



State Real Property Tax Rate Discussion

Interim Joint Committee on Appropriations and Revenue

September 8, 2021

TEAM
KENTUCKY

Kentucky Department of Revenue • 501 High Street • Frankfort, KY 40601 • (502) 564-4581

132.020 State Ad Valorem Taxes

- (1) The owner or person assessed shall pay an annual ad valorem tax for state purposes at the rate of:
 - (a) Thirty-one and one-half cents (\$.315) upon each one hundred Dollars (\$100) of value of all real property directed to be assessed for taxation;
 - (b) Twenty-five cents (\$.25) upon each one hundred dollars (\$100) of value of all motor vehicles qualifying for permanent registration as historic motor vehicles under KRS 186.043;
 - (c) Fifteen Cents (\$.15) upon each one hundred dollars (\$100) of value of all:
 1. Machinery actually engaged in manufacturing;
 2. Commercial radio and television equipment used to receive, capture, produce, edit, enhance, modify, process, store, convey, or transmit audio or video content or electronic signals which are broadcast over the air to an antenna, including radio and television towers used to transmit or facilitate the transmission of the signal broadcast and equipment used to gather or transmit weather information, but excluding telephone and cellular communication towers; and
 3. Tangible personal property which has been certified as a pollution control facility as defined in KRS 224.1-300. In the case of tangible personal property certified as a pollution control facility which is incorporated into a landfill facility, the tangible personal property shall be presumed to remain tangible personal property for purposes of this paragraph if the tangible personal property is being used for its intended Purposes

132.020 State Ad Valorem Taxes

- (2) Notwithstanding subsection (1)(a) of this section, the state tax rate on real property shall be reduced to compensate for any increase in the aggregate assessed value of real property to the extent that the increase exceeds the preceding year's assessment by more than four percent (4%), excluding:
- (a) The assessment of new property as defined in KRS 132.010(8);
 - (b) The assessment from property which is subject to tax increment financing pursuant to KRS Chapter 65; and
 - (c) The assessment from leasehold property which is owned and financed by a tax-exempt governmental unit, or tax-exempt statutory authority under the provisions of KRS Chapter 103 and entitled to the reduced rate of one and one-half cents (\$0.015) pursuant to subsection (l)(t) of this section. In any year in which the aggregate assessed value of real property is less than the preceding year, the state rate shall be increased to the extent necessary to produce the approximate amount of revenue that was produced in the preceding year from real property.
- (3) By July 1 each year, the department shall compute the state tax rate applicable to real property for the current year in accordance with the provisions of subsection (2) of this section and certify the rate to the county clerks for their use in preparing the tax bills. If the assessments for all counties have not been certified by July 1, the department shall, when either real property assessments of at least seventy-five percent (75%) of the total number of counties of the Commonwealth have been determined to be acceptable by the department, or when the number of counties having at least seventy-five percent (75%) of the total real property assessment for the previous year have been determined to be acceptable by the department, make an estimate of the real property assessments of the uncertified counties and compute the state tax rate.

132.020 State Ad Valorem Taxes

- (4) If the tax rate set by the department as provided in subsection (2) of this section produces more than a four percent (4%) increase in real property tax revenues, excluding:
- (a) The revenue resulting from new property as defined in KRS 132.010(8);
 - (b) The revenue from property which is subject to tax increment financing pursuant to KRS Chapter 65; and
 - (c) The revenue from leasehold property which is owned and financed by a tax-exempt governmental unit, or tax-exempt statutory authority under the provisions of KRS Chapter 103 and entitled to the reduced rate of one and one-half cents (\$0.015) pursuant to subsection (1) of this section;

the rate shall be adjusted in the succeeding year so that the cumulative total of each year's property tax revenue increase shall not exceed four percent (4%) per year.

- (5) The provisions of subsection (2) of this section notwithstanding, the assessed value of unmined coal certified by the department after July 1, 1994, shall not be included with the assessed value of other real property in determining the state real property tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also be excluded from the provisions of subsection (2) of this section. The calculated rate shall, however, be applied to unmined coal property, and the state revenue shall be devoted to the program described in KRS 146.550 to 146.570, except that four hundred thousand dollars (\$400,000) of the state revenue shall be paid annually to the State Treasury and credited to the Office of Energy Policy for the purpose of public education of coal-related issues.

KRS 133.110 Correction of Clerical errors in Assessment

- (1) After submission of the final real property recapitulation or certification of the personal property assessment, the property valuation administrator may correct clerical, mathematical, or procedural errors in an assessment or any duplication of assessment. Changes in assessed value based on appraisal methodology or opinion of value shall not be valid. All corrections shall be reviewed by the Department of Revenue and those changes determined by the department to be invalid shall be rescinded. Any taxpayer affected by this rescission shall not be subject to additional penalties.
- (2) Notwithstanding other statutory provisions, for property subject to a tax rate that is set each year based on the certified assessment, any loss of property tax revenue incurred by a taxing district due to corrections made after the tax rate has been set may be recovered by making an adjustment in the tax rate to be set for the next tax year.

