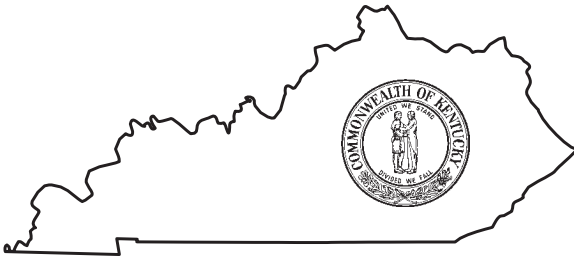


UNDERSTANDING KENTUCKY PROPERTY TAX



**Department of Revenue
Office of Property Valuation**

**The Department of Revenue
Mission Statement**

The mission of the Department of Revenue is to . . .

Administer tax laws, collect revenue and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens

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FOREWORD

In a continuing effort to better serve the public, the Kentucky Department of Revenue presents the fourth edition of *Understanding Kentucky Property Tax*.

The contents of this booklet are intended to provide property owners with a simple and easy-to-use source of information regarding the ad valorem tax laws and property tax administration in Kentucky. They are based on the most commonly asked questions of the Office of Property Valuation.

The Office of Property Valuation is responsible for administration and enforcement of state property tax laws; equalization of tax assessments; the assessment of public utilities and public service corporations; and the supervision of state property tax collections.

If you have any questions or need additional copies, please contact this office or your local property valuation administrator.

TABLE OF CONTENTS

TOPIC	PAGE
Foreword	i
Introduction	1
Assessment Process	5
Appeals	9
Levy and Rates	13
Collection	18
Glossary	21

INTRODUCTION

1. Who has the authority to levy taxes?

The state has the power to tax subject to limitations by both the federal and state constitutions. Only the legislature has the power to provide a system of taxation. The legislature also has the power to create subordinate units of government (counties, cities, etc.) and may grant these units specific taxing authority.

The Kentucky Constitution requires equality and uniformity through fair cash value assessments. The constitution specifically provides that taxes shall be levied for public purposes only, places limits on tax rates, and permits classification of property.

2. What property is subject to taxation?

All property, unless specifically exempt by the constitution or by an act of the legislature, is taxable. The constitution expressly prohibits exemption of any property or persons except those allowed by the constitution itself. An exemption is strictly construed by the courts because **taxation is the rule and exemption is the exception**, and all doubts must be resolved against the exemption and in favor of the tax. "All property" which is required to be taxed by the constitution includes both real and tangible personal property.

Real property exempt from taxation by the constitution must be listed in the same manner and at the same time as taxable real property. The property valuation administrator must maintain

an inventory of exempt real property, but does not place it on the tax rolls. Each property valuation administrator must, under the direction of the Department of Revenue, review annually all property listed and claimed to be exempt from taxation. All property that is not exempt shall be placed on the tax roll.

3. What are the different types of real property?

Real property, by definition, includes:

residential lots and improvements;
farms or acreage, including improvements;



commercial and industrial lots and tracts, including improvements; and mineral (oil, gas coal and other mineral resources) and timber properties, including the rights conveyed to these types of property, both developed and undeveloped.

4. What are the different types of tangible personal property?

Tangible personal property subject to full state and local tax rates includes, but is not limited to, automobiles, watercraft, trucks and trailers, professional trade tools and business fixtures, inventories, and drilling, mining, and construction equipment.



Tangible personal property subject to a state tax rate only includes manufacturing machinery, manufacturers' inventories of raw materials



and goods in process, farm tractors, other farm implements and farm machinery, livestock, and certain commercial radio, telephonic, and television equipment.

Tangible personal property subject to a state tax rate with mixed local rates includes tobacco in storage and unmanufactured agricultural products.

5. Types of property exempted by the constitution are:

(A) public property used for public purposes;

(B) all tangible and intangible property owned by an institution of religion;

(C) all real property owned and occupied by an institution of religion;

(D) institutions of purely public charity;

(E) nonprofit educational institutions;

(F) public libraries;

(G) household goods of a person used in the home;

(H) places of burial not held for profit;



- (I) crops grown in year the assessment is made and in hands of producer;
- (J) bonds of state, county, municipality, and school taxing districts;
- (K) a homestead, which is a residential unit maintained and resided in by a qualified owner. This exemption is granted to property owners 65 years of age or older and to property owners classified as totally disabled. For 2014, the exemption amount is \$36,000. This amount is deducted from the assessed value of the property owner's home and taxes are paid on the remaining assessment. The exemption amount is recalculated every two years to adjust for inflation and in 2015 and 2016 the amount is \$36,900.

