

Draft Report of the Property Valuation Administrator's Office Task Force

PREPARED BY LRC APPROPRIATIONS AND REVENUE
COMMITTEE STAFF

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Chapter 1

Property Valuation Administrator’s Office Task Force Members and Agenda

The Property Valuation Administrator’s Office Task Force was formed by a memorandum dated June 5, 2020, which was signed by the President of the Senate and the Speaker of the House. The memorandum requires three members of the Senate; three members of the House of Representatives; and the Kentucky Department of Revenue’s Executive Director of the Office of Property Valuation or a designee be appointed to serve on the task force.

Chart No. 1
Members and Staff Appointed to the Task Force

Task Force Members	Non-partisan Staff
Senator Robby Mills, Co-Chair	Jennifer Hays
Representative Randy Bridges, Co-Chair	Cynthia Brown
Senator Mike Nemes	Chase O’Dell
Senator Denise Harper Angel	Sara Watts
Representative Samara Heavrin	Katy Jenkins
Representative Nima Kulkami	Kevin Branscum
Tom Crawford, Kentucky Dept. of Revenue	Cameron Childress

The task force was directed to meet at least monthly during the interim and present its findings, recommendations, and any proposed legislation to the Legislative Research Commission no later than December 1, 2020, for referral to the appropriate committee.

Chart No. 2
Task Force Committee Meeting Schedule

Date	Time	Location
Monday, July 27, 2020	3:00 p.m.	Capitol Annex Room 171
Tuesday, August 18, 2020	3:00 p.m.	Capitol Annex Room 171
Tuesday, September 15, 2020	3:00 p.m.	Capitol Annex Room 171
Tuesday, October 20, 2020	3:00 p.m.	Capitol Annex Room 171
Monday, November 9, 2020	3:00 p.m.	Capitol Annex Room 171

The duties assigned to the task force include, but are not limited to the following:

1. Studying the operations of Property Valuation Administrators’ offices to identify best practices to reduce redundancy, increase efficiency, improve processes, increase cost savings, and create uniformity among the offices located within the Commonwealth;
2. Studying the funding of Property Valuation Administrators’ offices to identify if other funding methods or an increase in the current level of funding is needed; and
3. Studying each Property Valuation Administrator’s job requirements, property valuation methods, and time frame established in relation to the ad valorem taxation process.

**Chart No. 3
Task Force Presentation Topics and Speakers**

Meeting Date	Presentation Topic	Speakers
July 27th	Overview of the PVA's Job Duties and Office Funding	Mack Bushart, Executive Director, Kentucky PVA Association
August 18th	PVA Office Efficiencies, Best Practices, and Uniformity Among Offices	Jeffrey D. Kelley, Webster County PVA
		Rachel Pence Foster, Daviess County PVA
		Cindy Arlinghaus Martin, Boone County PVA
September 15th	Revenue Generated by the PVA Office and Any Office Expense Issues or Challenges	Kim Holt, Department of Revenue
		Dave Schroeder, Director, Kenton County Public Library
		Jessica Powell, Director, Oldham County Public Library
		Chief Adam Jones, Buechel Fire Protection District
		Adam Powell, Henderson County PVA
October 20th	Technology and Software	Tom Crawford, Department of Revenue
		Mike Tackett, Department of Revenue
		Kent Anness, GIS Branch Manager, Commonwealth Office of Technology
		Lieutenant Colonel Patrick Morgan, Kenton County Sheriff's Office
		Renesa Abner, Henderson County Clerk
	Overview of the Property Tax Calendar	Cynthia Brown, Legislative Research Commission, Appropriations & Revenue Committee Staff

Chapter 2

Property Valuation Administrators (PVA)

Section 99 of the Kentucky Constitution requires each county to elect an office of the Assessor. Section 104 of the Kentucky Constitution gives the General Assembly the authority to abolish the office of the Assessor and provide that the assessment of property be made by other officers. The General Assembly exercised that option and replaced the constitutionally required office of the Assessor with the statutorily required office of the PVA.

Requirements to Become a PVA

KRS 132.370 requires a PVA be elected in each county for a term of four years. The elections of all PVAs are conducted in the same year in which county elections are held. The four-year term begins on the first Monday in December after the election.

Section 100 of the Kentucky Constitution requires persons seeking the office of the PVA be:

- At least 24 years old at the time of the election;
- A citizen of Kentucky;
- A resident of Kentucky for two years; and
- A resident of the county for at least one year, preceding the election

In addition to the qualifications set by Section 100 of the Kentucky Constitution, KRS 132.380 requires that any person seeking the office of the PVA, except for incumbents of the office, pass a qualifying examination administered by the Department of Revenue. Everyone who passes the qualifying examination is issued a certificate. The certificate expires one year from the date of issuance.

If a PVA vacates the office in any year of their four-year term, KRS 132.375 permits the Department of Revenue to designate a qualified employee to carry on the duties of the office until the vacancy is filled by appointment or election.

Current PVAs' Years of Experience

Andrew M. Powell, JD, Henderson Co. PVA, testified that the current PVAs have a combined total of 1,298 years of experience with 10.82 years being the average tenure.

- 28 (23%) of the PVAs are serving in their first term;
- 51 (42.5%) are serving in their first two terms;
- 5 (4.2%) have served longer than 25 years; and
- 3 (2.5%) are newly appointed PVAs.

PVA Salary Schedule

PVAs are considered state officers with county jurisdiction. As state employees, PVAs receive the same benefits as other state employees, such as participation in the Kentucky retirement system. Unlike other state employees, PVAs are compensated based on a salary schedule in KRS 132.590.

The salary schedule provides nine levels of salaries based upon the population of the county in the prior year as determined by the United States Department of Commerce, Bureau of the Census. The salary schedule also provides four steps for annual increments within each population group. A PVA is paid according to the first step within their population group for the first year or portion thereof (i.e. appointed PVAs) that they serve in office. The PVAs salary is automatically advanced to the next step on January 1st of each subsequent year until the maximum salary amount for the population group is reached.

Any person who has previously served as a PVA, prior to assuming the office, must certify to the Finance and Administration Cabinet their total number of service years; however, the total number of service years cannot exceed four years. The cabinet shall place the PVA in the proper step of the salary schedule based upon one incremental step per full calendar year of service.

The salary schedule is calculated annually by the Department for Local Government. Upon publication of the annual consumer price index (CPI) by the U.S. Department of Commerce, the annual rate of salary for the PVA is determined by applying the increase in the CPI to the previous year's salary. The applicable CPI is usually published nationwide by the first week of February. The updated salary determination is applied retroactively to January 1. For this year, the state/executive branch budget bill, HB352, has superseded KRS 132.590 and prohibited any incremental increase to the base salary.

**Chart No. 4
2020 PVA's Salary Scale**

**SCHEDULE II
Maximum Salary Authorizations - 2020
County Judge/Executives, County Clerks, Sheriffs, and
Jailers operating full service jails
In accordance with HB 810 (1998); Sec 246 Kentucky Constitution;
and KRS CH. 64.5275**

Population Group	Step 1	Step 2	Step 3	Step 4
gp 1 0-4,999	\$ 71,156.23	\$ 73,312.48	\$ 75,468.73	\$ 77,624.97
gp 2 5,000-9,999	\$ 77,624.97	\$ 79,781.22	\$ 81,937.47	\$ 84,093.72
gp 3 10,000-19,999	\$ 84,093.72	\$ 86,249.97	\$ 88,406.22	\$ 90,562.47
gp 4 20,000-29,999	\$ 87,328.10	\$ 90,562.47	\$ 93,796.84	\$ 97,031.22
gp 5 30,000-44,999	\$ 93,796.84	\$ 97,031.22	\$ 100,265.59	\$ 103,499.97
gp 6 45,000-59,999	\$ 97,031.22	\$ 101,343.72	\$ 105,656.22	\$ 109,968.71
gp 7 60,000-89,999	\$ 103,499.97	\$ 107,812.46	\$ 112,124.96	\$ 116,437.46
gp 8 90,000-499,999	\$ 106,734.34	\$ 112,124.96	\$ 117,515.59	\$ 122,906.21
gp 9 500,000-up	\$ 113,203.09	\$ 118,593.71	\$ 123,984.33	\$ 129,374.96

schedule prepared by Department for Local Government, January 2020
population est by U.S. Bureau of the Census, July 2017 (per KRS64.5275)

Read across row of applicable population ('09 pop est) group to identify your salary as follows:

- If you have no previous experience in your currently occupied office, your salary is found in the column labeled "step 1".
- If you have been certified to have one (1) full year of service in your currently occupied office, your salary is found in the column labeled "step 2".
- If you have been certified to have two (2) full years of service in your currently occupied office, your salary is found in the column labeled "step 3".
- If you have been certified to have three (3) or more full years of service in your currently occupied office, your salary is found in the column labeled "step 4".

Department of Revenue Training Program

Based on the requirements of KRS 132.385, the Department of Revenue administers a program for educating and training PVAs, deputies, and Department of Revenue employees in the technical, legal, and administrative aspects of property tax administration. The program consists of classes specific to Kentucky, as well as, classes on international appraisal methods taught under IAAO guidelines.

The Department of Revenue also provides certifications to those who meet the requirements.

- Certified Kentucky Assessor (CKA) requirements:
 - A minimum of 120 hours of classroom instruction;
 - Passage of subject matter examinations; and
 - Three years of experience in Kentucky property tax administration.
- Senior Kentucky Assessor (SKA) requirements:
 - CKA designation completed;
 - An additional 90 hours of classroom instruction;
 - Passage of subject matter examinations; and
 - An additional two years of experience in Kentucky property tax administration.

PVA Expense Allowance

KRS 132.597 allows an expense allowance to be granted to each PVA who, within a calendar year, participates in instructional classes approved by the Department of Revenue. No records are required to verify the expenditures for the expense allowance. The expense allowance is considered additional income and appropriate taxes and fringe benefits are deducted on the same basis as the PVA's salary. To receive the expense allowance, the PVA must attend a minimum of 30 classroom hours. If the PVA has a SKA designation, the minimum classroom hours is reduced to 15. Failure to attend the required classroom hours forfeits the PVA's expense allowance for the next calendar year. By statute, the expense allowance is a \$300 monthly payment, but the statute has currently been superseded by the state/executive branch budget bill, HB352, and the allowance reduced to \$200 a month. When an individual is appointed or elected to fill an unexpired term of a PVA, the individual is entitled to immediately receive the monthly expense allowance and the educational requirements listed in the statute will be required to be met during the first calendar year the individual is in office.

Lump Sum Training Payment

KRS 132.590 provides that a lump sum payment be paid to each PVA for every 40-hour training unit that is successfully completed per calendar year. If the training is not sponsored by the Department of Revenue or the International Association of Assessing Officers (IAAO), the PVA must seek pre-approval for the course. Like the PVA salary schedule, the lump sum amount is also adjusted annually by the CPI. Each PVA can earn one lump sum payment every year up to a maximum of four. A PVA's eligibility to receive a lump sum payment is certified by the Department of Revenue.

Chapter 3 Personnel of the PVA's Office

KRS 132.590 provides the PVA the authority to appoint employees that are approved by the Department of Revenue for the purpose of assisting in the performance of his or her job duties. Each deputy is required to be at least 21 years old and is hired as at will, non-merit state employee who, by statutory requirement, may be removed at the pleasure of the PVA.

FAD and Allocation of Deputies

Since 2009, the number of deputies assigned to each PVA office is based on the Formula for Allocation of Deputies (FAD). FAD takes into account the county's population and square miles, and the number of real property parcels, automobiles, and tangible personal property tax forms. By statute, the minimum number of employees per county is two. There are 24 counties that have only two employees.

Andrew Powell testified that there are currently 592.5 deputy positions and 38 full-time deputy positions have been voluntarily absorbed since FAD was developed in 2009. Cindy Arlinghaus Martin testified that the loss of these positions has saved the state over \$10,000,000 to date and continues to save the state over \$1,000,000 each year.

Jeffrey Kelley testified that Webster County has three full-time employees allocated to it in addition to the PVA. Rachel Pence Foster testified that Daviess County has 12 full-time employees allocated in addition to the PVA; however she currently has 9.5 employees and receives a vacancy credit for the sacrificed 2.5 positions. Cindy Arlinghaus Martin testified that Boone County has 10.5 full-time employees allocated to it in addition to the PVA; however to save on retirement costs, she currently has 8 full-time employees and 8 part-time employees.

Kim Holt testified that each PVA is allowed one deputy that is one grade below the county grade and typically PVAs use this allowance to hire a Chief Deputy. As a way to save on payroll costs, all other grades are locked into the grades that the county possessed in 2009. In order to retain employees, approximately 90 counties pay their employees additional wages by using local funds since they cannot increase the employees' grades.

90-Day Hiring Delay

Due to budget constraints, all PVAs currently observe a 90-day hiring delay whenever a vacancy arises. The only way the PVA can fill the position sooner is to use local funds to pay for all of the salary and benefits (i.e., retirement, health and life insurance) associated with the position. After observance of the 90-day hiring delay, if a newly hired deputy leaves the position within the first six months of employment, the PVA does not have to wait another 90 days to replace the deputy. A PVA may promote a current employee to a vacant position that is a higher grade after the 90 days hiring delay is observed. The lower grade position may then be filled immediately since the required 90 days hiring delay has already been observed. However, the new employee filling the lower position must be hired in at the same or lower grade unless the PVA pays the difference in salary from local funds.