History of the State Real Property Tax Rate (Expressed as cents per \$100 of assessed valuation)

1978 – 31.5	1989 – 20.3	2000 – 14.1	2011 – 12.2
1979 – 27.9	1990 – 18.9	2001 – 13.6	2012 – 12.2
1980 – 24.1	1991 – 18.7	2002 – 13.5*	2013 – 12.2
1981 – 22.9	1992 – 18.4	2003 – 13.3	2014 – 12.2
1982 – 22.4	1993 – 18.0	2004 – 13.1	2015 – 12.2
1983 – 22.1	1994 – 17.2	2005 – 13.1**	2016 – 12.2
1984 – 22.0	1995 – 16.7	2006 – 12.8	2017 – 12.2
1985 – 22.0	1996 – 16.3	2007 – 12.4	2018 – 12.2
1986 – 21.6	1997 – 15.7	2008 – 12.2	2019 – 12.2
1987 – 21.4	1998 – 15.3	2009 – 12.2	2020 – 12.2
1988 – 20.7	1999 – 14.8	2010 – 12.2	2021 – 11.9

*the statute was amended to allow the assessments within a TIF to be excluded from the State rate calculation.

**the statute was amended to allow the new property assessments to be excluded from the State rate calculation.

History of Real Property Tax Assessments 2006-2021

<u>Year</u>	<u>Assessment Amount</u>	<u>Percentage Increase</u>
2006	192,878,918,686	-----
2007	206,676,939,806	7.15%
2008	217,629,929,453	5.30%
2009	223,400,014,267	2.65%
2010	223,951,366,566	0.25%
2011	225,726,979,565	0.79%
2012	228,013,290,405	1.01%
2013	230,742,708,453	1.20%
2014	234,261,603,706	1.53%
2015	240,541,409,236	2.68%
2016	249,005,648,757	3.52%
2017	257,910,049,056	3.58%
2018	266,153,696,076	3.20%
2019	276,672,149,771	3.95%
2020	287,588,335,781	3.95%
2021 est.	305,061,737,262	6.08%

History of New Property Assessments 2006-2021

2006	5,011,197,170
2007	5,250,947,910
2008	4,155,603,350
2009	2,450,678,786
2010	878,701,608
2011	446,182,718
2012	521,086,207
2013	811,016,371
2014	1,083,934,280
2015	1,698,415,938
2016	2,194,405,941
2017	2,707,420,187
2018	3,347,472,985
2019	3,597,799,786
2020	4,183,173,300
2021 estimated	3,396,388,532

Factors Influencing the State Real Property Tax Rate Calculation

By far the most important factor on the State Real Property Tax Rate calculation is the amount of reassessment completed by property valuation administrators (PVAs) each year.

PVA assessed property accounts for 97.5% of the total real property assessment.

Other factors include:

- The amount of new property reported
- The amount of property subject to tax increment financing
- The amount of revenues forgone due to corrections made by a PVA

Estimated 2021 Real Property Assessment

Residential	192,796,597,176
Farm	23,179,097,418
Commercial	81,567,533,854
Estimated RFC Assessment	297,543,228,448
Oil and Gas	695,868,273
PSC Real Estate	6,822,640,541
Total Estimate Real Property Assessments	<u>305,061,737,262</u>
Net New Property	<u>3,396,388,532</u>

TIF Adjustments

Louisville Arena	2,517,153,660
Renaissance Zone	725,116,845
Hotel NULU	38,600
WKU Gateway	127,883,770
Red Mile	45,470,843
21C Hotel	14,550,000
Turfland	43,921,200
Summitt	203,762,500
Owensboro- Gateway	58,749,756
Owensboro-Downtown	43,931,157
Manhattan Harbour	25,753,000
Ovation	30,277,893
Centerpoint	55,781,000
Midland	3,887,000
Belknap	239,032,930
Butchertown	5,820
Centercity	213,425,280
Fort Mitchell	15,470,000

Estimated 2021 Real Property Assessment

Total estimated Real Estate Property Assessments	305,061,737,262
Net New Property	- 3,396,388,532
Total TIF Adjustment	- 4,364,211,254
<u>Estimated 2021 Real Property Assessment</u>	<u>297,301,137,476</u>

State Rate Steps

1. 2020 actual assessment total: Taxable real property as specified by KRS 132.020	287,588,335,781
2. 2020 New Property	4,183,173,300
3. TIF Adjustments	4,364,211,254
4. 2020 actual assessment total: taxable real property as specified by KRS 132.020	279,040,951,227
5. 2020 real property rate (cents per \$100 assessed)	12.2
6. 2020 Revenue amount: 2020 assessment total times 2020 rate (item 4 multiplied by item 5)	340,429,960
7. Allowable 2020 revenue- computed in previous year's calculation	342,248,242
8. Excess Revenue obtained for 2020 (Item 6 minus 7)	0
9. Next, item 6 above (2020 revenue) is multiplied by 1.04. This is the allowed 4% increase for 2021	354,047,159
10. For this adjustment, subtract the excess revenue, calculated in item 8 above, from the "4% increase" amount calculated in item 9 above.	354,047,159
11. Estimate of 2020 real property exonerations to date. These are assessment corrections subtracted from the 2020 tax roll.	311,944,535
12. Times 2020 state rate	0.00122
13. Equals foregone revenue (tax receipts) (item 11 multiplied by item 12)	380,572
14. Add item 13 amount to item 10 amount to obtain allowable revenue for 2021	354,427,731
15. Estimated 2021 real property assessment total	297,301,137,476
16. The 2021 rate	0.001192151

State Real Property Tax Rate Discussion

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The information in this presentation is for educational and informational purposes only and does not constitute legal advice. Information is presented as an overall review that is subject to law changes and may not apply to all states. For accurate information on issues related to State Real Property Tax Rate, please reference KRS 132.020.

Information in this presentation is believed to be accurate as of the date of publication. In the event that any information in this presentation is later determined to be in error, this presentation cannot be used by taxpayers in supporting a specific position or issue before the Department of Revenue, as it does not have the statutory or regulatory authority.

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