

702 KAR 3:275. School district tax rate formulas.

RELATES TO: KRS 132.010, 134.590, 157.440, 157.620, 157.621, 160.470, 160.473, 160.476, 160.477

STATUTORY AUTHORITY: KRS 156.070, 156.160

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: KRS 156.070 sets forth the State Board for Elementary and Secondary Education's plenary powers over the management and control of local school districts. KRS 156.160 gives the State Board for Elementary and Secondary Education the authority to promulgate administrative regulations deemed necessary for the management of the school districts under its control. This administrative regulation is necessary to provide guidelines for the calculation of the tax rates certified to the school districts by the Department of Education.

Section 1. Definitions.

(1) "Current year total valuation of adjusted property at full rates" means the prior year assessment of adjusted property at full rates minus current year homestead exemptions plus current year net assessment growth all as certified by the Revenue Cabinet.

(2) "Current year total valuation of personal property" means the sum of tangible personal property, effective public service company tangible property and distilled spirits property all as certified by the Revenue Cabinet.

(3) "Current year total valuation of real property" means real estate plus effective public service company real estate property minus net new real estate and new effective public service company real estate property all as certified by the Revenue Cabinet.

(4) "Effective public service company property" means assessments which may be adjusted by the Revenue Cabinet for apportioned property not subject to full taxation.

(5) "Maximum revenue collectible" means the prior year's permissive tax revenue plus the levied tax rates per \$100 of assessed value for real and tangible property times the prior year assessment of real and tangible property as certified by the Revenue Cabinet and the maximum motor vehicle revenue collectible.

(6) "Maximum motor vehicle revenue collectible" means seven (7) times the prior year levied motor vehicle tax rate plus five (5) times the current year levied motor vehicle tax rate divided by twelve (12) times the prior year assessment of motor vehicles as certified by the Revenue Cabinet.

(7) "Prior year adjusted tax base" means the prior year assessment of adjusted property at full rates minus current year homestead exemptions both as certified by the Revenue Cabinet.

(8) "Prior year revenue from real property" means the prior year real estate tax rate levy times the prior year total valuation of real property as certified by the Revenue Cabinet.

(9) "Prior year revenue from personal property" means the prior year personal property tax rate levy times the prior year total valuation of personal property as certified by the Revenue Cabinet.

(10) "Prior year total valuation of personal property" means the sum of prior year tangible personal property, prior year effective public service company tangible personal property and prior year distilled spirits property all as certified by the Revenue Cabinet.

(11) "Prior year total valuation of real property" means prior year real estate property plus prior year effective public service company real estate property both as certified by the Revenue Cabinet.

(12) "Current year projection for permissive taxes" means prior year permissive tax collections divided by prior year total valuation of property and motor vehicles times the current year total valuation of property and motor vehicles all as certified by the Revenue Cabinet or as estimated by the school district.

Section 2. Required Data. Required data for school district tax rate and related calculations shall include:

- (1) Property assessments from the Department of Property Taxation, Revenue Cabinet provided pursuant to KRS 160.470(5);
- (2) Tax rates levied by school districts;
- (3) Average daily attendance (ADA) as calculated pursuant to 702 KAR 3:270, Section 2(3)(a);
- (4) Estimated growth ADA;
- (5) The state equalization amount as defined in 702 KAR 3:270, Section 1(11);
- (6) Calculated base SEEK funding as defined in 702 KAR 3:270, Section 1(2);
- (7) Tax receipts collected based on prior year tax levies which may be adjusted for unusual circumstances as determined by the local school district and the Division of Finance, Department of Education;
- (8) Collection rates as defined in 702 KAR 3:270, Section 1(3); and
- (9) The annual report of tax collections as prepared by the school district's tax collector pursuant to KRS 160.510.

Section 3. Compensating, Four (4) Percent Increase and Subsection (2) Tax Rate Formulas.

(1) Compensating tax rate. The compensating tax rate defined in KRS 132.010(6) and certified to the school district by the Department of Education pursuant to KRS 160.470(4)(b) shall be calculated as follows:

(a) Compensating Tax Rate I. The Compensating Tax Rate I formula shall be as follows:

1. Prior year revenue from real property;
2. Divided by the current year total valuation of real property;
3. Rounded to the next higher one-tenth (1/10) cent;
4. Equals the Compensating Tax Rate I.

(b) Compensating Tax Rate II. The Compensating Tax Rate II formula shall be as follows:

1. Prior year revenue from real property plus prior year revenue from personal property;
2. Divided by the current year total valuation of adjusted property at full rates;
3. Rounded to the next higher one-tenth (1/10) cent;
4. Equals the Compensating Tax Rate II.