Job Classifications and Duties of PVA Office Personnel

Mapping Series

GIS Mapping Technician

- Maintains all mapping records
- Updates digitized and/or conventional property survey maps per survey and legal descriptions
- Designs and updates plats or digitizes new subdivisions for digital maps
- Designs new GIS maps for intra-office and public use
- Assists the public
- Other duties as required

GIS Mapping Technician Principal or Supervisor

- Maintains all mapping records
 - Updates digitized and/or conventional property survey maps per survey and legal descriptions
 - Designs and updates plats or digitizes new subdivisions for digital maps
 - Designs new GIS maps for intra-office and public use
 - Assists the public
 - Other duties as required
- Supervisor:
- Supervises GIS mapping technicians
 - Plans and monitors work flow

Supervisor Assessment Series

Real Property Assessor

- Performs subjective evaluations of real property
- Performs real property physical inspections as necessary
- Performs computer assisted mass appraisals (CAMA) and reviews them for accuracy and equity
- Makes single property appraisals of unique properties
- Supports defense of assessed values in informal and formal appeals
- Provides technical advice and assistance to PVA staff
- Answers public inquiries on appraisal process and about specific appraisals
- Other duties as assigned

Real Property Assessor Principal or Supervisor

- Performs subjective evaluations of real property
- Performs real property physical inspections as necessary
- Performs computer assisted mass appraisals (CAMA) and reviews them for accuracy and equity
- Makes single property appraisals of unique properties
- Supports defense of assessed values in informal and formal appeals
- Provides technical advice and assistance to PVA staff

- Answers public inquiries on appraisal process and about specific appraisals
- Other duties as assigned

Supervisor:

- Assists in the development and execution of appraisal procedures
- Manages the workflow of real property assessors

Supervisor Data Collection Series

Field Representative and Field Representative Principal

- Performs field work including measuring improvements and obtaining characteristic data working off building permits
- Sketches improvements for property cards
- Performs data entry of characteristics when needed
- Photographs properties for physical inspection
- Contacts property owners to obtain and verify data
- Other duties as assigned

Supervisor Administrative Series

General Deputy and General Deputy Principal

- Assists in all departments of the PVA office except real estate appraisals
- Manages real and personal property records
- Performs data entry
- Assists public
- Other duties as required

Customer Service Representative

- Answers telephone calls and responds to in-person inquiries about property values, characteristics, sales and all aspects of the PVA office operations
- Assists with this use of public computer terminals where available
- Other duties as required

Personal Property Clerk

- Inputs data from tangible tax returns
- Performs personal property appraisal (Motax and boats)
- Assists public
- Answers phone calls and in-person queries
- Processes exonerations
- Other duties as assigned

Personal Property Clerk Principal

- Inputs data from tangible tax returns
- Performs personal property appraisal (Motax and boats)
- Assists public
- Answers phone calls and in-person queries
- Processes exonerations

- Other duties as assigned

Administrative Assistant

- Answers telephone calls and responds to in-person inquiries about PVA office data and procedures
- Assists in maintenance of paper and digital files
- Processes exonerations
- Other duties as assigned

Office Manager

- Maintains time and attendance records
- Controls office supply inventory
- Manages real and/or personal property records
- Assists in all departments of the PVA office as needed
- Other duties as assigned

Chief Administrative Assistant

- Prepares correspondence and scheduling for the PVA
- Maintains checking accounts
- Prepares budgets
- Organizes for audits
- Assists with public access to PVA database and GIS data
- Assists chief of staff
- Other duties as assigned

Chief of Staff and Chief Deputy

- Manages and supervises all functions and employees of the office in the absence of the PVA
- Processes data requests from state government and the private sector
- Manages all office projects
- Formulates new programs and procedures to better perform statutory duties of the PVA office
- Other duties as assigned

Salary Grade Classification System

The salaries of deputies and other authorized personnel are set by the PVA in accordance with a grade classification system that is established by the Department of Revenue. The grade classification system is required to be equitable in all respects to the personnel classification systems maintained for other state employees and the Personnel Cabinet provides advice and technical assistance to the Department of Revenue in regards to revising or updating the classification system. The last update to the grade classification system occurred on June 1, 2019.

Chart No. 5
2019 Grade Classifications and Experience Requirements

Grade Level	Wage/Hr	Monthly Wages	Entry Level Experience Requirement
5	\$7.67	\$1,245.90	Co-op/Summer Help Student or under age 18
6	\$8.44	\$1,370.70	High school graduate or GED equivalent with Passing Number Certificate
7	\$10.10	\$1,641.26	Routine tasks with other duties as required
8	\$10.71	\$1,741.07	High school up to one year of experience or college or combination
9	\$11.22	\$1,823.90	High school plus two years of experience or college or combination
10	\$12.35	\$2,006.08	High school plus three years of experience or college or combination
11	\$13.58	\$2,206.92	High school plus four years or college graduate
12	\$14.94	\$2,427.44	College graduate plus one year or high school plus five years of experience or combination
13	\$16.43	\$2,670.20	College graduate plus two years of experience or combination
14	\$18.08	\$2,937.20	College graduate plus three years of experience or combination
15	\$19.88	\$3,230.84	College graduate plus four years of experience or combination
16	\$21.87	\$3,553.88	College graduate plus five years of experience, a Master's Degree*, or combination
17	\$24.06	\$3,908.94	College graduate plus six years of experience, a Master's Degree*, or combination

*A CPA, JD, IAAO or an accredited postgraduate certification will substitute for a Master's Degree.

NOTES:

A PVA may recommend the appointment of a qualified applicant with an extra five percent for four additional years of experience or ten percent for eight additional years of experience, above the minimum salary. An average weekly of 35 hours equals 100% for grade certification.

PVA offices' salary schedule still reflects Grade 7 at the previously higher minimum wage and corresponding Grade 8 entry level.

Educational Opportunities and Training Requirements

Deputies of the PVA office can attend the same Department of Revenue training program provided by KRS 132.385 that is available for PVAs. They can also obtain the CKA and SKA certifications. Upon receiving either the CKA or SKA designation, a deputy may receive an education incentive of 5% of his or her annual salary at the time of completion. The PVA/DOR Budget Committee makes a decision at the end of each fiscal year if educational incentives can be offered.

Jeffery Kelley testified that in addition to the Department of Revenue training program, many PVA employees are trained in-house through a mentoring program. He also stated that smaller PVA offices cross-train employees to do many different tasks, whereas larger counties are more specialized. He mentioned that there is a six month probationary pay incentive for new hires to encourage them to learn their jobs in relatively short period of time in a professional manner as to fully train a new hire takes a lot of time and even more when they must be cross trained for multiple tasks and duties. Cindy Arlinghaus Martin testified that her office also has training manuals for employees.

Chapter 4

Operations of the PVA's Office

The PVA is responsible for assessing property for taxation purposes. Mack Bushart testified that in 2017 the revenue generated from the PVA's assessed value totaled \$3,200,000,000, with \$600,000,000 generated from the state tax rate and \$2,600,000,000 generated from local tax rates. This revenue is the primarily source of income for fiscal courts, schools, libraries and other special taxing districts.

PVA Responsibilities

Statewide PVAs assess 2,200,000 real estate parcels annually. Tom Crawford testified that for the 2020 tax year, assessments made by the PVAs totaled \$280.2 billion, which is an increase from the \$269.4 billion in assessments from the 2019 tax year. He also testified that PVAs assessed \$4.2 billion in new property for 2020 and \$3.6 billion in new property in 2019.

By statute, PVAs are required to inspect property at least once every four years. PVAs follow a quadrennial plan that is approved by the Department of Revenue to ensure that all properties are inspected at least once within the four year timeframe. Revaluations of property can occur more than once every four years, and typically do occur when a property title is transferred or when the fair cash value of the property has changed by a significant amount.

PVAs are responsible for administering the homestead exemption. PVAs provide information to property owners about the homestead exemption; help qualified individuals apply for the exemption; and remove the exemption when the property owner no longer qualifies. Mack Bushart testified that over 440,000 properties in the state currently have the homestead exemption.

PVAs have other responsibilities. They transfer property records and provide correct addresses for tax assessment notices. They record over 131,000 tangible personal property tax returns annually, and they account for the ownership and assessment of nearly 5,000,000 vehicles, boats, and campers.

Record Keeping

In addition to determining the assessed value for each real estate parcel, PVAs maintain records on the property in their county. Record retention is mandated by statute and kept for the specific period of time set out by the Kentucky Department for Library and Archives' records retention schedule. Jeffrey Kelley testified that available storage space is typically an issue for record retention. He stated that storage space is often less than optimal conditions with physical records exposed to moisture, heat, and rodent or insect infestation. Cindy Arlinghaus Martin testified that her records are essentially paperless. Her office uses signature pads, e-signatures and scanning programs. She stated that they use the On-Base program for their online filing cabinet.

PVA records include:

- Real property appraisals;
- Real property exemptions;
- Maps of each real estate parcel;
- Characteristic data on each real estate parcel, including sketches and photos;
- Tangible personal property tax return data;
- Motor vehicle assessment data;
- Ownership information for property; and
- Any other information needed to perform their job duties.

PVA Conference

Each year the Department of Revenue conducts the Conference on Assessment Administration in accordance with KRS 131.140. The conference cannot be longer than five days. PVAs are mandated to attend unless prevented by illness or other reason satisfactory to the Commissioner of the Department of Revenue. Any officer that willfully fails to attend the conference may be removed from office by the Circuit Court of the county where he or she was elected. One-half of PVA's actual and necessary expenses in attending the conference is paid by the Finance and Administration Cabinet and the other half is paid by the county.

Audits of the PVA Office

Each PVA office is audited by the Office of the Auditor of Public Accounts once every four years. The audit is performed based upon procedures previously agreed to by the Department of Revenue and the PVA. The audit results are available for public view on the Auditor of Public Accounts' website.

Chapter 5 PVA Budget

KRS 132.590 requires the PVA to submit a fiscal year budget request to the Finance and Administration Cabinet by June 1st each year. Once approved, the Finance and Administration Cabinet shall return the approved budget to the PVA by July 1st.

PVA Funding

PVA Offices are funded through four major sources:

- An appropriated amount from the state general fund;
- An appropriated amount from the county as required by KRS 132.590;
- An appropriated amount from the cities that elect to use the PVA assessment as required by KRS 132.285; and
- Miscellaneous income received from fees charged by the PVA, printing tax bills, and interest income.

Mack Bushart testified that there are approximately four cities that do not use the PVA assessment.

Funding Issues

In 2020, the general fund appropriation amount was \$56,446,700, which is used for PVA salaries and employee benefits. It is also used for deputy salaries and employee benefits, but does not cover 100% of these costs. The PVA supplements the difference through deputy/hire base billing, where the PVA sends local funds to the Department of Revenue to cover the additional staffing costs. (Appendix C)

Andrew Powell testified that the general fund appropriation for 2020 covered 83% of payroll needs and to cover 100% of payroll \$67,696,700 should be appropriated. He stated that PVAs have to come up with \$11,250,000 this year to make payroll.

Appropriation amounts from the city and county are set by a statutory formula using assessments and have a capped limit. The total amount of local funds appropriated to PVAs in 2020 was \$11,600,000. Andrew also testified that \$8,500,000 (73%) was used to cover payroll only leaving \$3,100,000 (26.7%) to use for operating expenses.

PVAs do not receive as much income from miscellaneous sources, as they receive from the state and local appropriations; however the PVA budget is tight and miscellaneous income is needed to help cover expenses. Mack Bushart testified that some large corporations do not want to pay the PVA's fee and take the position that the tax roll data should be available at no cost. Andrew Powell testified that miscellaneous income is currently under attack. He stated that there is a lawsuit pending regarding the fees charged for the sale of assessment information. He also stated that if this lawsuit prevails, PVAs could lose their ability to charge fees, which would drastically reduce the PVAs miscellaneous income. He added other ways that miscellaneous income is being reduced by stating that interest income is at an all-time low; fewer PVAs are involved in

printing tax bills; and outside companies are reselling assessment data and aerial imagery originally obtained from the PVA office.

Special Purpose Governmental Entities (SPGE) are not required to appropriate money to the PVA for use of the assessments. Cindy Arlinghaus Martin testified that the state, counties and cities subsidize the cost of tax roll for other special taxing districts, which includes in Boone County: two school districts, nine fire districts, one library district, one health department district, and an extension agency. She stated that \$123,000,000 is generated for Boone County districts who do not pay revenue to the PVA office.

PVAs Response to Funding Shortage

Andrew Powell testified that PVAs have self-imposed policies to help keep payroll costs down in response to the shortage of PVA funding. He explained the following policies:

- Reducing Staff by Using the FAD formula to Allocate the Number of Deputies per PVA Office,
 - 38 Full-Time Positions Eliminated,
 - Saves \$1,500,000 Annually;
- Requiring a 90-Day Hiring Delay,
 - Saves \$650,000 Annually;
- Deputy/Hire Base Billing,
 - \$8,500,000 Local Funds sent to Frankfort;
- Paying Employee Promotions Using Local Funds,
 - \$1,500,000 Local Funds sent to Frankfort; and
- Not Filling Vacant Positions,
 - 59 Full-Time and 29 Part-Time Positions Vacant as of August 1, 2019.