ASSESSMENT PROCESS

6. Who determines the assessed value of taxable property?

All 120 counties elect a property valuation administrator commonly known as the “PVA.” The PVA, subject to the direction, instruction, and supervision of the Office of Property Valuation, makes the assessment of all property in his/her county which is not specifically subject to state assessment. The PVA is also responsible for maintaining property assessment records and other duties required by law.

7. How is the PVA selected?

The office of PVA is an elected position. The election is held every four years at the same time as other county officials. In order to run for PVA, a person must be at least 24 years old, a Kentucky resident for two years and resident in the county for one year at the time of the election. Before the election each candidate for PVA must pass a qualifying examination administered by the Office of Property Valuation.

8. How is property valued for tax purposes?

The Kentucky Constitution prescribes that all property not exempt from taxation be assessed at its fair cash value, estimated at the price it would bring at a fair voluntary sale. The widely accepted definition of fair cash value is the estimated price that a willing buyer would pay and a willing seller would accept.

9. As a taxpayer, what are my responsibilities for listing my property for assessment and what is the assessment date?

The assessment date for all property assessed by the PVA is January 1 of each year. All persons owning or having any interest in any **real** property taxable in the state have a duty to list the property with the appropriate PVA between January 1 and March 1. However, any real property correctly and completely described in the assessment record for the previous year may be considered to be listed by the owner for the current year if no changes have been made that could affect the property's value. Additionally, the sale price listed in the deed in accordance with KRS 382.135, for property purchased in the preceding year may be considered the listed value, if no changes have been made that could affect the property's value between the purchase date and the next assessment date.

Taxpayers must list any tangible personal property with the county PVA or the Office of Property Valuation between January 1 and May 15 of each year. All tangible property not listed during this timeframe will be considered omitted and subject to penalties. Due to the need to observe property tax calendar deadlines for the benefit of local taxing jurisdictions, extensions are not granted for the filing of personal property tax returns.

10. Is the value listed by the taxpayer during the listing period the same as the assessed value?

While the taxpayer's valuation on the return is a source of information for making the assessment, **it is not the assessment**. In the final analysis, the PVA must determine the value of the property

which may not be the same as the taxpayer's estimated value.

All real property must be revalued each year in accordance with standards prescribed by the Department of Revenue, and must be physically examined no less than once every four years by the PVA or a designated deputy.

11. Will I be notified of any increase/decrease in my assessment over the value listed during the listing period?

If the PVA assesses any property at a higher value than that indicated by the taxpayer, or if he/she assesses unlisted property, **a written notice must be given to the taxpayer except** in the case of motor vehicles that are assessed by a standard valuation guide provided by the Department of Revenue (KRS 132.450).

12. What if I make changes or improvements to my property?

Whenever property is remodeled or improved, the real question is whether the total dollar value of the building and land has increased. Although it is possible to spend a great deal of money remodeling, the cost of such action may not be the true measure of any increased market value. Any increase in **market value** should be reflected in a relative increase in assessed value. Normal home repairs and maintenance merely tend to keep property values from falling and do not warrant an increase in the assessment.

13. Where can I check to see if my property assessments are in line with other comparable property?

Check with the PVA office located in your county seat during the tax roll inspection period which is held for 13 days beginning the first Monday in May.

APPEALS

14. If I think my property assessment is too high, what can I do?

If a taxpayer disagrees with the real property assessment made by the PVA, a conference must first be requested with the PVA or a designated deputy. The conference must be held prior to or during the inspection period and, at the taxpayer's request, may be held by telephone.

The PVA will give the taxpayer a copy of the conference record and may also give the taxpayer a form showing what information may be required by the PVA and/or the appeals board.

If, after the conference, the taxpayer still feels his or her assessment is too high, then an appeal may be filed at the county clerk's office. All appeals must be filed no later than one workday following the conclusion of the inspection period.

More detailed information is available in a Department of Revenue publication entitled, *Appeals Process for Real Property Assessments*.

If a taxpayer disagrees with a personal property assessment, the first step is to contact the PVA office and try to resolve the matter. Appeals of personal property assessments are not filed with the local board of assessment appeals as are real property appeals. If no agreement can be reached with the local PVA, a written appeal should be sent to the following address:

Kentucky Department of Revenue
Office of Property Valuation
Division of State Valuation
501 High Street
Frankfort, Kentucky 40620

The appeal should include a statement setting forth the grounds upon which the protest is made and the property owner's opinion of value. The statement should also include a complete description of the property, the original cost, the date of acquisition, and the condition of the property. A personal property assessment must be protested within 45 days from the date of the assessment notice or the original assessment becomes final.