(c) The Compensating Tax Rate shall be the higher of the Compensating Tax Rate I and the Compensating Tax Rate II.

(2) Four (4) percent increase rate. The four (4) percent increase rate certified to the school district by the Department of Education pursuant to KRS 160.470(c) shall be calculated as follows:

- (a) Compensating tax rate as calculated pursuant to subsection (1) of this section;
- (b) Times current year total valuation of real property;
- (c) Times 104 percent;
- (d) Divided by current year total valuation of real property;
- (e) Rounded to the next lower one-tenth (1/10) cent;
- (f) Equals the four (4) percent increase rate.

(3) Subsection (2) rate. The Subsection (2) rate certified to the school district by the Department of Education pursuant to KRS 160.470(4)(a) shall be calculated as follows:

- (a) Prior year maximum real estate property tax rate;
- (b) Times prior year total valuation of real property;
- (c) Plus prior year maximum personal property tax rate;
- (d) Times prior year total valuation of personal property;
- (e) Divided by the prior year adjusted tax base;

- (f) Rounded to the next lower one-tenth (1/10) cent;
 - (g) Equals the Subsection (2) rate.
- (4) If the percentage increase in revenue from real property produced by the compensating, four (4) percent increase and Subsection (2) tax rates is less than the percentage increase in revenue from personal property based on the same rates, then equal tax rates as calculated pursuant to this section for the compensating, four (4) percent increase and Subsection (2) tax rates shall be certified for both real estate and personal property.

Section 4. Limits on Personal Property Tax Rates. If the percentage increase in revenue from real property produced by the compensating, four (4) percent increase or Subsection (2) tax rates is more than the percentage increase in revenue from personal property based on the same rates, then personal property tax rates certified to the local school district shall be the lower of the prior year personal property tax levy or the tax rates calculated as follows:

- (1) Personal property compensating tax rate.
 - (a) Prior year revenue from personal property,
 - (b) Times 100 percent plus the percent increase in real property revenue based on the compensating tax rate as calculated pursuant to Section 3(1) of this administrative regulation;
 - (c) Divided by the current year total valuation of personal property;
 - (d) Rounded to the next higher one-tenth (1/10) cent;
 - (e) Equals the personal property compensating tax rate.
- (2) Personal property four (4) percent increase rate.
 - (a) Prior year revenue from personal property;
 - (b) Times 100 percent plus the percent increase in real property revenue based on the four (4) percent increase tax rate as calculated pursuant to Section 3(2) of this administrative regulation;
 - (c) Divided by the current year total valuation of personal property;
 - (d) Rounded to the next higher one-tenth (1/10) cent;
 - (e) Equals the personal property four (4) percent increase tax rate.
- (3) Personal property Subsection (2) tax rate.
 - (a) Prior year revenue from personal property;
 - (b) Times 100 percent plus the percent increase in real property revenue based on the Subsection (2) tax rate as calculated pursuant to Section 3(3) of this administrative regulation;
 - (c) Divided by the current year total valuation of personal property;
 - (d) Rounded to the next higher one-tenth (1/10) cent;
 - (e) Equals the personal property Subsection (2) tax rate.

Section 5. Maximum Equivalent Tax Rate Allowed Pursuant to KRS 157.440(1)(a). The maximum equivalent tax rate allowed pursuant to KRS 157.440(1)(a) shall be the higher of the 1989-90 equivalent and the maximum Tier I equivalent tax rate calculated as follows:

- (1) Calculated base SEEK funding as defined in 702 KAR 3:270, Section 1(2);
- (2) Times fifteen (15) percent;
- (3) Divided by average daily attendance;
- (4) Equals maximum per pupil Tier I revenue;
- (5) Divided by the greater of the current year total valuation of property and motor vehicles divided by the average daily attendance and the statewide equalization amount as defined in 702 KAR 3:270, Section 1(9);
- (6) Rounded to the next higher one-tenth (1/10) cent;
- (7) Plus the required minimum thirty (30) cent equivalent tax rate pursuant to KRS 160.470(12)(a) and the five (5) cent levy pursuant to KRS 157.620(1)(a);

(8) Equals the maximum Tier I equivalent tax rate.