PVA Funding in Relation to Property Tax Dollars Generated

Mack Bushart testified that a reduction in PVA funding will result in the loss of tax revenues. He also testified that PVA offices generate more tax dollars than what is invested into the office. Using 2017 data, he stated that PVAs have a return on investment of \$48-\$1, and provided the following information:

Real & Tangible Property Tax Income to State	\$600 Million
Real & Tangible Property Tax Income to Local Districts	<u>\$2.6 Billion</u>
Total Income Produced for State and Local Districts	\$3.2 Billion
State Expenditure	\$56 Million
Local Expenditure	<u>\$10.5 Million</u>
Total	\$66.5 Million
Return on Investment (ROI)	
State Income to Budget Contribution	\$11 - \$1.00
Local Tax Districts Income to Budget Contribution	\$248 - \$1.00
Total Income to Total Cost to All Districts	\$48 - \$1.00

PVA Office Expenses

Personnel cost is the largest expense of the PVA Office. Mack Bushart provided the following information showing the total personnel expenses for fiscal year 2021:

State Budget Allocation	\$ 56,446,700
PVA Deputy Contribution from Local Funds	\$3,500,000
PVA Shortfall Contribution from Local Funds	\$5,000,000
Excess Vacancy Credits	\$500,000
90-Day Hiring Delay Savings	\$750,000
Annual FAD Savings from Staff Attrition	<u>\$1,500,000</u>
Total Cost of Personnel Funding	\$ 67,696,700

By statutory requirement, the county government must provide the office space, furniture, and utilities for the PVA office.

Common operating expenses for a PVA office are paid from local funds only. These vary from one PVA to the next, but overall can include the following types of expenses:

- Advertising for Statutorily Required Notifications
- Aerial Imagery
- Computer Software and Hardware
 - Computer purchases or leases, computer technicians, websites, computer maintenance agreements, software costs for assessment software, sketching software, GIS software, and emulator software for AVIS system
- Copiers and Fax Machines
 - Copier purchases or leases and maintenance agreement costs
- Educational Expenses
- Field Supplies
 - Computer tablets and laser measuring tools
- Postage
- Printers
 - Printer purchases or leases, including office printers and wide array printers for maps
- Professional Contracted Services
 - Outside printing services and appraisal services
- Office Supplies
- Subscriptions
- Travel for Education and Conference Requirements
- Vehicles
 - Vehicle purchases or leases, fuel costs, maintenance and repairs, insurance costs, and mileage reimbursement

Cindy Arlinghaus Martin testified that the operating expenses can vary from one PVA office to another depending on the working relationship agreements that PVAs have with other local government offices. She stated that in her county she is able to use the county's IT department, including their network, internet, phone and IT services. She stated that the county maintains and houses the servers and have IT technicians available. Counties that do not have this option and are forced to use COT at a cost. She also stated that she uses the county's property maintenance, cleaning staff, conference rooms, the permitting database, and reimbursed/contracted services, like the vehicle maintenance department, mail room, GIS mapping services, and postage machine. She said her PVA office also received reduced costs on OnBase licenses and copier leases.

Chapter 6 Technology

The PVA offices use technology to map and appraise property, keep records, and provide services to the public. There are many products available for PVAs to choose for their office. Jeffrey Kelley testified that a cost/benefit analysis has been considered in deciding which software to use and many PVAs choose the programs that their office can afford.

Technology for Mapping and Appraising Property

Aerial Imagery

There are two types of aerial photography available to PVA offices, ortho and oblique. Ortho photography shoots straight down and is essential to help the PVA map parcel boundaries. Oblique photography is shot at an angle so that the side of buildings can be seen, which allows a PVA office to see more detail about improvements made on a parcel. Oblique photography also helps PVA offices find new structures that are built in hard to access parts of a county and measure additions that are added on to existing structures. PVAs use a combination of ortho and oblique aerial photography for mapping and appraisal.

Thirty-three counties use aerial photography provided by KyFromAbove, an initiative undertaken by the Commonwealth Office of Technology (COT). These counties only have ortho photographs. Seventy counties have their own contracts with vendors such as EagleView or Vexcel to provide them with ortho and oblique aerial photography. The remaining 17 counties use USDA ortho aerial photography.

Rachel Pence Foster testified that her office has aerial imagery with 2" flight depth flown every two years. The city and county consortium pays 60% of the cost. She stated the cost of the imagery to be \$42,883 each year or \$85,000 for two years. Cindy Arlinghaus Martin testified that due to costs, her office only has 3" and 6" depth aerial imagery flown every three to four years.

ArcGIS

In 2008, there were five different geographic information systems (GIS) being used by PVAs in Kentucky: MapInfo, GeoSync XG, GeoSync 3.2, ArcView 3.3, & ArcGIS 8.X. In 2009, the Finance and Administration Cabinet offered an enterprise license agreement (ELA) to PVAs to use ArcGIS software for their GIS systems. Eighty-seven counties entered into the ELA. Today, the ELA has grown to include 116 county PVA offices. There are three counties that have their own GIS systems and one county that doesn't use GIS at all. ArcGIS software is the state standard set by the Division of Graphic Information and the Commonwealth Office of Technology. There are nearly 900 ArcGIS licenses in the Finance and Administration Cabinet saving an estimated \$200,000 annually.

KyGeoNet

COT maintains the central statewide GIS database KyGeoNet. There are over 400 layers of GIS data and most are publicly available. KyGeoNet and its supporting server infrastructure receive a monthly average of 15 million server requests from upwards of 30,000 unique visitors accessing

interactive maps, retrieving data, or doing data research. The data produced from KyGeoNet is used for multiple purposes by multiple agencies.

Computer Assisted Mass Appraisal (CAMA)

Tom Crawford testified that nine counties use CAMA software. He listed the counties as: Kenton, Scott, Clark, Madison, Pulaski, Fayette, Jefferson, Hardin, and Daviess. He said CAMA can be very useful when a PVA must value a large area of properties that are similar in nature, such as a large subdivision. Most of the counties not using CAMA are rural.

Tax Roll Software

PVA Offices are paying for 120 different contracts for tax roll software. There are 11 different tax roll software systems used: PVD Manage; PVD Net; IPS; AssessRightPro; In House; ALLIANCE; ARM; E-Ring; PATRIOT; Tyler Technologies; and PROVAL. In addition to these software systems, there are also complimentary software systems: Marshall & Swift; Cybelesoft z/Scope; and Sketching Software.

Scanning Files and Searchable Databases

One large difference between PVA offices is how they keep their office records. Some PVA offices have digital records and other PVA offices keep paper records.

Rachel Pence Foster testified that for keeping records her office is uses Sentryfile, which is a paperless system where everything is scanned in and it includes a searchable database for files. She stores all important documents, such as homestead and disability exemptions, conference records, change of addresses, etc. Cindy Arlinghaus Martin stated that her office uses OnBase for electronic filing.

Rachel also stated that Daviess County has countywide planning and zoning and she is able to access every permit in her county digitally through a searchable database without cost.

Cindy testified that she uses Lexis Nexis to help identify homestead exemptions and property owners who are receiving it that are not eligible. She said when she first started using Lexis Nexis her office billed additional taxes of \$83,000 in 2012 and \$25,000 in 2013.

Cindy also said her office had LoopNet software, which is now CoStar. This software is a commercial sales database that assisted in appraising commercial buildings and in appeals of commercial buildings. She state that they can no longer afford this software.

Websites

Websites relieve in person traffic in the PVA office and help to compensate for employee shortages. Cindy Arlinghaus Martin testified that everything done in her office can also be done online through their PVA website via Smartsheet & Silanis Live Signature Application. Smartsheet is a program that can be used to apply for the homestead exemption, remove a motor vehicle from the tax roll, and apply for the agricultural exemption all online with an electronic

signature. Her website also have a live chat feature. She stated that these programs were a great help during office closures from covid-19.

PVA Offices are paying for 107 different contracts for PVA data websites. Each PVA negotiates their own contract agreements. Seventy-two PVA offices are being charged \$2,500 - \$44,000 a year for websites. These PVAs offices can received revenues from subscription fees for use of the website. Thirty-five PVA offices are not being charged for hosting tax roll on websites. These PVA offices cannot receive revenues from the website.

**Chart No. 6
PVAs & Websites by County**

County	PVA	Website
Adair	Landon T. Edwards	
Allen	Tracy Oliver	http://www.qpublic.net/ky/allen/
Anderson	Brian Stivers	http://www.qpublic.net/ky/anderson/
Ballard	Susan Sullivan	http://www.qpublic.net/ky/ballard/
Barren	Kim Shipley	http://www.qpublic.net/ky/barren/
Bath	Jackie Watson	http://www.qpublic.net/ky/bath/
Bell	Michelle Bailey	
Boone	Cindy Arlinghaus Martin	https://boonepva.ky.gov/
Bourbon	Tim Lizer	http://www.qpublic.net/ky/bourbon/
Boyd	Chuck Adkins	http://www.boydpva.com/
Boyle	Lacresha “My” Gibson	http://www.boylepva.com/
Bracken	Tracey Florer	http://www.qpublic.net/ky/bracken/
Breathitt	Ervine Allen	
Breckinridge	Dana Bland	http://www.qpublic.net/ky/breckinridge/
Bullitt	Layne Abell	http://www.qpublic.net/ky/bullitt/
Butler	Suzanne Brosnan	http://www.qpublic.net/ky/butler/
Caldwell	Ronald Wood	http://www.qpublic.net/ky/caldwell/
Calloway	Nikki Crouch	http://qpublic.net/ky/calloway/
Campbell	Daniel K. Braun	https://pva.campbellcountykentucky.com/
Carlisle	Jonathan Bruer	http://www.qpublic.net/ky/carlisle/
Carroll	Rob Robertson	https://carrollpva.com/#
Carter	Leslie Roseberry	http://www.qpublic.net/ky/carter/
Casey	Eric Brown	http://www.qpublic.net/ky/casey/
Christian	Angie M. Strader	http://www.qpublic.net/ky/christian/
Clark	Jason Neely	http://www.qpublic.net/ky/clark/
Clay	Philip R. Mobley	

County	PVA	Website
Clinton	Patrick Campbell	
Crittenden	Ronnie Heady	http://www.qpublic.net/ky/crittenden/
Cumberland	Gina Lee-Watson	
Daviess	Rachel Pence Foster	https://daviesskypva.org/
Edmonson	Kyle M. White	http://www.qpublic.net/ky/edmonson/
Elliot	Eddie Frazier	http://www.qpublic.net/ky/elliott/
Estill	Jeff L. Hix	http://estillky.com/index.php/estill-property-valuation-administrator/
Fayette	David O’Neill	https://fayettepva.com/
Fleming	Michelle Butler	https://www.flemingpva.com/
Floyd	Connie Moore	http://www.qpublic.net/ky/floyd/
Franklin	Kellie Lang	https://franklincountypva.com/
Fulton	Pete Morgan	http://www.qpublic.net/ky/fulton/
Gallatin	Sheryl Jones	https://gallatinpva.com/
Garrard	Kay Hall	http://www.garrardpva.com/
Grant	Elliott “Eli” Anderson	https://grantpva.com/
Graves	Howel Carr	http://www.qpublic.net/ky/graves/
Grayson	Ernie Perkins	https://graysoncountypva.com/
Green	Sean D. Curry	http://www.qpublic.net/ky/green/
Greenup	Bobby Hall	http://www.qpublic.net/ky/greenup/
Hancock	Karen Robertson	https://www.qpublic.net/ky/hancock/
Hardin	Danny L. Hutcherson	http://www.qpublic.net/ky/hardin/
Harlan	Felicia Tamme	http://www.qpublic.net/ky/harlan/
Harrison	Allen “Pat” Darnell	https://www.harrisoncountypva.com/
Hart	Cindy Atwell	https://qpublic.net/ky/hart/
Henderson	Andrew Powell	http://www.qpublic.net/ky/henderson/
Henry	Jason Scriber	
Hickman	Amanda Spillman	http://www.qpublic.net/ky/hickman/
Hopkins	Pam Love-Barber	http://qpublic.net/ky/hopkins/
Jackson	Paul Rose	https://jacksoncounty.ky.gov/Pages/Officials.aspx
Jefferson	Colleen Younger	https://jeffersonpva.ky.gov/
Jessamine	Brad Freeman	https://jessaminepva.com/
Johnson	Michael “Dip” Stafford	http://www.qpublic.net/ky/johnson/
Kenton	Darlene Plummer	
Knott	Ed Slone	
Knox	William S. Oxendine Jr.	http://www.qpublic.net/ky/knox/

