



**FINANCE AND ADMINISTRATION CABINET
DEPARTMENT OF REVENUE
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MEMORANDUM

TO: Kentucky Legislative Research Commission

FROM: Thomas S. Crawford, Executive Director
Office of Property Valuation
Department of Revenue

DATE: December 1, 2022

SUBJECT: Property Tax Assessment Procedures for Well-Managed Forests

During its 2022 regular session, the Kentucky General Assembly adopted House Joint Resolution 41, which directed the Department of Revenue to coordinate with the University of Kentucky's Department of Forestry and Natural Resources to detail:

“their recommendations for establishing property tax assessment procedures for well-managed forests that ensure equitable taxation of these lands and encourage sound forest management practices that will promote the sustainability of Kentucky’s forests and maximize the socioeconomic benefits derived from them.”

In August 2022, Department of Revenue personnel met with Dr. Jeffrey Stringer, chair of UK's Department of Forestry and Natural Resources, along with members of the Kentucky Association of Property Valuation Administrators (KY “PVAs”) who serve on the PVA Farm Committee charged with reviewing the agricultural valuation guidelines issued every four years by the department, to discuss assessment procedures for well-managed forests.

Kentucky PVAs are currently using the 2019-2022 Agricultural Assessment Recommended Guidelines 2019-2022 Quadrennial Cycle or “Ag. Value Guidelines” issued by the Department of Revenue on August 22, 2018, for agricultural assessments.¹ Agriculture districts classified as mostly woodland include well-managed forest land. Land classified as

¹<https://revenue.ky.gov/Property/Residential-Farm-Commercial-Property/PublishingImages/Pages/default/2019-2022%20Recommended%20Agriculture%20Value%20Guidelines.pdf>.

mostly woodland generally qualifies for a lower per-acre value --typically ranging from \$100 to \$250 per acre-- because the land is not capable of producing annual income from row crops. Using a 1% property tax rate, the assessment would result in a property tax of \$1.00 to \$2.50 per acre classified as woodland.

On September 7, 2022, a revised set of Agriculture Assessment Recommended Guidelines for the 2023-2026 Quadrennial Cycle were issued to all PVAs. These will be used beginning on the January 1, 2023, assessment date. Subsequent to the issuance of the new agricultural assessment recommended guidelines, Dr. Stringer provided a report to the department recommending an alternative methodology for use in valuing woodlands that are actively being managed for timber.

The department will review Dr. Stringer's recommendation and confer with the PVA Farm Committee members at the upcoming 2022 Winter PVA Conference in Bowling Green, Kentucky on December 5-8. Further discussion may be necessary with Dr. Stringer prior to the establishment of any new recommended guidelines uniquely applicable to valuing well-managed forest land for incorporation into the Agriculture Assessment Recommended Guidelines 2023-2026 Quadrennial Cycle.