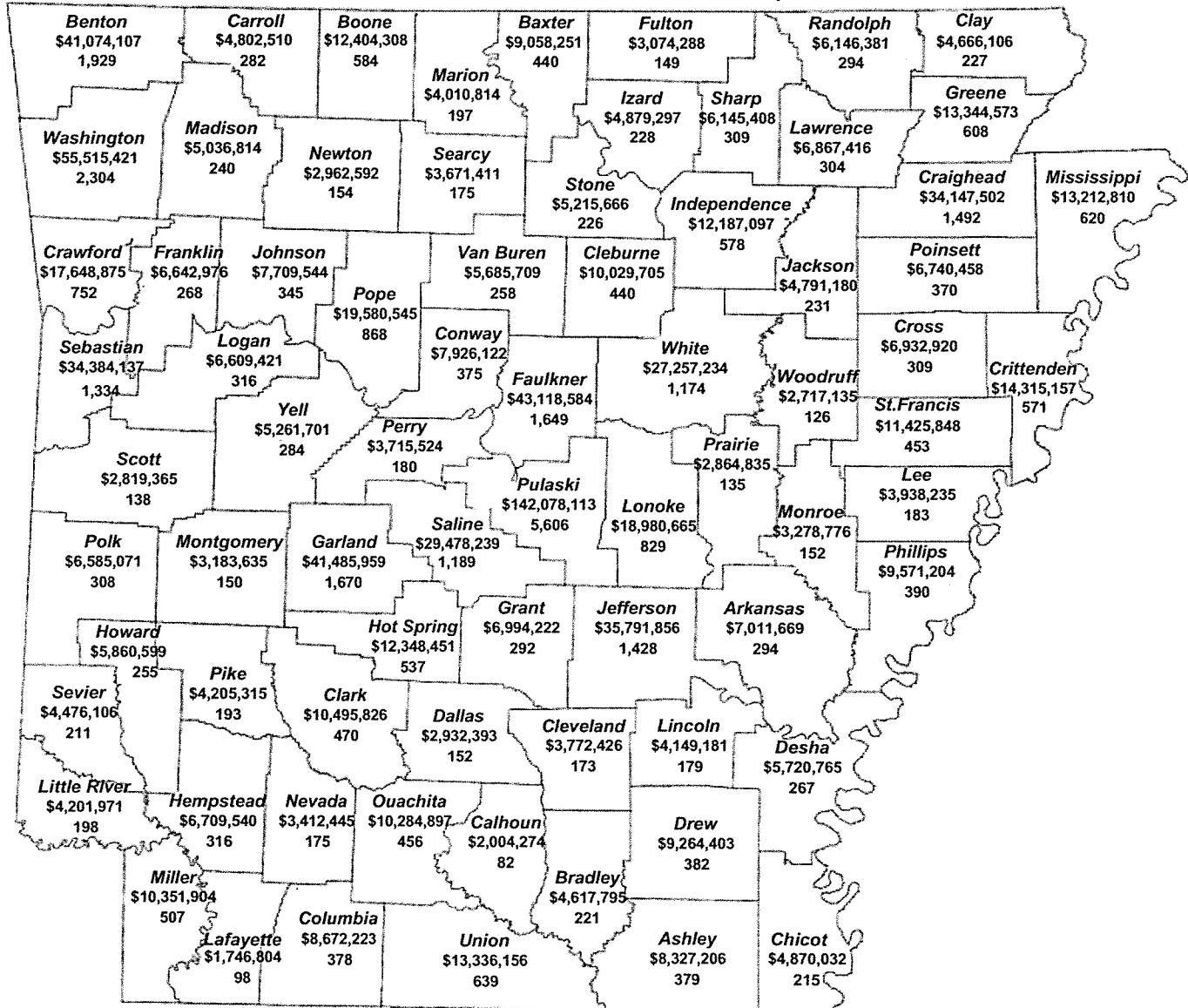
**HIERARCHY NOTES:**

Tit. 24, Ch. 2 Note

Tit. 24, Ch. 2, Subch. 6 Note



## Retired Members (current as of 02/09/2017)



CURRENT BENEFITS AS OF 02/09/2017:

# - Recipients: 45,070 total (includes Retirees, Surviving Spouses and Children)

\$ - Annual Benefit to Retired Members: \$1,023,426,997 total

# Department of Finance and Administration

## Legislative Impact Statement

Bill: HB1304

Bill Subtitle: TO AMEND THE DEFINITION OF "ARKANSAS TEACHER RETIREMENT SYSTEM"; TO DEFINE "COVERED EMPLOYER"; TO PROVIDE TAX EXEMPT STATUS TO CERTAIN CORPORATIONS; TO AMEND THE REQUIREMENTS FOR VOLUNTARY RETIREMENT; AND TO DECLARE AN EMERGENCY.

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### Basic Change :

Sponsor: Representative Maddox

The proposal would amend Arkansas law regarding the Arkansas Teacher Retirement System. The bill would amend the definition of "Arkansas Teacher Retirement System" to include limited liability companies and corporations solely owned by the retirement system. The tax status of solely-owned limited liability companies and corporations of the retirement system would be the same as the retirement system itself and be exempt from the levy of taxes on assets owned by the organizations. The bill would also provide an exemption from taxation for the retirement system, its limited liability companies and corporations of real property transfer taxes, revenue recording stamps, or other fees levied by the state or local governments in Arkansas when the organizations acquired or sold real property.

### Revenue Impact :

None.

### Taxpayer Impact :

The Arkansas Teacher Retirement System as well as its solely-owned limited liability companies and corporations would not pay real estate transfer tax or county recording fees if real properties were bought or sold.

### Resources Required :

None.

### Time Required :

Adequate time is provided for implementation.

### Procedural Changes :

None.

### Other Comments :

None.

### Legal Analysis :

This bill amends the definition of Arkansas Teacher Retirement System ("ATRS") to include corporate entities solely-owned by the ATRS. HB1304 expands the assets of ATRS to include a corporate entity

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1304**

**Bill Subtitle: TO AMEND THE DEFINITION OF "ARKANSAS TEACHER RETIREMENT SYSTEM"; TO DEFINE "COVERED EMPLOYER"; TO PROVIDE TAX EXEMPT STATUS TO CERTAIN CORPORATIONS; TO AMEND THE REQUIREMENTS FOR VOLUNTARY RETIREMENT; AND TO DECLARE AN EMERGENCY.**

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solely owned by ATRS and clarifies that ATRS' exemption from taxes includes "real estate property transfer taxes, revenue recording stamps, or other fees by the state, any political subdivision, or an agency thereof."

HB1304 contains the following typographical errors:

Page 1 – Line 27 – The Arkansas Teacher Retirement System is referred to as the "Arkansas Retirement Teacher System".

Page 2 – Lines 33-37 – These lines state, "The percentages multipliers in this section shall be determined in accordance with this chapter and the rules, and regulations resolutions of the Board of Trustees of the Arkansas Teacher Retirement System[.]" It is possible that this sentence was intended to state, "The percentages multipliers in this section shall be determined in accordance with rules and regulations this chapter and the rules and resolutions of the Board of Trustees of the Arkansas Teacher Retirement System[.]"

Page 3 – Line 36 – It appears as though this line should state, "~~the provisions of this act~~ this chapter to be paid into the registry of the court".