County	PVA	Website
Larue	Scotty Lee	https://www.laruecounty.org/
Laurel	Joyce Parker	http://www.qpublic.net/ky/laurel/
Lawrence	Chris Rose	http://www.lawrencepva.com/
Lee	Elizabeth “Libby” Roach	https://leecountykypva.com/
Leslie	Jeff Boggs	http://www.qpublic.net/ky/leslie/
Letcher	Ricky Rose	http://www.qpublic.net/ky/letcher/
Lewis	Kenny Ruckel	http://www.qpublic.net/ky/lewis/
Lincoln	David Gambrel	http://www.qpublic.net/ky/lincoln/
Livingston	Elisha Harp	https://livingstoncountypva.com/
Logan	Brooke Waldrup	https://qpublic.net/ky/logan/
Lyon	Christie Cruce	http://www.qpublic.net/ky/lyon/
Madison	William E. “Billy” Ackerman	https://qpublic.schneidercorp.com/Application.aspx?AppID=889&LayerID=16783&PageTypeID=2&PageID=7458
Magoffin	Rebecca “Becky” Allen	
Marion	Terry “Catfish” Rakes	https://marionkypva.com/#
Marshall	Tony Henson	http://mcpva.com/
Martin	Bobby E. Hale Jr.	https://martincounty.ky.gov/elected/Pages/pva.aspx
Mason	Tony Cracraft	http://www.qpublic.net/ky/mason/
McCracken	Bill Dunn	https://www.mccrackenpva.com/#
McCreary	Dwight Ross	http://www.qpublic.net/ky/mccreary/
McLean	Dale Ayer	http://www.qpublic.net/ky/mclean/
Meade	Rebecca W. Richardson	http://www.qpublic.net/ky/meade/
Menifee	James Lawson	
Mercer	Jessica Elliott	https://www.mercercountypva.com/
Metcalfe	Michael Welsh	http://www.qpublic.net/ky/metcalfe/
Monroe	Shawn Guffey	http://www.qpublic.net/ky/monroe/
Montgomery	Floyd Arnold	http://www.qpublic.net/ky/montgomery/
Morgan	Darby Franklin	http://qpublic.net/ky/morgan/
Muhlenberg	Belinda McKinney	http://www.qpublic.net/ky/muhlenberg/
Nelson	Barbara Tichenor	http://www.qpublic.net/ky/nelson/
Nicholas	Michelle McDonald	http://www.qpublic.net/ky/nicholas/
Ohio	Jason S. Chinn	https://www.ohiopva.com/
Oldham	Barbara Winters	http://qpublic.net/ky/oldham/
Owen	Blake Robertson	http://www.qpublic.net/ky/owen/
Owsley	Sandy King	http://www.qpublic.net/ky/owsley/
Pendleton	John Steele	https://www.pendletonpva.com/

County	PVA	Website
Perry	John Frank Gross	http://www.qpublic.net/ky/perry/
Pike	Lonnie Osborne	http://qpublic.net/ky/pike/
Powell	Dustin Billings	http://www.powellcountyky.us/pva.asp
Pulaski	Thomas “T.W.” Todd	http://www.qpublic.net/ky/pulaski/
Robertson	Annette C. Lovins	https://robertsoncounty.ky.gov/departments/Pages/PVA.aspx
Rockcastle	Janet Vaughn	https://www.rockcastlecountyky.com/government.html
Rowan	Carmen Eldridge Black	http://www.qpublic.net/ky/rowan/
Russell	Tim Popplewell	https://russellpva.com/
Scott	Tim Jenkins	https://scottkypva.com/#
Shelby	Brad McDowell	http://qpublic.net/ky/shelby/
Simpson	Alison Cummings	http://qpublic.net/ky/simpson/index.php?case=0
Spencer	Kim Stump	https://spencercountypva.com/
Taylor	Chad Shively	http://www.qpublic.net/ky/taylor/
Todd	Perry Stokes	http://www.qpublic.net/ky/todd/
Trigg	Lauren Fowler	http://www.qpublic.net/ky/trigg/
Trimble	Jill Hudson Mahoney	https://trimblecounty.ky.gov/government/Pages/property-valuation.aspx
Union	Clay Wells	http://www.qpublic.net/ky/union/
Warren	Bob Branstetter	http://www.qpublic.net/ky/warren/
Washington	Fran Carrico	https://washingtonkypva.com/
Wayne	Bobby Upchurch	http://www.qpublic.net/ky/wayne/
Webster	Jeffrey Kelley	https://webstercountypva.com/
Whitley	Ronnie Moses	http://qpublic.net/ky/whitley/
Wolfe	Justina Smith	
Woodford	Judy Bobbitt	http://www.qpublic.net/ky/woodford/

Sharing Software

In some counties the PVA office shares technology with the County Clerk’s office and the Sheriff’s office. Lieutenant Colonel Morgan testified that in Kenton County the PVA office works together with shared software on property tax issues. He explained that the shared system works really well in assisting individuals. He stated in their county he can assist with getting a property owner signed up for the homestead exemption.

In other counties, the PVA has a separate software system from the County Clerk and Sheriff. Renesa Abner testified that in Henderson County the PVA is not sharing technology with the County Clerk or Sheriff. She explained that by having the separate software system, it provides

an extra layer of checks and balances to ensure the assessment data is accurate for preparing the tax bills.

Chapter 7

The Property Tax Calendar

The property tax calendar sets out the deadlines for the property taxation process. The property taxation process includes listing and assessing property; setting tax rates; preparing and mailing of the tax bills; collecting the property tax; assessing penalties and fees for delinquencies; and selling of the certificates of delinquency. The entire process involves several state and local offices.

The property tax calendar starts on January 1st, which is the assessment date. All taxable property listed with the PVA is assessed as of January 1st of each year. The listing period for real property and personal property differs. Real property is listed with the PVA from January 1st through March 1st and personal property is listed with the PVA from January 1st through May 15th. Both properties are reported by the owner of the property. Real property is valued by the PVA and personal property is valued by the owner through the filing of a tangible personal tax return.

On or before the first Monday in April, the PVA has to file the first recapitulation of the tax roll to the Department of Revenue. Once received, the Department of Revenue will review the recapitulation data and let the PVA know if any changes are needed.

The inspection period is where the public can review the tax roll and property owners can have a conference with the PVA to discuss their property's assessed valuation. The PVA must advertise the inspection period in the local newspaper one week prior to the beginning of the inspection period. The inspection period begins on the first Monday in May. The tax roll must remain open for public inspection at least 13 days, six days a week, including at least one Saturday.

Within six days after the close of the inspection period, the PVA is required to send the final recapitulation of the tax roll to the Department of Revenue. The Department of Revenue reviews the tax roll and conducts a sales-assessment ratio study on the property to determine if the PVA has valued the property within an acceptable range of fair cash value. If the acceptable range is met, the Department of Revenue certifies the property. If it is not met, the PVA must go back and adjust property assessments to get within the acceptable range.

Once the assessments have been certified, the tax rate setting process can begin. The Department of Revenue sets the state tax rate by July 1st following the tax rate requirements in KRS 132.020. The Department for Local Government calculates the compensating tax rate and the 4% tax rate for the local taxing districts. After receiving those calculations, the local taxing districts have 45 days to levy any tax rate they choose. If the tax rate they choose to levy is above the compensating tax rate, a public hearing is required, and if any portion of the tax rate they levy increases the local taxing district's revenues more than 4% above the revenues that the compensating tax rate would generate, that portion of the tax rate is subject to recall. If a petition is filed with the County Clerk to recall the tax rate, an extra 45 days (50 days for Fayette and Jefferson Counties) is added to the tax rate setting process. If the local taxing districts fail to levy any tax rate, the compensating tax rate is levied for the district.

Once the assessment values and the tax rates have been finalized, the County Clerk can begin printing the bills. The County Clerk prepares the tax bills and sends the printed bills to the Sheriff by September 15th. The Sheriff is then responsible for mailing the tax bills and collecting the tax.

A 2% discount rate applies to bills that are paid in the first 30 days immediately following the mailing of the tax bill. Once the 2% discount period expires, the full face value of the bill is due until December 31st. After December 31st, any unpaid tax bills are delinquent and the delinquency collection process begins on January 1st of the following year.

Penalties and interest are added to delinquent tax bills beginning on January 1st. For unpaid tax bills, a five percent penalty is added from January 1st through January 31st. If the tax bill remains unpaid after January 31st, an additional ten percent penalty and ten percent Sheriff's fee is added to the bill.

Any tax bill that remains unpaid after April 15th is transferred to the County Clerk as a certificate of delinquency. The County Clerk provides the Department of Revenue a listing of the certificates of delinquency by May 15th and sales of certificates of delinquencies occur between July 14th and August 28th. After the sale, all tax dollars are collected and the Sheriff can settle his accounts to close out the books by September 1st.

**Chart No. 7
Property Tax Calendar with Kentucky Revised Statutes**

KENTUCKY PROPERTY TAX CALENDAR					
CURRENT ASSESSMENTS			DELINQUENCIES		
ACTION	DEADLINE (CURRENT YEAR OF ASSESSMENT)	STATUTE	ACTION	DEADLINE (YEAR AFTER ASSESSMENT)	STATUTE
Assessment Date	January 1	KRS 132.220	Tax Bills Delinquent	January 1	KRS 134.015
Listing Period	Real Property: January 1 - March 1 Personal Property: January 1 - May 15	KRS 132.220	Payable with 5% Penalty	January 1 - January 31	KRS 134.015
First Recapitulation to Department of Revenue	First Monday in April	KRS 133.040	Payable with 10% Penalty and 10% Sheriff's Add-on Fee	After January 31	KRS 134.015 KRS 134.119
Inspection Period / PVA Conferences	13 Days Beginning First Monday in May (6 Days Per Week, Including Saturday)	KRS 133.045 KRS 133.120	Transfer of Delinquent Tax Bills from Sheriff to County Clerk - Tax Bills Become Certificates of Delinquency	April 15 - Sheriff Collects Tax Through Close of Business	KRS 134.122
Final Recapitulation to Department of Revenue	Within 6 Days After Close of Inspection Period	KRS 133.125	County Clerk Provides Department of Revenue Listing of Certificates of Delinquency	By May 15	KRS 134.131
County Board of Assessment Appeals	5 Days Beginning 25 to 35 Days After Close of Inspection Period	KRS 133.030	Sale of Certificates of Delinquency	July 14 - August 28	KRS 134.128
Certification of Property Valuation	Immediately upon the Completion of Action by Department of Revenue	KRS 133.180	Settlement of Sheriff's Accounts	By September 1	KRS 134.192
Tax Rates Set by Taxing Districts	Within 45 Days of Certification of Property Valuation	KRS 132.0225 KRS 133.185			
State Tax Rate Set	By July 1	KRS 132.020			
Tax Bills Prepared by County Clerk	After Forms are Sent by Department of Revenue	KRS 133.220			
Tax Bills Delivered to Sheriff for Mailing	By September 15	KRS 133.220			
Payable With Discount	By November 1	KRS 134.015			
Payable at Face Value	November 2 - December 31	KRS 134.015			

Chapter 8

Property Assessments

The PVA collects, records, and analyses data on a mass production basis. This data is used to estimate the fair cash value of all property located in the state. Section 172 of the Constitution of Kentucky requires all property, not exempted from taxation by the Constitution, be assessed at fair cash value, which is defined as the estimated price the property would bring at a fair voluntary sale. The PVAs are required to follow the appraisal standards of the International Association of Assessing Officers (IAAO) and Marshall and Swift.

KRS 132.191 outlines the valuation methods the PVA can use in appraising property.

- A cost approach, which is a method of appraisal in which the estimated value of the land is combined with the current depreciated reproduction or replacement cost of improvements on the land;
- An income approach, which is a method of appraisal based on estimating the present value of future benefits arising from the ownership of the property;
- A sales comparison approach, which is a method of appraisal based on a comparison of the property with similar properties sold in the recent past; and
- A subdivision development approach, which is a method of appraisal of raw land:
 - When subdivision and development are the highest and best use of the parcel of raw land being appraised; and
 - When all direct and indirect costs and entrepreneurial incentives are deducted from the estimated anticipated gross sales price of the finished lots, and the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period.

Certification of PVA Assessments

The Department of Revenue is charged with ensuring that the PVAs assess property at fair cash value. The Department of Revenue certifies the PVAs' assessments by using an assessment/sales ratio study. The PVAs submit sales information to the Department of Revenue. The Department of Revenue determines that all of the sales submitted are arm's length real estate transactions and then conducts the assessment/sales ratio study to determine if the PVA is assessing the property within an acceptable range of fair cash value. The range accepted is based upon the period of time that the sales occurred. As an example: for 2020, if the sales submitted occurred during the last six months of 2018, the acceptable range is between 95% - 105% of fair cash value, but if the sales submitted occurred in the last six months of 2019, the acceptable range grows to 90% - 110% of fair cash value.

Mack Bushart testified that the all sales are ordered from lowest to highest and then the median sale is the sale that is used to determine if the assessments are within the acceptable range of fair cash value. He further stated that when the median sale is not within the acceptable range, the PVA must adjust the assessments to get within the acceptable range in order to be certified.