15. What is the county board of assessment appeals?

The board consists of three members who have extensive knowledge of real estate values, preferably in real estate appraisal, sales, management, financing, or construction. All are reputable real property owners who have resided in the county at least five years. The members are appointed by the fiscal court, the county judge-executive and by the mayor of the largest city using the county tax roll.

16. When does the county board of assessment appeals meet?

The local board is scheduled to meet no earlier than 25 days and no later than 35 days following the conclusion of the tax roll inspection period. The tax roll inspection period runs for 13 days starting the first Monday in May. The illustration on the next page provides an example of when the county Board of Assessment Appeals would convene based upon the timing of the conclusion of the tax roll inspection period. Keep in mind that there will be some variation in the dates based upon the date the first Monday in May

occurs. Also, if there is a delay in completing the assessment work, the tax roll inspection period will also be delayed. If this occurs, a revised schedule will be advertised in the local newspaper.

MAY						
S	M	T	W	T	F	S
	X	X	X	X	X	X
7	X	X	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

JUNE						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

- May 1-15** — Inspection period
- June 9** — Earliest day for board to convene
- June 19** — Latest day for board to convene

17. What are the board’s duties?

The board hears and acts on appeals of taxpayers who disagree with the assessment made by the PVA. The board is only authorized to hear taxpayers who file appeals with the county clerk no later than one workday following the conclusion of the inspection period.

The board holds a public hearing for each individual taxpayer appeal case, and, after hearing all evidence, fixes the assessment of the property at its estimated fair cash value.

A taxpayer may request the board to review other property assessments that he/she feels to be less than fair cash value in the county provided they have listed their property at fair cash value with the PVA. The review request must be written and must specify the individual properties to be reviewed.

The board may also be required to review any assessment upon written recommendation of the Department of Revenue, county judge-executive, mayor and/or superintendent of any school district. The board is also required to review the assessments of property owned by the PVA and all PVA office employees.

18. What if I am not satisfied with the board of assessment appeals' decision?

Any taxpayer, the PVA, the Department of Revenue, the county judge-executive, the mayor of a city using the county assessment, or superintendent of a school district in which the property is located, may appeal the board of assessment appeals' decision to the Kentucky Board of Tax Appeals (KBTA) within 30 days from the date the ruling was mailed. Any party not satisfied with the ruling of the KBTA may appeal the ruling to the circuit court.

A taxpayer must go through the appeals process in order to be eligible to appeal to the KBTA.

LEVY AND RATES

19. Who levies property taxes?

STATE

The legislature has established state rates for real and tangible property.

The revenues generated from the state tax go to the state general fund.



SCHOOLS

Property taxes are a major source of revenue for local school districts; in fact, each school district is currently required to set, at a minimum, an equivalency rate of 30 cents per \$100 of assessed value.



SPECIAL DISTRICTS

County and city governments have the power to create special taxing districts to fund specific public services such as libraries, fire protection, health, ambulance, watershed, agriculture, and soil conservation services.

CITY AND COUNTY GOVERNMENTS

City and County governments also rely heavily on the property tax for revenues. The fiscal court or city commission establishes a rate to generate needed funds to operate their respective governments. **The PVA is not involved in determining tax rates.**

20. Are there any limitations in the tax rates charged by each taxing district?

If a taxing district establishes a tax rate which will generate more than a 4 percent increase over the previous year's revenue, excluding increased

revenue from new property, the rate is subject to recall. A petition signed by at least 10 percent of the taxpayers of the taxing district who voted in the last presidential election will cause an election to be held to adopt or reject the tax rate. If a majority of the votes cast oppose the rate, the rate will not go into effect.

21. How is the total amount of my property tax bill determined if my home is assessed at \$100,000?

Assuming the county tax rate is \$.18, the school tax rate is \$.50, the library special taxing district has a rate of \$.08 and the state rate is \$.122 per \$100 of assessed value, the following formula is used:

County	\$.18
Library	\$.08
School	\$.50
State	<u>\$.122</u>
	\$.882 per \$100 of assessed value

	\$100,000 assessed value
x	<u>.00882</u>
	\$882.00 tax due amount

22. How is the total amount of my property tax bill determined if my automobile is assessed at \$15,000?

Assuming the county tax rate is \$.17, the school tax rate is \$.50, and the state rate is \$.45 per \$100 of assessed value, the following formula is used:

