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Dark Store Theory:

Tax strategy used by big box retail stores like Lowe's, Target and Walmart to lower their property tax value. Retailers argue that their operational business should be assessed the same as vacant buildings, or "dark stores." This strategy has been used to the detriment of local governments in other states like Michigan, Texas, Wisconsin, North Carolina and Alabama.

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Survey Results: What's on the Line?

The KY PVA Association surveyed PVA's across Kentucky to determine what percentage of assessed commercial property values were represented by big box retail stores and large retail chains that have used dark store theory to lower their assessments in other states. Data were collected from 57 counties.



\$2B

The 2017 total assessed value for the stores included in the survey was more than \$2 billion.



4.2%

Percent of total commercial property values represented by the stores in the survey.



13%

In some counties, the assessed value for the selected stores made up more than 13% of total assessed commercial property values.

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The bottom line:

Big box stores and chain retailers make up a significant percentage of the commercial property tax base in many counties. If those assessed values are lowered, property tax burdens will be shifted to residential and farm owners.

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Listing of Omitted Documented Watercraft

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What is a Documented Watercraft?



- Vessel that is registered by the Federal Government through the US Coast Guard, rather than titled by a state.
- Vessels must be 5 net tons and over 26 feet in length.
- Documented watercraft owners pay 1.5 cent state rate compared to 45 cents on state licensed boats.
- Vessel may be commandeered in war time by military.



Background

- Section 172 of the Kentucky Constitution states, “All property, not exempted from taxation by this Constitution, shall be assessed for taxation at its fair cash value, estimated at the price it would bring at a fair voluntary sale;...”
- There are routinely a low number of documented watercraft tangible returns submitted to PVA office’s therefore they are omitted from the tax roll.
- There has been discussion and drafted legislation in the past to remedy how to list omitted documented watercraft without success.



Background

- Non-adherence to the law of listing documented watercraft creates a fairness issue across the Commonwealth
- Tax revenue not being collected hurts all districts, especially education.
- Taxpayers who license boats through the state (Co. Clerk's office) must pay to receive their "KY Numbers" and this identifies their compliance.
- Department of Fish and Wildlife who police the registration of boats have no easy way to tell if a documented watercraft is in compliance.



Problems – Non-compliance & Missing tax revenue on documented watercraft

- Why? Bills are not being sent
- Why? Documented watercraft are not being listed to the tax roll
- Why? Watercraft owners fail to send return to local PVA
- Why? There is no system to ensure they follow the law
- Why? There is no identification on a documented boat to show enforcing authority it has been listed



Potential Solutions

- Legislation change to identify documented watercraft similar to state licensed boats.
- Marina owners submit a list of slip owners to the PVA similar to what mobile home park owners do.
- PVA's/Revenue walk the docks every 4 years and try to list omitted watercraft.

Potential Legislative Change

Register all documented watercraft through the County Clerk's office.

- Ensure fairness to all boat owners throughout the Commonwealth
- Ensure all watercraft has KY numbers and the annually updated colored sticker
- Make it easier to verify compliance of boats by Fish & Wildlife officers
- Ensure taxing districts are getting the dollars they deserve