Mack provided the following example:

- Required assessment range is 95% - 105%
- PVA’s sales ratio median is 89%,
- PVA’s total assessment is \$500 million
- The PVA must raise 6% to get to 95%
- $\$500,000,000 * .06 = \$30,000,000$
- The PVA must raise assessments by \$30 million to be certified

Cindy Arlinghaus Martin testified that the acceptable range criteria can be difficult to meet in counties with fast growing economies. She stated that in Boone County the market has increased by 11% in the last year. When properties are reviewed only once every four years based on the quadrennial plan, the assessed values may need to be dramatically increased in order get within the acceptable range of fair cash value. She provided this chart showing the market growth for her county based on a property that sold for \$100,000.

**Chart No. 8
Boone County Assessment/Sales Ratio and Market Increase**

Year Assessed	12/31/20 Sales Price	Jan 1 Assessment	Ratio	Market Increase
2020	\$100,000	\$89,000	89.00%	11%
2019	\$100,000	\$82,800,	82.80%	7%
2018	\$100,000	\$77,800	77.80%	6%
2017	\$100,000	\$73,900	73.90%	5%

Increase in Statewide Assessments

Tom Crawford and Mack Bushart both testified that the total real property assessments for the entire state have increased. For the 2020 tax year, the assessments total \$280.2 billion, which is an increase from \$269.4 billion assessed in 2019. Also \$4.2 billion in new property was added in 2020, which is an increase from the \$3.6 billion added in 2019.

**Chart No. 9
Statewide Real Property Assessment Growth**

Assessment Year	Total Value	Year over Year Growth
2019	\$269,457,855,661	3.93%
2018	\$259,264,352,154	3.33%
2017	\$250,983,684,739	3.79%
2016	\$241,822,891,516	3.37%
2015	\$233,949,029,669	2.52%
2014	\$228,209,410,703	

Chart No. 10
2019 Population Estimates and Total Parcels and Assessed Values by Real Property Class
for Each County

County	Estimated Population	Pop. Rank	Residential Parcels	Residential Assessed Values	Commercial Parcels	Comm., Ind. & Leasehold Int. Assessed Values	Farm Parcels	Farm Assessed Values
Adair County	19,202	61	7,964	309,680,750	727	124,741,290	4,184	159,028,500
Allen County	21,315	54	8,789	515,704,452	420	129,401,136	3,357	208,772,035
Anderson County	22,747	50	9,346	938,637,931	504	239,990,061	2,073	207,766,880
Ballard County	7,888	109	3,803	177,563,433	439	67,831,104	2,096	157,013,367
Barren County	44,249	25	17,610	1,199,350,747	1,488	521,475,057	4,654	315,332,091
Bath County	12,500	87	4,754	177,826,131	280	44,559,000	1,983	86,692,050
Bell County	26,032	42	14,733	438,948,500	630	191,647,554	1,084	28,143,500
Boone County	133,581	4	42,768	7,152,303,840	2,676	4,624,962,896	2,511	293,153,979
Bourbon County	19,788	58	6,623	636,834,852	536	191,711,985	1,851	368,912,445
Boyd County	46,718	21	22,648	1,229,188,321	2,313	686,731,862	1,253	96,584,851
Boyle County	30,060	35	10,402	1,042,556,850	862	466,577,050	1,488	185,447,050
Bracken County	8,303	107	3,831	144,594,715	259	29,117,465	1,890	105,963,950
Breathitt County	12,630	86	5,731	138,741,993	323	79,961,314	3,576	79,743,919
Breckinridge County	20,477	55	12,424	604,881,161	599	88,836,725	4,756	239,172,241
Bullitt County	81,676	10	30,174	4,200,268,783	1,432	1,281,416,091	2,500	266,981,661
Butler County	12,879	84	5,009	199,906,500	366	67,916,560	3,301	155,184,340
Caldwell County	12,747	85	5,539	245,046,753	489	102,638,463	2,285	125,450,167
Calloway County	39,001	26	31,062	1,402,402,073	1,438	414,284,523	5,563	260,195,797
Campbell County	93,584	8	33,565	4,653,368,031	6,073	1,227,488,880	1,891	189,345,910
Carlisle County	4,760	117	2,273	77,643,099	173	18,347,192	1,569	94,570,151
Carroll County	10,631	97	3,842	233,504,140	438	200,334,113	911	66,957,350
Carter County	26,797	39	11,692	411,459,259	682	166,130,698	3,631	149,585,594

County	Estimated Population	Pop. Rank	Residential Parcels	Residential Assessed Values	Commercial Parcels	Comm., Ind. & Leasehold Int. Assessed Values	Farm Parcels	Farm Assessed Values
Casey County	16,159	70	6,498	226,471,495	387	74,685,950	4,182	187,505,450
Christian County	70,461	11	21,855	1,809,475,143	1,645	962,488,945	3,956	448,925,400
Clark County	36,263	29	13,286	1,493,580,260	949	657,372,750	2,529	255,887,200
Clay County	19,901	57	8,465	190,619,500	385	77,603,000	3,298	71,042,715
Clinton County	10,218	98	5,626	200,563,421	401	108,228,966	1,783	71,111,801
Crittenden County	8,806	104	4,464	157,028,856	333	45,173,946	2,904	155,972,472
Cumberland County	6,614	114	3,577	162,937,000	237	35,133,602	1,838	117,368,500
Daviess County	101,511	7	35,836	3,819,212,769	4,186	1,792,632,208	4,733	435,980,584
Edmonson County	12,150	91	7,374	435,440,107	252	51,007,132	2,211	122,183,898
Elliott County	7,517	110	2,131	70,209,708	91	17,222,163	2,180	70,006,240
Estill County	14,106	79	6,927	228,558,294	455	68,674,099	2,470	105,247,266
Fayette County	323,152	2	98,646	18,607,797,200	9,041	9,147,947,500	2,029	767,150,400
Fleming County	14,581	76	5,852	283,044,805	401	80,910,990	2,722	193,431,401
Floyd County	35,589	30	23,310	649,467,722	1,671	284,045,825	4,494	124,850,136
Franklin County	50,991	19	19,388	2,019,648,188	1,558	943,874,416	1,968	192,088,868
Fulton County	5,969	116	2,993	73,987,543	413	59,511,694	1,219	67,604,167
Gallatin County	8,869	103	3,639	253,300,494	243	103,260,672	811	66,568,741
Garrard County	17,666	66	7,608	540,433,889	417	61,662,043	2,657	135,532,288
Grant County	25,069	46	8,349	662,198,833	557	276,914,224	2,916	235,722,729
Graves County	37,266	27	18,228	818,568,491	1,797	324,362,619	9,017	402,583,855
Grayson County	26,427	41	20,943	760,570,821	1,729	179,118,352	6,788	221,276,769
Green County	10,941	94	4,579	175,740,510	318	42,035,990	3,200	128,384,344
Greenup County	35,098	31	17,554	919,093,361	854	294,002,229	3,339	132,004,384
Hancock County	8,722	105	3,417	177,221,673	285	167,776,914	1,835	87,181,149
Hardin County	110,958	6	39,708	4,202,384,700	2,970	1,677,920,586	5,043	400,373,900

County	Estimated Population	Pop. Rank	Residential Parcels	Residential Assessed Values	Commercial Parcels	Comm., Ind. & Leasehold Int. Assessed Values	Farm Parcels	Farm Assessed Values
Harlan County	26,010	43	15,825	393,971,003	1,099	146,208,229	1,380	44,655,798
Harrison County	18,886	63	5,990	495,778,891	485	126,703,368	2,618	228,631,703
Hart County	19,035	62	7,260	317,836,922	619	169,588,834	4,184	271,691,208
Henderson County	45,210	23	16,737	1,387,283,892	1,482	583,562,293	2,943	290,027,550
Henry County	16,126	71	5,674	460,329,600	367	84,264,040	2,778	227,658,400
Hickman County	4,380	119	2,302	73,160,790	189	22,970,385	1,923	121,778,336
Hopkins County	44,686	24	22,471	1,208,947,489	2,161	485,293,625	4,780	277,559,048
Jackson County	13,329	80	5,380	143,239,516	321	40,968,000	2,786	75,152,650
Jefferson County	766,757	1	271,558	43,459,498,109	23,294	22,009,819,472	1,256	172,648,220
Jessamine County	54,115	18	17,522	3,042,857,115	1,101	738,482,696	1,981	272,670,002
Johnson County	22,188	51	9,906	441,353,509	721	194,184,711	3,161	99,975,229
Kenton County	166,998	3	59,437	8,171,757,796	4,414	2,655,172,879	1,043	123,725,700
Knott County	14,806	73	7,269	161,742,783	939	76,940,426	3,156	50,182,733
Knox County	31,145	32	14,380	514,827,499	773	243,786,939	3,615	97,075,099
Larue County	14,398	77	5,560	374,218,581	333	78,840,960	2,413	158,140,196
Laurel County	60,813	15	26,284	1,554,204,481	1,974	761,361,133	4,129	205,471,341
Lawrence County	15,317	72	6,715	254,126,496	510	102,470,150	3,367	105,679,864
Lee County	7,403	111	4,182	94,637,003	298	54,305,938	1,977	45,103,856
Leslie County	9,877	100	7,052	115,701,586	242	32,527,910	2,830	55,624,411
Letcher County	21,553	53	10,688	215,903,688	603	109,513,124	2,381	45,617,851
Lewis County	13,275	82	6,293	189,772,832	262	38,427,710	3,021	114,470,122
Lincoln County	24,549	47	10,676	512,890,965	773	127,981,782	4,153	194,495,557
Livingston County	9,194	102	4,946	253,646,323	392	93,245,301	1,852	124,502,250
Logan County	27,102	38	12,082	658,567,139	971	255,793,348	5,062	336,948,683
Lyon County	8,210	108	6,597	514,099,288	306	91,554,994	1,065	66,453,366

County	Estimated Population	Pop. Rank	Residential Parcels	Residential Assessed Values	Commercial Parcels	Comm., Ind. & Leasehold Int. Assessed Values	Farm Parcels	Farm Assessed Values
Madison County	92,987	9	28,849	2,643,450,560	2,469	1,279,568,232	1,955	211,982,454
Magoffin County	12,161	90	8,239	241,281,219	557	84,596,010	998	42,290,643
Marion County	19,273	60	4,131	194,827,917	303	60,137,662	2,079	159,056,650
Marshall County	31,100	33	29,601	3,446,708,919	2,364	1,155,757,798	3,638	289,654,049
Martin County	11,195	93	6,276	106,562,800	288	40,520,511	3,692	46,904,158
Mason County	17,070	68	6,842	511,833,814	617	310,417,551	3,016	198,807,302
McCracken County	65,418	13	21,342	1,336,208,105	1,311	441,691,361	3,988	226,060,604
McCreary County	17,231	67	4,816	95,779,359	559	79,837,492	1,655	29,894,761
McLean County	9,207	101	7,203	411,738,499	666	239,901,736	1,672	113,897,345
Meade County	28,572	36	12,094	964,040,062	582	131,007,630	2,397	185,636,617
Menifee County	6,489	115	4,228	98,993,645	109	10,478,530	1,335	33,171,981
Mercer County	21,933	52	8,759	773,950,749	606	234,261,201	2,447	262,422,573
Metcalfe County	10,071	99	3,704	117,383,472	299	50,061,703	2,880	116,428,538
Monroe County	10,650	96	5,152	155,292,671	425	53,715,781	2,735	122,926,905
Montgomery County	28,157	37	10,312	764,260,764	908	338,143,242	1,721	119,242,127
Morgan County	13,309	81	4,702	127,660,650	336	51,400,540	3,245	92,977,350
Muhlenberg County	30,622	34	16,302	620,805,850	1,034	221,632,832	3,041	182,642,881
Nelson County	46,233	22	17,509	1,955,092,341	1,142	614,743,423	3,817	407,571,837
Nicholas County	7,269	112	2,576	113,612,935	151	16,060,689	1,597	100,551,471
Ohio County	23,994	49	11,169	399,035,890	569	124,077,085	5,670	209,114,320
Oldham County	66,799	12	23,153	5,606,166,131	874	533,505,256	1,274	266,647,175
Owen County	10,901	95	5,994	300,299,060	239	42,841,425	2,752	174,826,052
Owsley County	4,415	118	1,664	36,318,406	81	12,262,100	1,698	37,835,107
Pendleton County	14,590	75	4,735	292,484,563	346	66,818,730	2,685	189,710,630
Perry County	25,758	45	13,564	460,252,590	1,197	268,561,369	2,747	59,589,584