Section 6. Maximum Equivalent Tax Rate Allowed Pursuant to KRS 157.440(2). The maximum Tier II equivalent tax rate allowed pursuant to KRS 157.440(2) shall be calculated as follows:

- (1) Calculated base SEEK funding as defined in 702 KAR 3:270, Section 1(2);
- (2) Times thirty-four and one-half (34.5) percent;
- (3) Divided by average daily attendance;
- (4) Equals maximum per pupil Tier II revenue;
- (5) Divided by the current year total valuation of property and motor vehicles divided by the average daily attendance;
- (6) Plus the maximum Tier I equivalent tax rate as calculated pursuant to Section 5 above minus five(5);
- (7) Rounded to the next higher one-tenth (1/10) cent;
- (8) Equals the maximum Tier II equivalent tax rate.

Section 7. Motor Vehicle Tax Rates.

- (1) Motor vehicle tax rates may be raised to the maximum Tier I equivalent tax rate allowable pursuant to KRS 157.440(1)(a).
- (2) Motor vehicle tax rates levied pursuant to KRS 132.487 which are higher than those allowed pursuant to KRS 157.440(1)(a) shall not be lowered.

Section 8.

(1) The Exonerations Tax Rate allowable pursuant to KRS 134.590(7) shall be calculated as follows:

(a) Exonerations Recovery Rate I. The Exonerations Recovery Rate I shall be calculated as follows:

1. Prior year real estate property tax levy;
2. Times prior year total valuation of real property plus prior year real exonerations both as certified by the Revenue Cabinet;
3. Divided by current year total valuation of real property;
4. Rounded to the next higher one-tenth (1/10) cent;
5. Equals the Exonerations Recovery Rate I.

(b) Exonerations Recovery Rate II. The Exonerations Recovery Rate II shall be calculated as follows:

1. Prior year real estate property tax levy;
2. Times prior year total valuation of real property plus prior year real exonerations both as certified by the Revenue Cabinet;
3. Plus prior year personal property tax levy;
4. Times prior year total valuation of personal property plus current year tangible exonerations both as certified by the Revenue Cabinet;
5. Divided by current year total valuation of adjusted property at full rates;
6. Rounded to the next higher one-tenth (1/10) cent;
7. Equals the exonerations recovery Rate II.

(2) The exonerations tax rate certified to the school district by the Department of Education shall equal the difference between the higher of the exonerations recovery Rates I and II and the compensating rate as calculated pursuant to Section 3(c) of this administrative regulation.

Section 9. SEEK Rates Calculations. SEEK rates calculations to determine the property tax rates necessary to achieve the required minimum thirty (30) cent equivalent rate, maximum Tier I and maximum Tier II equivalent tax rates and a five (5) cent equivalent rate shall be as follows:

(1) Minimum thirty (30) cent equivalent rate. The property tax rate required to achieve the minimum thirty (30) cent equivalent rate required pursuant to KRS 160.470(12)(a) shall be calculated as follows:

- (a) Thirty (30) cents;
- (b) Times the current year total valuation of property and motor vehicles as certified by the Revenue Cabinet;
- (c) Divided by the collection rate as defined in 702 KAR 3:270, Section 1(3);
- (d) Minus the current year projection for permissive taxes;
- (e) Minus the prior year levied motor vehicle tax rate times the current year motor vehicle assessment as certified by the Revenue Cabinet times ninety-six (96) percent;
- (f) Divided by the current year property assessment as certified by the Revenue Cabinet;
- (g) Rounded to the next higher one-tenth (1/10) cent;
- (h) Equals the property tax rate required to achieve the required minimum thirty (30) cent equivalent rate.

(2) Maximum Tier I property tax rate. The property tax rate required to achieve the maximum Tier I equivalent rate allowable pursuant to KRS 157.440(1)(a) shall be calculated as follows:

- (a) Maximum Tier I equivalent tax rate as calculated pursuant to Section 5 of this administrative regulation;
- (b) Times the current year total valuation of property and motor vehicles as certified by the Revenue Cabinet;
- (c) Divided by the collection rate as defined in 702 KAR 3:270, Section 1(3);
- (d) Minus the current year projection for permissive taxes,
- (e) Minus the prior year levied motor vehicle tax rate times the current year motor vehicle assessment as certified by the Revenue Cabinet times ninety-six (96) percent;
- (f) Divided by the current year property assessment as certified by the Revenue Cabinet;
- (g) Rounded to the next lower one-tenth (1/10) cent;
- (h) Equals the property tax rate required to achieve the maximum Tier I equivalent tax rate allowable.