County	\$.17
School	\$.50
State	<u>\$.45</u>
	\$1.12 per \$100 of assessed value

	\$15,000 assessed value
x	<u>.0112</u>
	\$168.00 tax due amount

23. What are the different types of property and their tax rates?

REAL ESTATE

Property Type	Statute	State Rate	County Rate	School Rate	City Rate
Residential (Land and Improvements)	132.020	**	Full	Full	Full
Farm (Land and Improvements)	132.020	**	Full	Full	Full
Commercial (Land and Improvements)	132.020	**	Full	Full	Full
Leasehold Interest (Owned and Financed by Tax-Exempt Organization)	132.020	.015	None	None	None
Other Leasehold Interest		**	Full	Full	Full
Mobile Homes	132.751	**	Full	Full	Full
Oil Property (Producing and Undeveloped)	132.820	**	Full	Full	Full
Natural Gas Property (Producing and Undeveloped)	132.820	**	Full	Full	Full
Coal Property (Unmined)	132.820	**	Full	Full	Full
Timber Property	132.020(5)	**	Full	Full	Full

TANGIBLE PROPERTY

Agricultural Products

In Hands of Producer or Agent	132.020(1)	.015	None	None	None
In Storage -- Not at Mfg.	132.200(6)	.015	.045	None	.045
Tobacco in Storage	132.020(1)	.015	.015	None	.015
Aircraft					
Commercial	132.020(1)	.45	Full	Full	Full
Noncommercial		.015	****	****	****
Alcohol Production Facilities	132.020(1)	.001	None	None	None

TANGIBLE PROPERTY (continued)

Property Type	Statute	State Rate	County Rate	School Rate	City Rate
Business Furniture	132.020(1)	.45	Full	Full	Full
Car Lines	136.180(4)	**	***	***	***
Computer Equipment	132.020(1)	.45	Full	Full	Full
Construction Equipment	132.020(1)	.45	Full	Full	Full
Distilled Spirits	132.020(10)	.05	Full	Full	Full
Drilling and Mining Equipment	132.020(1)	.45	Full	Full	Full
Farm Machinery Used in Farming	132.020(1)	.001	None	None	None
Dealer's Inventory		.05	None	None	None
Livestock and Poultry	132.020(1)	.001	None	None	None
Manufacturer's Machinery (Owned or Leased)	132.020(1)	.15	None	None	None
Manufacturer's Raw Materials	132.020(10)	.05	None	None	None
Manufacturer's Finished Goods	132.020(10)	.05	Full	Full	Full
Merchant's Inventory	132.020(10)	.05	****	Full	****
Motor Vehicles					
Regular	132.487	.45	Full	Full	Full
Recreational	132.487	.45	Full	Full	Full
Apportioned	132.220(1)	**	***	***	***
Historic	132.020(1)	.25	None	None	None
Dealer's Inventory	132.020	.05	None	None	None
Pollution Control Facilities	132.020(1)	.15	None	None	None
Precious Metals (Bullion)	132.020(1)	.45	Full	Full	Full
Professional Trade Tools	132.020(1)	.45	Full	Full	Full
Public Warehouses Property in Storage	132.260(1)	.05	Full	Full	Full

TANGIBLE PROPERTY (continued)

Property Type	Statute	State Rate	County Rate	School Rate	City Rate
Radio-Television Telephonic Equipment	132.020(1)	.15	None	None	None
Watercraft	136.181	.45	Full	Full	Full
Documented Boats	132.020	.015	*****	*****	*****

** Computed annually.

*** Included in the state rate.

**** Pursuant to KRS 132.028 and KRS 68.246, a city, county, or urban-county government may levy a rate on Business Inventory that is less than the prevailing rate of taxation on other tangible property.

***** Pursuant to KRS 132.200, a city, county, or urban-county government may exempt this property from local taxation.

COLLECTION

24. Who collects property taxes?

The county sheriff is responsible for notifying the taxpayer and collecting property taxes, on behalf of the state and local taxing districts. An exception to this includes omitted personal property which is assessed, billed, and collected by the Office of Property Valuation. Another variation involves the collecting of motor vehicles property tax by the county clerk at the time of vehicle registration.

25. How are taxpayers notified of a tax liability?

Each tax year a tax bill is prepared and a copy mailed to the taxpayer, showing the total amount of taxes due the state, county, school, and other local levies. The tax bill includes the date on which the taxes are due and any discounts to which the taxpayer may be entitled. Failure to receive a tax bill does not invalidate the tax claim and it is the taxpayer's responsibility to inquire about the property taxes due if a tax bill is not received. The tax bill is sent to the owner as of January 1 even though the property may have been sold after that date.

