

# **PROPERTY VALUATION ADMINISTRATOR'S OFFICE TASK FORCE**

## **Minutes of the 5th Meeting of the 2020 Interim**

**November 9, 2020**

### **Call to Order and Roll Call**

The 5th meeting of the Property Valuation Administrator's Office Task Force was held on Monday, November 9, 2020, at 3:00 PM, in Room 171 of the Capitol Annex. Senator Robby Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Randy Bridges, Co-Chair; Senators Denise Harper Angel and Michael J. Nemes; Representatives Samara Heavrin and Nima Kulkarni; and Tom Crawford.

Guests: Cynthia Brown, Legislative Committee Analyst Appropriations and Revenue Committee, Legislative Research Commission

LRC Staff: Cynthia Brown, Jennifer Hays, and Chase O'Dell

### **Approval of Minutes**

A motion was made by Representative Bridges, seconded by Senator Nemes, to approve the minutes of the October 20, 2020, meeting. The motion passed by voice vote.

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

Cynthia Brown, Legislative Committee Analyst Appropriations and Revenue Committee, Legislative Research Commission, discussed the draft report of the Property Valuation Administrator's Office Task Force.

Ms. Brown reviewed the major objectives of the task force, including studying the operations of PVA offices to identify best practices, studying the funding of these offices, and studying PVA job duties.

Statute requires that a PVA be elected in each county for a four year term. The constitution requires that a PVA must meet certain qualifications, such as being at least 24 years old and a resident of Kentucky. A majority of PVAs are in their first two terms.

The Department of Revenue (DOR) is required by statute to offer a training program for PVAs. PVAs receive financial training incentives to complete the training.

The Formula for Allocation of Deputies (FAD) is used to determine how many deputies a PVA office can hire. PVAs must wait 90 days before hiring a new deputy when a vacancy arises.

Deputies can also attend the training offered by DOR. Some PVAs provide in-house training.

PVAs assess real estate parcels, administer the homestead exemption, transfer property records, provide correct addresses for tax assessments, handle tangible property tax returns, and assess vehicles, boats, and campers. PVA offices are also responsible for record keeping. Records include real property appraisals and exemptions, maps, sketches, photos, tangible property data, and more.

PVA offices are funded through four major sources: state appropriations, county appropriations, appropriations from cities that elect to use the PVA assessment, and miscellaneous income received from charging fees, printing tax bills, or from interest.

The general fund appropriation goes towards personnel costs, but it does not cover all personnel costs for PVA offices. The PVA uses local funds to supplement. A portion of local funds are sent to the state to compensate for extra payroll costs. The remaining local funds go towards operating expenses.

The largest expense for PVA offices are personnel costs. For 2020, the total cost of personnel funding exceeded \$67 million.

Some PVA offices use electronic records. Most PVAs have a website. Some PVA offices are charged for their website, while others are not. Some offices can charge a subscription fee for using the website, while others cannot. In some counties, PVAs share software with the sheriff's office and the county clerk.

By statute, PVAs have several approaches they can use to determine the fair cash value of a property. DOR certifies PVA assessments by using an assessment/sales ratio study.

To appeal the PVA's assessment, a property owner must first go through a PVA conference, and then through the local and state boards of assessment appeals.

Dark store appraisal theory applies to commercial properties that are valued the same regardless of whether they are vacant or currently in operation.

Most libraries are funded through a local property tax rate. Some are funded through a county budget. Fire districts are also funded through a tax rate, but the rate is capped at ten cents. Some fees can be charged for services.

The PVA association has requested that a dedicated funding stream be allocated to PVAs. The association's recommendation is that a percentage of the state real property tax rate be allocated directly to PVA offices. Some PVAs have suggested that Special Purpose Governmental Entities (SPGEs) should be charged a fee for using the property tax rolls. The PVA association suggested that the amount that counties and cities pay for using the tax roll should be increased, either through a CPI that gradually increases every year, or that the caps be increased. The association also suggested that a fee be attached to property tax bills on motor vehicles.

The PVA association suggested that the tangible personal property tax return should be e-filed. The return could go directly to DOR to eliminate costs for personnel to type the returns. Another suggestion was that internet service costs and speeds be analyzed. The association also recommended that taxpayers use an email address for correspondence from the PVA to cut down on the cost of postage and mailing.

Jeffrey Kelley suggested the following: PVA offices plan out their work to reduce redundancy; the property tax calendar be expanded; KRS 133.120 be amended; and PVAs be provided access to digital storage for record keeping.

Cindy Arlinghaus Martin recommended that all PVAs should have oblique aerial imagery to help better their assessments. Tom Crawford suggested that local offices share technology systems to transfer information easily. Mack Bushart testified that master agreements for commonly used software could cut costs.

Recommendations were also given by PVAs to allow online training courses to cut travel and personnel costs. Andrew Powell recommended a legislative change to address the dark store appraisal theory.

Representative Bridges stated that the legislature needs to look at addressing dark store appraisals and focusing appraisals on the use and productivity of a property.

A motion was made by Senator Nemes, seconded by Representative Bridges, to approve the draft report of the Property Valuation Administrator's Office Task Force. The motion carried with 7 yes votes and 0 no votes.

Senator Mills testified to the importance of addressing the issues outlined in the report through legislation.

With no further business before the committee, the meeting was adjourned at 3:36 p.m.