County	Estimated Population	Pop. Rank	Residential Parcels	Residential Assessed Values	Commercial Parcels	Comm., Ind. & Leasehold Int. Assessed Values	Farm Parcels	Farm Assessed Values
Pike County	57,876	16	33,624	1,007,466,274	1,805	440,359,702	7,832	143,001,761
Powell County	12,359	88	7,204	262,919,974	438	84,522,428	1,245	62,953,084
Pulaski County	64,979	14	38,856	2,234,535,697	2,519	836,590,449	6,267	349,568,549
Robertson County	2,108	120	676	22,387,741	51	4,210,308	825	40,396,490
Rockcastle County	16,695	69	7,477	274,239,056	398	75,015,551	2,816	101,237,201
Rowan County	24,460	48	8,775	580,346,111	681	325,615,882	1,963	107,906,109
Russell County	17,923	65	17,475	562,710,629	796	196,774,173	3,133	129,033,482
Scott County	57,004	17	18,083	2,964,988,136	912	1,240,046,317	3,434	367,382,415
Shelby County	49,024	20	15,608	2,239,124,845	1,031	633,751,417	4,442	618,267,214
Simpson County	18,572	64	7,163	655,364,286	653	361,179,229	1,822	213,440,900
Spencer County	19,351	59	6,880	1,015,269,683	231	61,266,976	2,004	195,135,313
Taylor County	25,769	44	9,528	643,983,438	903	292,407,972	2,543	140,616,805
Todd County	12,294	89	4,850	238,035,131	444	97,592,192	2,412	169,540,414
Trigg County	14,651	74	16,027	660,824,292	487	87,296,274	1,917	105,371,413
Trimble County	8,471	106	3,964	216,207,255	173	25,068,100	1,628	89,327,450
Union County	14,381	78	5,789	287,135,482	577	108,421,530	1,824	162,741,782
Warren County	132,896	5	39,759	5,660,464,771	3,908	3,320,091,820	4,851	499,951,100
Washington County	12,095	92	3,924	273,422,549	293	97,607,981	2,724	176,794,695
Wayne County	20,333	56	11,319	490,375,089	592	119,381,494	3,140	132,494,925
Webster County	12,942	83	7,378	228,296,112	591	60,200,867	2,925	168,003,509
Whitley County	36,264	28	18,808	729,185,897	944	233,698,292	3,572	145,964,850
Wolfe County	7,157	113	2,538	66,232,350	200	37,078,700	1,810	64,635,550
Woodford County	26,734	40	9,448	1,507,359,275	554	320,507,295	1,506	534,769,522
Totals	4,467,673		1,805,690	174,673,235,437	136,564	73,344,320,919	339,752	21,440,299,305

Appeals of Property Tax Assessments

A property owner that wishes to appeal the PVA's assessment of their real property must first request a conference with the PVA during the inspection period. If the dispute cannot be resolved during the conference, the property owner may appeal their assessment to the local board of assessment appeals. When a property owner is dissatisfied with the decision of the local board of assessment appeals, the appeal process can be continued at the state level.

Executive Order to Abolish Kentucky Claims Commission (KCC)

Previously, property owners would file an appeal at the state level with the KCC; however, on August 31, 2020 the Governor issued an Executive Order (Appendix A) to abolish the KCC. The Governor explains within the reorganization plan, "While the 2016 reorganization did provide greater efficiency for the Board of Claims and the Crime Victims Compensation Board, it created inefficiencies with the Board of Tax Appeals, which currently has a backlog of approximately 60 cases, some of which are two (2) years old." The Executive order creates the Office of Claims and Appeals in place of the KCC. The Office of Claims and Appeals consists of three administrative boards: the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board. Property owners wishing to appeal property taxes would now appeal to the Board of Tax Appeals in order to continue their appeal at the state level.

If the assessment dispute continues after the Board of Tax Appeals issues their order, either party may appeal to the Kentucky Court System.

Dark Store Appraisal Theory

The dark store theory of property valuation suggests that commercial properties should be valued the same regardless if the store is currently in operation or vacant. The idea is based on the theory that the properties are difficult to sell because they have little appeal to subsequent buyers. This theory is primarily used in disputing the property taxation value placed on big-box stores often with 50,000 square feet or more, but has also been used in disputing property taxation values of other types of commercial property.

PVAs value property based on IAAO appraisal theories, which requires that property be appraised according to its highest and best use. In accordance with KRS 132.191, PVAs assess property by using the cost approach method, income approach method, and sales comparison approach method. When possible, PVAs use all three approaches to value property and compare the resulting values to determine fair cash value.

The dark store theory's method of valuation and the PVAs' method of valuation can produce significantly different valuations. In some instances, the valuations produced when using the dark store theory are more than 50% lower than the valuations produced by the PVAs.

The dark store theory has been used by owners of property to dispute property values in several states, most of which are located in the Midwest. Some states have proposed legislation to try and prevent further loss in revenues and court cases. Mack Bushart testified that Kentucky has

one court case involving the dark store theory that is currently at the Court of Appeals. He stated that the lower courts have sided with the PVAs appraisal method.

The Kentucky Retail Federation has provided a letter to the task force stating their comments about the dark store theory and any potential legislation on the matter in Kentucky. (Appendix B)

Chapter 9 Libraries and Fire Districts

Library Funding

Libraries almost entirely rely on property tax revenues that are generated from the PVA assessments for funding. Libraries do not levy occupational taxes, insurance premium taxes, or fees on utilities. The libraries that are not a SPGE receive funding from other sources, like an appropriation from the county's budget.

There are approximately 112 libraries that are SPGEs. Libraries that are not a SPGE include libraries located in Louisville and Lexington and some smaller libraries that are not taxing districts. During the 2020 regular session, SB 5 was enacted that requires any SPGE that does not have a formal tax rate approval process in place to seek approval for any tax rate that is levied above the compensating tax rate. The provisions of SB 5 are effective beginning January 1, 2021.

Libraries that are SPGEs use the PVAs assessment data in the tax rate setting process. The PVAs send the assessments to the Department of Revenue for certification. Once certified, the assessment data is forwarded to the Department for Libraries and Archives (KDLA). KDLA calculates the compensating rate and alternative rates for the libraries. Library boards then hold a meeting to levy a tax rate. Once the tax rate is set, the library reports the rate to the Fiscal Court and notifies the Department of Revenue and the County Clerk for purposes of preparing the tax bill.

Revenues collected from the property tax bills are distributed to the libraries by the County Clerk and Sheriff. The library district pays a fee to the County Clerk and Sheriff for their services.

Libraries try to keep three months of expenses in reserves to fund their projects. The balance of funds recorded on the libraries books will vary depending on the time of year that you review the books. Libraries receive most of their funding through property tax dollars collected in October through December and then use that money in the next year. Dave Schroeder testified that his library district operates on an annual of budget of approximately \$14,500,000 and spends about \$1,200,000 a month.

Financial Challenges for Public Libraries

Dave Schroeder testified to the following financial issues facing libraries:

- The elimination of state aid to libraries in the 2020 session;
- The increase costs of employee pensions, as part of the Kentucky retirement system;
- Educational costs to certify employees provide continuing education as required by statute;
- Salaries of library clerks, most of which make a mid \$20,000 salary;
- The elimination of grant programs from KDLA;
- Covid-19 related issues;
- Increase health insurance costs;

- Providing broadband access; and
- Providing e-books, which can be expensive as e-books are priced differently to libraries by the book publishers.

Dave testified that a handful of libraries are danger of closing due to the loss of state aid. He named the following libraries: Ballard, Barren, Carlisle, Carter, Christian, Elliot, Hardin, Hickman, Hopkins, Jefferson, Knott, and Livingston. He also stated that counties with a tax base, but low property valuations per capita of revenue will be negatively affected.

Library Services and Programs

Jessica Powell testified to the services and programs that libraries offer to the general public. She stated that libraries help people obtain employment by providing online resume and job applications assistance; providing computers that people can use to manage unemployment claims; through having partnerships with the KY Career Center; Grow with Google; Skills training online; and online job fairs. She also testified that libraries support educators and families learning at home by providing expanded internet and hot spots; offering online tutoring through products like Brainfuse; and supporting homeschool families with educational programs. She stated that libraries have had to adjust their programs in order to continue operating under covid-19 guidelines, by evolving traditional library services. Examples of this include: conducting outdoor community programs; offering take-home educational kits for kids; and offering children's story time and the adult's writers group through Zoom.

Fire District Funding

Fire districts almost entirely rely on property tax revenues that are generated from the PVA assessments for funding. Fire districts use the PVAs assessment data in the tax rate setting process. The PVAs send the assessments to the Department of Revenue for certification. Once certified, the assessment data is forwarded to the Department for Local Government (DLG). DLG calculates the compensating rate and alternative rates for the fire districts. The fire district boards then hold a meeting to levy a tax rate. Once the tax rate is set, the fire district reports the rate and notifies the Department of Revenue and the County Clerk for purposes of preparing the tax bill. Unlike the libraries and other SPGEs, fire districts are exempt from the tax rate approval process established by SB 5 enacted during the 2020 regular session.

The tax rate for fire districts is capped 10 cents per every \$100 in assessed valuation. The tax rate cap was established by statute in 1944. It originally applied to volunteer only fire departments.

Fire districts can collect some revenue from fees charged for inspections through the fire marshal office. The service is \$60 and is set by statute.

Financial Challenges for Fire Districts

Chief Adam Jones testified that increased costs and limited revenues have placed financial strain on fire districts. He stated that fire districts have very limited revenue outside of the property tax revenues and the property tax rate cap further limits their ability to increase revenues. He listed the following financial issues that fire districts face:

- Fire districts are seeing increase service calls. While fires have decreased over the years, medical calls and other services the fire districts offer have increased. Chief Adam stated that the volume of services between 2008 and 2018 have increase by 65%;
- Regulations and training costs have increased. Firefighters are required to have 100 hours each year in continuing education though the fire commission; and
- The fire districts' administrative costs have increased. Chief Adam gave health insurance premiums and pension costs as an example. He stated that as a member of CERS, the pension costs have increased 12% a year.

Chapter 10 Recommendations

PVA Funding

Mack Bushart suggested allocating a portion of the state real property tax rate to fund the cost of personnel in PVA offices. Providing a dedicated funding stream ensures that the Commonwealth receives all the property tax funds to which it is entitled. Reductions in funding negatively affects the ability of the state to collect funds it is due. By allocating a portion of the state real property tax rate, it will allow the property tax system to fund the costs associated with state and local tax districts, which collect over \$3.2 Billion. He provided the following data:

- The 2019 real property assessment was \$269,000,000,000;
- One cent of state tax rate yields approximately \$25,000,000;
- The 2019-2020 PVA state budget appropriation is \$56,446,700;
- Fully funded actual costs are \$67,696,700; and
- A dedicated rate of 2.7 cents would fund the PVA personnel costs.

Jeffrey Kelley also recommended that a dedicated funding stream be allocated to resolve the funding issues of the PVA offices. He stated that his position is that a portion of the state rate for property tax be earmarked for funding the income producing department of state government that has become more important than ever for taxing districts.

Rachel Pence Foster stated that the only way to solve the PVA funding is a strategic, continuous income stream based on each county size. She suggested that legislators dedicate a portion of the state tax rate to fund property tax.

Andrew Powell suggested adding three cents to the property tax rate that is dedicated to funding the PVAs. He stated that it would fully fund personnel costs at full-staffing levels and free up the over \$50,000,000 general fund allocation in the state budget.

SPGEs do not pay any amount for their use of the property tax rolls. Mack Bushart, Jeffrey Kelley, and Andrew Powell suggested that legislators enact a reasonable fee on SPGEs for their use of the tax roll.

Mack Bushart stated that counties and cities contribute funding for PVA offices using formulas developed decades ago. Andrew Powell stated that the maximum amount a county pays for usage of tax roll is \$250,000, and the maximum amount a city pays for usage of the tax roll is \$50,000. Mack suggested that legislators enact a CPI to gradually increase the limits. Andrew suggested that the caps be increased.

Mack also suggested that a fee be attached to property tax bills, including property taxes on motor vehicles. He stated that there are approximately 2.2 million property tax bills generated each year through the county tax rolls. Andrew Powell also stated adding a fee to tax bills would be a way to partially fund PVA offices and relieve the PVAs from having to send their local funds to the state for payroll costs.

Expenses of the PVA Office

The tangible personal property tax return is a paper return that the property owner files with the PVA. Tangible property tax is self-reported by the owner and the PVA hand keys the data on the return into the AVIS computer system for processing. Mack Bushart made a recommendation to create an online electronic business tangible form in place of the paper tangible personal property tax return and allow it to be filed directly with the Department of Revenue. He stated that an e-file return would free up the PVA's office staff, decrease the number of typos, and encourage more CPAs to file the return. He also stated that AVIS is outdated software and is not supported by the KAVIS system that is currently used. Therefore, eliminating the need for AVIS would also result in savings in terms of service and maintenance of that system.

Mack Bushart suggested that the cost of internet service in PVA offices be analyzed. He stated that in many cases it may be more cost effective, with faster connection speeds, to utilize a local carrier. The Office of Property Valuation currently pays for internet in the PVA offices if they are on the state network. Many counties in recent years have opted to leave the state network due to slow line speeds. In doing so, the PVA offices have incurred an extra burden on the local budget while the state saves money. A comprehensive review of all counties is needed and a solution that suits both parties could result in substantial savings.

Mack also suggested to save on postage and mailing costs that taxpayers sign up for using an email address for correspondence from the PVA. Assessment notices along with tax bills could be sent by email creating considerable savings in postage and mailing costs if electronic correspondence was permissible in statute.

Jeffrey Kelley recommended that PVA offices create a good work plan that eliminates redundancy and accomplishes tasks with less cost in an expedient manner. He stated that this method is how his office plans their quadrennial work and field work and it reduces mileage and windshield time while inspecting or picking up new property.

