



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1775

Bill Subtitle: TO PROHIBIT THE SEPARATE VALUATION AND ASSESSMENT OF AN ACCESSORY DWELLING UNIT FOR PURPOSES OF PROPERTY TAXES; AND TO AMEND THE METHOD OF VALUATION FOR CERTAIN RESIDENTIAL PROPERTY UNDER ARKANSAS CONSTITUTION, ARTICLE 16, § 5.

Sponsors:

Rep. Lundstrum and Sen. Penzo

Basic Change:

HB1775 prohibits residential property that is used as the principal place of residence of the owner from being subdivided into multiple parcels to create a separate parcel for an accessory dwelling unit. Residential property used as the principal place of residence of the owner, including any accessory dwelling unit, must be valued and assessed as a single parcel of residential property.

An "accessory dwelling unit" is defined as a secondary dwelling unit that is:

- Located on the same parcel as the primary single-family residence;
- Independent of and smaller than the primary single-family residence; and
- Owned by the same person as the primary single-family residence.

HB1775 is effective for assessment years beginning on or after January 1, 2026.

Fiscal Impact:

No impact to state revenues.

[All improvements to a parcel would continue to be valued with appropriate appraisal practice. There is a possibility of a minimal revenue impact to local property tax collections.]

Taxpayer Impact:

The owner of residential property would be assessed with all accessory dwelling units located with the primary residence on a single parcel.

Resources Required:

Education and training would be required for county assessors, their employees, and reappraisal staff. The Assessment Coordination Division (ACD) may need to update guidance. All parcels currently separated must be combined to comply with this change. Mortgage companies must be notified if a parcel has changed for escrow purposes.

Time Required:

Counties with large numbers of residential parcels may require additional time to review and make changes.



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1775

Bill Subtitle: TO PROHIBIT THE SEPARATE VALUATION AND ASSESSMENT OF AN ACCESSORY DWELLING UNIT FOR PURPOSES OF PROPERTY TAXES; AND TO AMEND THE METHOD OF VALUATION FOR CERTAIN RESIDENTIAL PROPERTY UNDER ARKANSAS CONSTITUTION, ARTICLE 16, § 5.

Procedural Changes:

County assessors would no longer be able to list a separate dwelling from the primary residence owned by the same person. County assessors could not grant a request from a taxpayer to subdivide an accessory dwelling unit.

Other Comments:

Currently, in most cases a dwelling is pulled out of the main parcel card when it is being used for income-producing purposes.

Legal Analysis:

None.