(3) The property tax rate required to produce a five (5) cent equivalent tax rate shall be calculated as follows:

- (a) Five(5) cents;
- (b) Times the current year total valuation of property and motor vehicles as certified by the Revenue Cabinet;
- (c) Divided by the collection rate as defined in 702 KAR 3:270, Section 1(3);
- (d) Divided by the current year property assessment as certified by the Revenue Cabinet;
- (e) Rounded to the next higher one-tenth (1/10) cent;
- (f) Equals the property tax rate required to produce a five (5) cent equivalent tax rate.

(4) Maximum Tier II property tax rate. The property tax rate required to achieve the maximum Tier II equivalent rate allowable pursuant to KRS 157.440(2) shall be calculated as follows:

- (a) Maximum Tier II equivalent tax rate as calculated pursuant to Section 6 of this administrative regulation;
- (b) Times the current year total valuation of property and motor vehicles as certified by the Revenue Cabinet;
- (c) Divided by the collection rate as defined in 702 KAR 3:270, Section 1(3);
- (d) Minus the current year projection for permissive taxes;
- (e) Minus the prior year levied motor vehicle tax rate times the current year motor vehicle assessment as certified by the Revenue Cabinet times ninety-six (96) percent;

- (f) Divided by the current year property assessment as certified by the Revenue Cabinet;
- (g) Rounded to the next lower one-tenth (1/10) cent;
- (h) Equals the property tax rate required to achieve the maximum Tier II equivalent tax rate allowable.

Section 10. Equivalent Tax Rates.

- (1) The levied equivalent tax rate used to determine eligibility for Tier I and Facility Support Program of Kentucky (FSPK) state equalization shall be calculated as follows:
 - (a) Current year real estate tax levy times current year total valuation of real property as certified by the Revenue Cabinet;
 - (b) Plus the current year personal property tax levy times the current year total valuation of personal property as certified by the Revenue Cabinet;
 - (c) Plus the current year motor vehicle tax levy times the current year total valuation of motor vehicles as certified by the Revenue Cabinet;
 - (d) Plus current year projected permissive tax collections;
 - (e) Times the collection rate as defined in 702 KAR 3:270, Section 1(3);
 - (f) Divided by the current year total valuation of property and motor vehicles as certified by the Revenue Cabinet;
 - (g) Rounded to the next lower one-tenth (1/10) cent;
 - (h) Equals the levied equivalent tax rate.
- (2) The collected equivalent tax rate used for comparison to the prior year's levied equivalent tax rate to determine if the tax receipts as submitted are reasonable shall be calculated as follows:
 - (a) Total prior year tax receipts;
 - (b) Divided by the prior year total valuation of property and motor vehicles as certified by the Revenue Cabinet;
 - (c) Equals the collected equivalent tax rate.

Section 11. Five (5) Cent Tax Rate for Growth.

- (1) To meet the eligibility requirements to levy the five (5) cent tax rate for growth pursuant to House Bill 810 of the 1994 General Assembly, the following shall apply:
 - (a) Adjusted average daily attendance (AADA) as calculated pursuant to 702 KAR 3:270(3) shall be used to calculate the required growth in ADA as follows:
 - 1. Prior year end of year AADA;
 - 2. Minus the fifth previous year end of year AADA;
 - 3. Equals the growth in ADA used to calculate eligibility to levy the five (5) cent tax rate for growth;
 - (b) Districts qualifying to levy the five (5) cent tax rate for growth shall certify to the Division of Finance, Department of Education that current student enrollment exceeds available classroom space; and
 - (c) Qualifying debt service shall be in place at the time of the levy of the five (5) cent tax rate for growth.
- (2) The property tax levy required to achieve the five (5) cent tax rate for growth shall be calculated pursuant to Section 9(3) of this administrative regulation.

Section 12. Tax Rate Certification.

- (1) Tax rates shall be certified to the school district by the Department of Education upon receipt of the assessment from the Revenue Cabinet, a listing of tax receipts collected based on the prior year tax levy as provided by the school district and an annual tax collector's report as provided by the school district to verify prior year tax collections.
- (2) Pursuant to House Bill 81 of the 1994 General Assembly, school districts shall levy tax rates within forty-five (45) days of the Revenue Cabinet's assessment certification.

Failure to meet this deadline shall require the use of the compensating tax rate as calculated pursuant to Sections 3 or 4 of this administrative regulation for that year's tax bills. Levies which are subject to recall shall follow the provisions of KRS 132.017.

(3) Unusual circumstances as determined by the local school district and the Division of Finance, Department of Education may allow a school district's tax rates to be revised and recertified by the Department of Education.

(702 KAR 003:270. 21 Ky.R. 1404; 1735; eff. 2-2-1995; Crt eff. 11-16-2018; Crt eff. 6-9-2025.)