The Property Tax Calendar

Jeffrey Kelley suggested that property tax calendar be expanded for PVA offices and the Department of Revenue. He said a more comprehensive calendar is needed that includes all of the deadlines. By including every deadline that falls between the deadlines currently listed on the calendar, it creates a road map or checklist to get the job duties done.

Record Keeping

PVAs are guided by statute and the KDLA retention schedule for record keeping. Jeffrey Kelley suggested that records be purged regularly and converted over to electronic records to reduce storage space issues. He stated that available storage space for records is typically an issue in all counties. Some counties have not purge information to reduce the records and save on storage space. Storage spaces often have less than optimal conditions with physical records being exposed to moisture, heat, and infestation. A move towards keeping records digitally would save on storage space.

Senator Nemes suggested that perhaps KDLA could be used by the PVA Offices for record keeping.

Rachel Pence Foster recommended that all PVAs be given the ability and funding to have Sentryfile or a similar software to use for storage of all of their important documents, such as homestead & disability exemptions, conference records, change of addresses, etc.

KRS 133.120 Amendment

Jeffrey Kelly suggested an amendment for KRS 133.120 to ensure that the taxpayer representatives protesting assessments are qualified. He stated that many taxpayer representatives are acting as an advocate for the property owners for a percentage fee of the future tax savings and are not representing the taxpayer to achieve fair cash value of the property. He also stated that PVA offices should make sure that the person who is representing the owner is in compliance with KRS 133.120, which identifies individuals who may represent a property owner for compensation. Protests or appeals by taxpayer representatives should be by individuals familiar with property valuation and the Kentucky Revised Statutes.

He proposed the following amendment:

- a) An Attorney should read a Kentucky Licensed Attorney; - This is misleading and may encourage unauthorized practice of law inconsistent with License Law.
- b) A Certified Public Accountant - should read a Kentucky Licensed Certified Public Accountant; (Inconsistent with License Law)
- c) A certified real estate broker – has no meaning and is covered by the following
- d) Should now be c) A Kentucky licensed real estate broker;
- e) Should now be d) An Employee of the Property Owner;
- f) Should now be e) A licensed or certified Kentucky real estate appraiser;
- g) Should now be f) (Temporary Practice Permits or Reciprocal License)
- h) Strike as redundant to e) & f) covering appraisers.

Training

Rachel Pence Foster recommended that the classes given by the Department of Revenue be offered in different parts of the state more frequently. She stated that there are several offices that cannot afford to pay for hotel rooms or lose a deputy for a week. Senator Mills inquired if the Department of Revenue's training could be conducted online, and Rachel indicated that it could and would also be a good option.

Mack Bushart recommended that internet classes qualify for annual education requirements. He said it would require a small change in current statute, but online classes would be a less expensive method of obtaining education, eliminating travel costs and time away from the office.

Technology

Cindy Arlinghaus Martin recommended that all PVAs have oblique aerial imagery.

Tom Crawford suggested that local offices share technology systems. He stated the following reasons for his suggestion:

- Assessment information can be easily transferred electronically from the PVA office to the county clerk's office so that tax bills can be printed;
- Tax bill information will then transfer to the sheriff's office for collection;
- Delinquent tax bill information transfers from the sheriff back to the county clerk;
- If the county attorney is on the same software, this would ease the preparation of the statutorily required delinquent notices;
- Each office could provide more information to the taxpayer. Having to send the taxpayer from one office to another would be reduced; and
- Cost savings could be realized with each office using one system.

Mach Bushart recommended that there be master agreements for commonly used software purchases and gave the ESRI master agreement as an example. He stated that the ESRI master agreement allows PVA offices to share in the cost of purchasing ESRI products with The Department of Revenue at reduced costs for all participants. He also provided the following list of software with the potential to get a master agreement:

- CLEAR or Lexis Nexis –information services for counties to check compliance with homestead and disability exemptions. Also used for finding mailing addresses for taxpayers with returned tax bills;
- Pictometry- Statewide flights would be less expensive than individual county flights and allow small counties to participate, along with other state government entities including Homeland Security, Transportation, Forestry, Fish and Wildlife, KY State Police, E-911, Division of Water, Sanitation, KY Dept of Education and ADD districts; and
- Change Finder Technology- This is an application that allows an old map to be compared to a new map, highlighting structure differences in the two maps. This recognizes new construction, deletions, and additions for further review by PVA.

Dark Store Appraisal Theory

Andrew Powell stated that to address the issue pertaining to property owners using the dark store appraisal theory in appealing their property assessment, a statutory change is needed to add the requirement that the appraisal be based on the highest and best use of the property.

Statements from Members

Sen. Harper Angel provided the following statement:

“First of all, thank you for the opportunity to serve as a member of the PVA task force. Having had a long history within the PVA world, as an employee for 16 years, as the elected Jefferson County PVA for an additional 16 years and as the first woman to serve as President of the statewide association, I have a particular interest in offering any insight I can on behalf of this group of elected officials and their staff.

The problems facing the PVA’s in my opinion are not related to the tax calendar or with technology, the problem is strictly the fact that they are required to supplement personnel costs from their local budgets to the state. This requirement I believe began around 2002 with a small percentage that has now risen to 64%. To my knowledge there are no other elected officials required to send money to the state to ensure that they have the sufficient number of employees to do the work required.

If they didn’t do this there would be a drastic number of employees laid off across the state and the property tax system would be crippled. They cannot continue producing a fair and equitable tax roll with such limited staff and resources. A solid fix needs to be applied.

Suggestions during our meetings were:

Absorbing the personnel cost into the state budget; Reducing the percentage on an annual basis that is required to supplement salaries Increasing the property tax rate with that % designated to PVA’s; Applying a fee to the special taxing districts for the use of the tax roll.

Presentations were given regarding each of these options other than the idea of gradually reducing the annual supplemental % required. This would need to be analyzed by the PVA association as to an effective formula.

We also discussed potential efficiencies and cost savings with aerial photography and a statewide assessment software program. This concerns me that not only the savings may be negligible but that all but one county currently runs software that they and their staff are comfortable with and that it may actually be detrimental to up root a system that is working. Should those discussions proceed the PVA ‘s definitely need to be involved in the discussions in the beginning rather than being told what they are getting at the end.

The formation of the PVA task force was an excellent idea and I again say thank you both and extend my appreciation to the hard working staff for their support. Let’s fix this for the future.”

APPENDIX A



ANDY BESHEAR
GOVERNOR

Secretary of State
Frankfort
Kentucky

EXECUTIVE ORDER

2020-708
August 31, 2020

RELATING TO THE REORGANIZATION OF THE
PUBLIC PROTECTION CABINET

WHEREAS, it is the responsibility of state government to provide the citizens of this Commonwealth with an economical and efficient governmental structure, as well as regulatory practices that are administered in a consistent, ethical, and coordinated manner; and

WHEREAS, the efficiency and economy of government and more effective delivery of services by the Public Protection Cabinet to the citizens of the Commonwealth of Kentucky will be enhanced by establishing a reorganization plan for the agency; and

WHEREAS, KRS 12.020 and KRS 12.252 establish the Public Protection Cabinet and major organizational entities therein; and

WHEREAS, the Commonwealth has waived its sovereign immunity to the limited extent provided for in KRS Chapter 49 to allow a person to recover against the Commonwealth for any injury that results from the negligence of the Commonwealth, by and through any of its cabinets, departments, bureaus, or agencies, or any of its officers, agents, or employees while acting within the scope of their employment by the Commonwealth; and

WHEREAS, the Commonwealth should offer its care and support to crime victims by providing justly deserved payments in the most efficient and effective manner possible; and

WHEREAS, Kentucky's taxpayers, including Kentucky residents and other individuals, Kentucky corporations and other business entities engaged in business in Kentucky, and Kentucky's employers and other employers of Kentucky's citizens must have the ability to challenge revenue and taxation rulings that they may consider arbitrary, capricious, or unsupported, and receive timely decisions; and

WHEREAS, the Kentucky Claims Commission serves an important governmental function but has failed to do so in a way that promotes economy or efficiency; and

WHEREAS, it has been determined that immediate action can be taken to promote efficiency and improve administration by altering the structure of this commission to create separate boards with separate duties;

NOW, THEREFORE, I, Andy Beshear, Governor of the Commonwealth of Kentucky, by virtue of the authority vested in me by the Kentucky Constitution, Section 69 and 81, and KRS 12.028, do hereby Order and Direct the following to take effect immediately upon the filing of this Order:

1. The Kentucky Claims Commission, as established by KRS 49.010, is abolished, and the terms of the members serving on the commission, as it existed prior to the filing of this Order, shall expire immediately upon the filing of this Order.
2. The Office of Claims and Appeals is created within the Public Protection Cabinet and shall constitute a statutory administrative office of the state government within the meaning of KRS Chapter 12.
 - a. The Office of Claims and Appeals shall consist of three separate and distinct administrative boards attached to the Office within the meaning of KRS 12.020: (1) the Board of Tax Appeals, (2) the Board of Claims, and (3) the Crime Victims Compensation Board.
 - b. The executive director of the Office of Claims and Appeals shall be appointed by the Secretary of the Public Protection Cabinet with the approval of the Governor in accordance with KRS 12.050. The Secretary of the Public Protection Cabinet is the appointing authority for the Office of Claims and Appeals and the executive director shall be directly responsible to the Secretary of the Public Protection Cabinet and shall perform the functions, powers, and duties provided by law and prescribed by the Secretary of the Public Protection Cabinet. The executive director shall (a) carry out the policy and program directives of the Boards; (b) be responsible for the day-to-day operations of the Office; (c) establish appropriate organizational structures and personnel policies; (e) prepare annual reports on the Office's and Boards' activities; (f) prepare budgets; and (g) perform all other duties as directed by the Secretary and the Boards and necessary for the operation of the Office.
3. The Board of Tax Appeals shall consist of three (3) members appointed by the Governor. One (1) member shall be appointed initially for a two (2) year term. One (1) member shall be appointed initially for a three (3) year term. One (1) member shall be appointed initially for a four (4) year term. Thereafter, all appointments to the board shall be for a four (4) year term. Each member may be reappointed for one (1) four (4) year term. Vacancies for unexpired terms shall be filled in the same manner as regular appointments, but the appointees shall hold office only to the end of the unexpired term of the member replaced. The Governor shall designate one (1) of the members of the board to act as chairperson and if the chairpersonship becomes vacant, the Governor shall designate a new chairperson. The Governor shall establish the compensation, not to include benefits, of the members of the board pursuant to the provision of KRS 64.640.

- b. I appoint the following to serve as members of the Board of Tax Appeals with the following terms:
- i. Melinda Karns, of Lexington, Kentucky, Chairperson of Board of Tax Appeals, initial term of three (3) years;
 - ii. Lanola Parsons, of Harlan, Kentucky, initial term of four (4) years;
 - iii. Tony Colyer, of Louisville, Kentucky, initial term of two (2) years.

Please issue commissions to them.

- c. The Board of Tax Appeals is hereby vested with exclusive jurisdiction to hear and determine appeals from final rulings, orders, and determinations of any agency of state or county government affecting revenue and taxation, including appeals currently pending before the Kentucky Claims Commission. Administrative hearings before the Board of Tax Appeals shall be de novo and conducted in accordance with KRS Chapter 13B.
- d. All appeals to the Board of Tax Appeals shall be heard by the full board, except one (1) member or hearing officer may be authorized to hear an appeal by an individual. In any appeal referred to a hearing officer or one (1) member, the hearing officer or member shall tender a recommended order to the full board. The final order in any appeal heard by a single member or hearing officer shall be made and entered by a majority of the board.
- e. The Board of Tax Appeals, in its discretion, may request a hearing officer to assist the board with cases presented to the full board. If requested, a hearing officer shall supervise the presentation of evidence and perform any other duties assigned by the chairperson, the board, or the Executive Director, except that no hearing officer shall render a final decision, opinion or order. However, a hearing officer may hear discovery issues and disputes prior to a scheduled hearing, receive evidence on behalf of the board during the prehearing phase in a particular case, and make interlocutory rulings affecting the competency, relevancy, and materiality of the evidence about to be presented and upon motions presented during the taking of evidence as will expedite the preparation of the case.
- f. Any party aggrieved by any final ruling of the Board of Tax Appeals, except on appeals from a county board of assessment appeals, may appeal to the Franklin Circuit Court or to the Circuit Court of the county in which the party aggrieved resides or conducts his place of business in accordance with KRS Chapter 13B. Any final orders entered on rulings of a county board of assessment appeals may be appealed in like manner to the Circuit Court of the county in which the appeal originated.
- g. If a judicial appeal or cross-appeal is filed by a taxpayer aggrieved by any final ruling of the Board of Tax Appeals, a state or county agency may move the

circuit court to require the taxpayer to post a bond or other adequate security for the payment of any judgment of the Court if the agency believes its ability to obtain payment from the taxpayer of the taxes, penalties and interest in issue is jeopardized by its inability to proceed with collection, due to the filing of the appeal or cross-appeal by the taxpayer, or if the agency believes that the appeal or cross-appeal is being brought to delay payment of the taxes, penalties and interest in issue. If the Court determines a bond or other security is necessary to protect the interest of the state or county, collection may be stayed in the manner directed by the Rules of Civil Procedure for the filing of a supersedeas bond. To avoid the accruing of additional interest and penalty while an appeal is pending, a taxpayer appealing an order of the Board of Tax Appeals affirming a tax assessment may, prior to the filing of the appeal, pay the agency, under protest, the amount ordered by the Board of Tax Appeals to be paid and seek a refund of taxes, including accrued interest, at issue in the appeal as provided in KRS 134.580. The taxpayer shall pay to the agency any tax included in the assessment not contested prior to the expiration of sixty (60) days after filing the appeal. If the appeal is filed by the agency, the payment of the uncontested tax shall not bar the taxpayer from obtaining a reduction, abatement, and/or refund of any contested tax in the appeal and shall not result in the taxpayer's appeal or cross-appeal being dismissed or delayed or judgment.

