



**TIM GRIFFIN**  
ATTORNEY GENERAL

Opinion No. 2025-077

December 18, 2025

The Honorable Rick McClure  
State Representative  
2424 Sulphur Springs Road  
Malvern, Arkansas 72104

Dear Representative McClure:

I am writing in response to your request for an opinion regarding the business personal property tax exemption claimed by an unidentified medical clinic. You indicate that this clinic asserts tax-exempt status based on its use of federal grant funds to purchase and operate medical equipment. You also note that this clinic bills its patients and refers unpaid accounts to collection agencies.

Against this background, you ask the following questions:

1. Can a medical clinic claim business personal property tax exemption status by stating the underlying property was purchased with federal grant money?

**Brief response:** No, a medical clinic cannot claim a business personal property tax exemption solely because the property was purchased with federal grant funds. But it may qualify for the public charity exemption provided by the Arkansas Constitution.

2. Does a medical clinic lose or jeopardize its tax-exempt status if it bills for its services rendered and turns delinquent accounts over to collection agents?

**Brief response:** No, a medical clinic does not lose or jeopardize its tax-exempt status simply by billing patients or referring delinquent accounts to collection agencies, provided that those patients have the ability to pay and any profits are used to support or expand the clinic's charitable mission.

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## DISCUSSION

***Question 1: Can a medical clinic claim business personal property tax exemption status by stating the underlying property was purchased with federal grant money?***

A medical clinic cannot claim an exemption from business personal property taxes solely because the property was purchased using federal grant funds. But it may qualify for the “public charity” exemption provided by the Arkansas Constitution.

In Arkansas, all real and personal property is subject to ad valorem taxation unless specifically exempted by law.<sup>1</sup> While the federal government is generally immune from state taxation under the Supremacy Clause of the federal constitution, this immunity does not extend to private entities that receive federal funding.<sup>2</sup> For purposes of this opinion, I assume the medical clinic is privately owned and operated, and not a federal entity.

The Assessment Coordination Division (ACD) of the Arkansas Department of Finance and Administration oversees the valuation, assessment, and equalization of nearly all property subject to ad valorem taxation in Arkansas.<sup>3</sup> In addition, the ACD supervises county assessors, equalization boards, and tax collectors to ensure property assessments are carried out in substantial compliance with Arkansas law.<sup>4</sup> County assessors determine whether a property qualifies for an exemption or if the property is owned by an instrumentality of the federal or state government and thus is immune from taxation.<sup>5</sup> That decision is appealable.<sup>6</sup> The primary and predominant factor assessors consider when determining if an exemption is proper is the actual use of the property.<sup>7</sup>

There is a strong presumption in favor of the government’s taxing authority, and the burden rests on the taxpayer to demonstrate entitlement to an exemption.<sup>8</sup> Arkansas courts strictly construe tax

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<sup>1</sup> Ark. Const. art. 16, § 5; A.C.A. § 26-3-201.

<sup>2</sup> See *South Carolina v. Baker*, 485 U.S. 505, 523 (1988) (stating that “the States can never tax the United States directly but can tax any private parties with whom it does business, even though the financial burden falls on the United States ....”).

<sup>3</sup> Assessment of utility and carrier property is performed by the Tax Division of the Arkansas Public Service Commission. See A.C.A. § 26-26-1606.

<sup>4</sup> A.C.A. §§ 26-24-101 et seq., 26-26-1901 et seq.

<sup>5</sup> *Id.* §§ 26-26-1001, 26-3-301.

<sup>6</sup> *Id.* § 26-27-317 to -318.

<sup>7</sup> *Ark. Teacher Retirement Sys. v. Short*, 2011 Ark. 263, at 7–8, 381 S.W.3d 834, 838–39.

<sup>8</sup> *Tech. Servs. of Arkansas, Inc. v. Pledger*, 320 Ark. 333, 336, 896 S.W.2d 433, 435 (1995).

exemptions against the taxpayer.<sup>9</sup> Any ambiguity regarding whether an exemption applies will result in the denial of that exemption.<sup>10</sup> Moreover, the General Assembly may authorize only those exemptions that are specifically provided for in the Arkansas Constitution.<sup>11</sup>

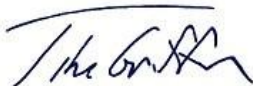
In this instance, the only relevant exemption is the public charity exemption, which applies to buildings, grounds, and materials used exclusively for charitable purposes.<sup>12</sup> For a medical clinic to qualify, it must (1) be open to the public; (2) provide services regardless of a patient's ability to pay; and (3) use any profits from paying patients solely to maintain or expand its charitable operations.<sup>13</sup> If the clinic satisfies these criteria, it may qualify for the public charity exemption. The authority to approve or deny a particular tax exemption has not been vested in this office. That decision rests with the local county assessor, who must follow the rules established by the ACD for assessing property subject to ad valorem taxation.<sup>14</sup> Thereafter, the matter may proceed through the judicial process.

***Question 2: Does a medical clinic lose or jeopardize its tax-exempt status if it bills for its services rendered and turns delinquent accounts over to collection agents?***

A medical clinic does not lose its public charity exemption simply because it bills patients or refers delinquent accounts to collection agencies. Charitable hospitals and medical clinics are permitted to serve paying patients, provided that any excess income is used to support and expand the charitable mission.<sup>15</sup> Referring delinquent accounts to collections may reflect a reasonable effort to recover costs from patients who are able, but unwilling, to pay.

Assistant Attorney General Justin Hughes prepared this opinion, which I hereby approve.

Sincerely,



TIM GRIFFIN  
Attorney General

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> Ark. Const. art. 16, § 6.

<sup>12</sup> Ark. Const. art. 16, § 5(b).

<sup>13</sup> *Hardesty v. N. Arkansas Med. Servs., Inc.*, 2019 Ark. App. 410, at 3, 585 S.W.3d 177, 179.

<sup>14</sup> Ark. Att'y Gen. Op. 2015-118.

<sup>15</sup> *Sebastian Cnty. Equalization Bd. v. W. Ark. Counseling & Guidance Ctr., Inc.*, 296 Ark. 207, 210–211, 752 S.W.2d 755, 757–758 (1988).