26. When are my property taxes due?

Property tax bills typically become payable in the sheriff's office in October or November of each year. If collections begin October 1st, the amount due can be paid with a 2% discount until November 1st.

The face amount of the tax bill is due from November 2nd through December 31st. A 5% penalty is applied to all payments made in January and a 10% penalty plus a 10% sheriff's fee is added to the total due on payments made between February 1st and April 15th.

If a county's bills are mailed at a later date, then at least 30 days will be allowed for each phase of the collection cycle.

27. What if I fail to pay my taxes on my real estate or tangible personal property?

At the close of business on April 15th, the sheriff transfers the delinquent property tax bills to the county clerk's office. Delinquent real estate tax bills are then officially known as certificates of delinquency. Tangible personal property tax bills are known as personal property certificates of delinquency. Additional fees and interest at 1% per month are applied to the total due. By May 15th, the county attorney must send a notice to all delinquent taxpayers informing them of the delinquency and warning them that the bill could be sold to a third party purchaser later in the summer. If necessary, a second notice is sent by June 15th.

Tax bill sales can be scheduled between July 14th and late October by the county clerk. All certificates of delinquency and personal property certificates of delinquency are advertised in the local newspaper and on the county clerk's website at least 30 days prior to the sale; however, personal property certificates of delinquency will NOT be offered for sale to third party purchasers.

If a certificate of delinquency is purchased by a third party at the tax sale, the delinquent taxpayer must then deal with the third party. By law, a third party purchaser must notify the delinquent taxpayer within 50 days and they may add a significant amount of additional fees. Payment plans are also available to delinquent taxpayers who make a request for one to a third party purchaser.

The collection of certificates of delinquency not sold to third party purchasers and all personal property certificates of delinquency is the responsibility of the county attorney's office.

28. When do I pay the property tax due on my automobile or truck?

The county clerk is the collector of motor vehicle property taxes. The taxpayer is required to pay the taxes due at the time of vehicle registration renewal. Generally, the registration date is the same month as the taxpayer's birthday. A tax bill notice is sent to the taxpayer before the due date by the county clerk. If you fail to receive a notice, you are still liable for the taxes due. You should contact the county clerk during the month in which your vehicle license expires.

29. Can I make a partial payment on my tax bill?

The sheriff may accept partial payments; however, a tax lien would still be applied against the property until full payment of the tax bill was received.

GLOSSARY

- Assessment** — is the value placed on a property representing the PVA's estimate of fair market value.
- Depreciation** — is a loss in value resulting from any cause.
- Fair Market Value** — the estimated price that property would bring at a fair and voluntary sale.
- Real Property** — includes all lands within the commonwealth and improvements such as homes, buildings, mobile homes, and other structures. This includes residential, farm, and commercial classes of property.
- Real Property Improvements** — additions to land and/or alterations (renovations) to structures.
- Tangible Personal Property** — includes all physical personal property such as automobiles, boats, aircraft, inventories, drilling, mining, and construction equipment.

KENTUCKY PROPERTY TAX CALENDAR

	Real Estate	Personal Property
Assessment Date <i>KRS 132.220(1)</i>	January 1	January 1
Taxpayer Listing Period <i>KRS 132.220(1)(2)</i>	January 1 - March 1	January 1 - May 15
Public Inspection of Tax Roll <i>KRS 133.045</i>	13 Days beginning 1st Monday in May (6 days per week including Sat.)	
Board of Assessment Appeals <i>KRS 133.030</i>	5 days beginning 25 to 35 days after inspection period	
Tax Bills Delivered to Sheriff <i>KRS 134.020(1)</i>	By September 15	By September 15
Pay With 2% Discount <i>KRS 134.020(2)</i>	By November 1	By November 1
Pay Without Discount	Nov. 2 - Dec. 31	Nov. 2 - Dec. 31
Tax Bills Delinquent <i>KRS 134.020(3)</i>	January 1	January 1
PAY WITH 5% PENALTY <i>KRS 134.020(4)</i>	JAN. 1 - JAN. 31	JAN. 1 - JAN. 31
PAY WITH 10 % PENALTY AND 10% SHERIFF'S ADD ON FEE <i>KRS 134.020(4)</i>	AFTER JAN. 31	AFTER JAN. 31
Transfer of tax bills to the County Clerk's office <i>KRS 134.122</i>	April 15 - Sheriff collects tax through the close of business.	April 15 - Sheriff collects tax through the close of business.
County Clerk's Sale of Certificates of Delinquency <i>KRS 134.128</i>	July 14 - October 27 All certificates not sold to a third party are collected by the county attorney.	Not sold to third party purchasers. County attorney enforces collection.



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