4. The Crime Victims Compensation Board shall consist of three (3) members appointed by the Governor, not all of whom shall be engaged in the same occupation or profession, at least one (1) of whom shall be a victim as defined in KRS 421.500(1), the parent, spouse, sibling, or child of a victim as defined in KRS 421.500(1), whether or not the victim is deceased; or a victim's advocate as defined in KRS 421.570(1). One (1) member shall be appointed initially for a two (2) year term. One (1) member shall be appointed initially for a three (3) year term. One (1) member shall be appointed initially for a four (4) year term. Thereafter, all appointments to the board shall be for a four (4) year term. Each member may be reappointed for one (1) four (4) year term. Vacancies for unexpired terms shall be filled in the same manner as regular appointments, but the appointees shall hold office only to the end of the unexpired term of the member replaced. The Governor shall designate one (1) member of the board as chairperson. The Governor shall fill any vacancy in the chairpersonship. The Governor shall establish the compensation, not to include benefits, of the members of the board pursuant to the provisions of KRS 64.640.
 - a. The Crime Victims Compensation Board is hereby vested with exclusive jurisdiction to hear and determine all matters relating to claims for compensation, including claims currently pending before the Kentucky Claims Commission, and the power to reinvestigate or reopen claims without regard to statutes of limitations, and to hold hearings in accordance with the provisions of KRS Chapter 13B. The powers provided in this subsection may be delegated by the board to any member or employee of the Office or a hearing officer.

b. I appoint the following to serve as members of the Crime Victims Compensation Board with the following terms:

- i. Dale Sights, of Henderson, Kentucky, Chairperson of Crime Victims Compensation Board, initial term of three (3) years;
- ii. Joseph Childers, of Lexington, Kentucky, Chairperson of Board of Claims, initial term of four (4) years;
- iii. Michael Plummer, of Fort Mitchell, Kentucky, initial term of two (2) years.

Please issue commissions to them.

5. The Board of Claims is vested with full power and authority to investigate, hear proof, and to compensate persons for damages sustained to either person or property as a proximate result of negligence on the part of the Commonwealth, any of its cabinets, departments, bureaus, or agencies, or any of its officers, agents, or employees while acting within the scope of their employment by the Commonwealth or any of its cabinets, departments, bureaus, or agencies, including claims currently pending before the Kentucky Claims Commission. Any claim against the Commonwealth, its departments, agencies, officers, agents, or employees, or a school district board of education, its members, officers, agents, or employees for damages sustained as the result of exposure to asbestos before, during or after its removal from a facility owned, leased, occupied, or operated by the Commonwealth or a school district board of education shall be brought before the Board of Claims. Except as herein provided, the board shall be independent of all agencies, cabinets, and departments of the Commonwealth except as provided in KRS 49.040 to 49.170.

a. The board shall be composed of the members of the Crime Victims Compensation Board. The members shall not be entitled to additional compensation for their services on the Board of Claims. The Governor shall designate a member of the board to serve as chairperson for a term of four (4) years. The Governor shall fill any vacancy in the chairpersonship. No member shall serve as chairperson of the Crime Victims Compensation Board and as chairperson of the Board of Claims at the same time.

b. If an appointed board member has a conflict of interest, as defined by KRS chapter 11A, with respect to a matter scheduled before a full board or hearing officer, the Secretary of the Cabinet shall appoint a member of one of the other boards administered by the Office of Claims and Appeals as a substitute member. Following appointment, the substitute board member shall serve in place of the member who has a conflict for all actions and votes relevant to that matter.

6. Members of the Board of Tax Appeals, Board of Claims, and Crime Victims Compensation Board shall receive new member orientation and annual training to

discuss new legislation, pertinent court decisions, and board policies and procedures.

7. The principal office of the Office of Claims and Appeals shall be at Frankfort, Kentucky and shall be open during regular working hours for the conduct of its business. Any board may hold hearings outside of Frankfort with a view to securing the opportunity for citizens to appear before it with as little inconvenience and expense as practicable.
8. In order to carry out the provisions and purposes of this Executive Order, the Office of Claims and Appeals shall be authorized to promulgate administrative regulations that are necessary.
9. Except to the extent required by the differences between the Order and its application, and KRS Chapter 49, the provisions of law that apply to the Kentucky Claims Commission as contained in KRS Chapter 49, *et seq.*, shall remain in full force and effect and apply to the Office of Claims and Appeals, the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board.
10. The Public Protection Cabinet, the Finance and Administration Cabinet, Office of State Budget Director, and the Personnel Cabinet, shall take all necessary action to effectuate the provisions of this Order.
11. This Order shall be effective September 1, 2020.

MICHAEL G. ADAMS
Secretary of State



ANDY BESHEAR, Governor
Commonwealth of Kentucky

APPENDIX B

Rep. Randy Bridges

Co-Chair of the PVA Taskforce 702 Capital Ave.
Frankfort, Ky 40601

Sent electronically to: randy.bridges@lrc.ky.gov
Committee Staff Person Jennifer Hayes: Jennifer.hayes@lrc.ky.gov



Dear Chairman Bridges:

On behalf of retailers located in the commonwealth, the Kentucky Retail Federation is writing to you regarding property assessments of retail and commercial properties which have been discussed in the PVA Task Force meetings. The Kentucky Retail Federation respectfully requests the following comments be submitted to all PVA Task Force members and placed on the record for consideration as part of the task force's final report.

In Kentucky, the retail industry is the largest employer in the commonwealth, and retailers and their employees pay significant state and local taxes every year—including, sales, income and property taxes. Retailers are an essential part of the fabric of our communities.

But the business of retailing has changed dramatically because of consumers moving to online sales, which has led to fewer brick and mortar retailers over the last few years. This change has only been accelerated by the recent global pandemic, which led to 20 national retailers filing for bankruptcy this year alone. Some retailers are reducing their physical footprint in response to these market forces as well. As retailers are trying to stay open during the global pandemic, now is not the time to propose legislation that will negatively impact the retail industry even further. Property assessors may not recognize these realities as contributing to the overall lower property assessments.

Kentucky Retail Federation staff has closely monitored the proceedings of the PVA Task Force, and we have concerns about some discussion points brought up by PVAs testifying before the committee; specifically dark store theory and the valuation of triple net leases. Dark store theory is not an issue unique to Kentucky; instead property assessors in other states have tried to remove vacant properties to determine the appraisal value of a property, leading to the over-assessing of property. The issue of triple net leases is in essence an attempt to value not just the land and structure, but on the profitability of the business itself. The net effect of these actions is double taxation as retailers already pay income taxes.

The Federation and its members believe that property assessments should be based on sound, longstanding valuation principles, such as the Uniform Standards of Professional Appraisal Practice and Appraisal Institute principles. In fact, Kentucky's Constitution requires property taxes to be uniform (*Section 171*). Dark store legislation seeks to manipulate best practices by inventing new, less credible valuation rules designed to increase assessments on commercial property. In dark store theory, assessors try to weaken the application of sound valuation principles by valuing retail properties based on the current occupant and income they generate on

the property. This creates non-uniform assessments that put some Kentucky businesses at a competitive disadvantage.

Retailers believe that property tax should be based on bricks, sticks and land. Some property assessors have tried to assess the property based on the current occupant and the income they generate on the property. Retailers already pay income taxes in the Commonwealth and should not be subject to double taxation on income generated. This also creates an unlevel playing field for retailers as some will pay more in property taxes and others will pay less, because of the income generated at one location versus another.

Property valuation administrators in Kentucky seem to recognize this inequity based on a presentation by three PVAs titled “The Valuation of Net Leased Drugstore Properties” presented by Larry Harney (Scott County), Thomas Hart (Jefferson County) and Justin Stevens (Fayette County). In the presentation, it notes that companies with higher credit ratings with triple net leases are a higher value than companies with lower credit ratings. Basing property assessment in some part on credit ratings would set non-uniform taxation, which is not allowed under the *Section 171 of the Kentucky Constitution*. Real estate tax should just be based on taxing real estate and not the business value and the tenant of the property should be irrelevant.

Retailers also point out that the statutes should clarify that assessors are required to value the fee based on simple interest for all parties. By clarifying the definition of real property it would ensure property assessments in Kentucky are in compliance with the Kentucky Constitution and reduce the number of tax appeals. Another suggested change is in relation to the appeals process. A recommendation would be to make the standard of review regarding factual findings when a case reaches the Kentucky Board of Tax Appeals to be *de novo*.

In summary, property valuation in Kentucky should be based on sound and standard appraisal practices. In accordance with Section 172 of the Kentucky, property should be assessed at fair cash value—property not business value. The Constitution in Section 171 also requires uniformity and assessing the value of a property based on the business is not uniform. Retailers’ brick and mortar footprints are shrinking, especially in the wake of the global pandemic. To keep retailers located in Kentucky operating and employing Kentuckians, we urge the PVA Task Force not to support any legislation addressing dark store theory. Dark store theory legislation will simply lead to more dark stores. Finally, no statutory changes should be made that would create winners and losers based on solely property assessments.

If you have additional questions or would like more information, please feel free to contact the Kentucky Retail Federation and we would be happy to provide such additional information.

Sincerely,



Shannon Stiglitz

APPENDIX C

Deputy/Hire Base Billing by County

Calculated Combined Billing - 64%

ADAIR	20,144	GREEN	7,713	MONTGOMERY	72,960
ALLEN	34,067	GREENUP	64,944	MORGAN	7,094
ANDERSON	25,600	HANCOCK	15,394	MUHLENBERG	41,752
BALLARD	12,105	HARDIN	376,100	NELSON	120,064
BARREN	100,675	HARLAN	23,488	NICHOLAS	2,638
BATH	4,310	HARRISON	59,751	OHIO	49,500
BELL	57,304	HART	24,216	OLDHAM	219,565
BOONE	443,424	HENDERSON	141,787	OWEN	11,947
BOURBON	47,850	HENRY	47,500	OWSLEY	-
BOYD	143,200	HICKMAN	2,194	PENDLETON	16,041
BOYLE	81,920	HOPKINS	115,840	PERRY	38,595
BRACKEN	4,547	JACKSON	3,537	PIKE	82,752
BREATHITT	8,478	JEFFERSON	882,006	POWELL	11,691
BRECKINRIDGE	30,209	JESSAMINE	99,200	PULASKI	131,968
BULLITT	233,607	JOHNSON	25,820	ROBERTSON	-
BUTLER	15,834	KENTON	486,451	ROCKCASTLE	14,020
CALDWELL	17,962	KNOTT	6,825	ROWAN	39,040
CALLOWAY	83,200	KNOX	44,611	RUSSELL	31,833
CAMPBELL	303,459	LARUE	37,386	SCOTT	237,782
CARLISLE	771	LAUREL	96,000	SHELBY	157,500
CARROLL	25,157	LAWRENCE	16,916	SIMPSON	55,040
CARTER	24,106	LEE	2,167	SPENCER	29,532
CASEY	13,088	LESLIE	3,121	TAYLOR	44,160
CHRISTIAN	155,277	LETCHER	14,720	TODD	16,384
CLARK	83,200	LEWIS	18,719	TRIGG	28,546
CLAY	24,123	LINCOLN	27,668	TRIMBLE	6,123
CLINTON	9,118	LIVINGSTON	16,929	UNION	27,552
CRITTENDEN	9,014	LOGAN	64,320	WARREN	277,484

CUMBERLAND	5,477	LYON	22,242	WASHINGTON	17,474
DAVISS	237,304	MCCRACKEN	225,000	WAYNE	30,080
EDMONSON	24,138	MCCREARY	5,403	WEBSTER	22,197
ELLIOTT	-	MCLEAN	12,976	WHITLEY	25,600
ESTILL	9,695	MADISON	156,800	WOLFE	-
FAYETTE	329,600	MAGOFFIN	4,059	<u>WOODFORD</u>	<u>145,800</u>
FLEMING	17,867	MARION	41,280	<u>TOTALS</u>	<u>8,502,955</u>
FLOYD	35,660	MARSHALL	94,720		
FRANKLIN	140,000	MARTIN	4,378		
FULTON	4,670	MASON	51,816		
GALLATIN	15,349	MEADE	48,000		
GARRARD	20,480	MENIFEE	-		
GRANT	59,695	MERCER	57,984		
GRAVES	58,880	METCALFE	5,713		
GRAYSON	53,760	MONROE	10,222		