



- Excludes residential units;
- **Currently** used for commercial cultivation of a garden or orchard; or
- **Currently** used for the **commercial** raising of fruits or nuts, vegetables, flowers, or ornamental plants.

HB 576 amends the definition of “residential unit” to include land used in connection with the main dwelling house including but not limited to lawns, drives, flower gardens, swimming pools, and the other areas devoted to family recreation.

HB 576 requires the property valuation administrator (PVA) - before assessing the land - to obtain documentation to establish that the land is used for agricultural or horticultural purposes.

HB 576 provides that the PVA shall value the property based upon its current agricultural or horticultural income-producing capability. The PVA shall also consider comparable sales of land purchased for agricultural or horticultural purposes where the price is indicative of such uses, excluding sales representing purchases for expansion, better accessibility, and other factors which inflate the purchase price beyond agricultural or horticultural use value. The PVA shall also consider the following factors:

- Percentages of tillable land, pasture land, and woodland;
- Degree of productivity of the soil;
- Risk of flooding;
- Improvement to and on the land that relate to the production of income;
- Row crop capability, including allotted crops other than tobacco;
- Accessibility to all-weather roads and markets; and
- Economic factors such as interest, price of farm or horticultural products, cost of farm or horticultural materials and supplies, labor, or any economic factor which would affect net farm or horticultural income.

HB 576 provides that where land has been valued as agricultural for five or more consecutive years under the same ownership, and the land ceases to be used for farming, the land shall retain its agricultural classification for assessment and tax purposes until a new use for the land is adopted or conveyance of the land to a person other than a surviving spouse.

### **Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**The fiscal impact of HB 576 on local governments is indeterminable, but could be significant.** Under the provisions of the bill, in order to accurately assess property as agricultural or horticultural land, one would have to know, by parcel, those who are actively engaged in farming, those who are not, and those who may start farming as a result of the bill. This information is not available.

Aggregate information such as the \$36.6 billion waived statewide in property values reflect the difference between fair cash value and the agricultural assessed value

(excluding any amounts for homestead exemptions). One could calculate additional property tax revenue using that figure assuming that everyone who currently qualifies for the agricultural assessment does not farm and would therefore be assessed at fair cash value going forward. That scenario is unlikely. Additionally, local property taxes are not standardized and are set at the local level.

The undervaluing of land for tax assessment purposes has a significant negative impact on counties. As stated above, Kentucky waived \$36.6 billion in property value in 2015 for more than 18.2 million acres assessed as agricultural.<sup>1</sup>

In June 2015, a 40-acre tract of land in Fayette County sold for \$13 million to its new owners with plans of building an upscale shopping center. Last year, the Fayette County PVA assessed the land's fair cash value at \$5 million, as it did every year for the previous decade. It was not taxed based on a fair cash value of either \$5 million or \$13 million. Instead, because this used to be a farm, it was taxed based on an agricultural value of \$169,800.<sup>2</sup>

For counties with similar characteristics and demographics as Fayette, the impact is similar. For example, last year, Bourbon County deferred over \$1 billion in property values under the farmland tax break, benefiting 175,647 acres, according to state data.<sup>3</sup>

A review of the Jefferson County PVA's web site shows that landowners seeking the agricultural exemption must complete and sign a short application each year to qualify for the farmland preservation tax break. The landowners must detail the acreage devoted to agricultural production and how those acres are used. As stated on its web site, the Jefferson County PVA requires proof of farming income, such as the Schedule F attachment from the landowner's federal income tax return.<sup>4</sup> As a result, Jefferson County reported only about half as many parcels with the tax break as Fayette County, covering roughly one-fourth of Fayette's discounted acreage.<sup>5</sup>

The following example is from a property owner in Ocala Florida, but given its subject matter could easily relate to Kentucky.

*In our county, they offer agricultural property tax exemptions if you are using your land for agricultural purposes. We looked into it, and the only way we could get it would be to have 10 acres of grazing pasture (our lot is 10 acres total, they automatically take one acre for the house), or to breed, raise and sell horses, or raise food animals. None of which is on my agenda, so we pay the regular tax rate.*

*Many of my neighbors get the tax exemption by saying they are growing hay. What this means is that they let their lot get overgrown and weedy until fall, and pay some real farmer to mow it, bale it, and take the hay away. Honestly, I would not feed the hay from those lots to a goat.*

*The worst offender is one that only hays about half the lot (5 acres), lucky if the hay guy gets 3 round bales off of it, and they are getting the ag exemption.<sup>6</sup>*

The table below details on a per county basis property values including homestead exemptions and the amount deferred due to the agricultural exemption:

<b>2015 COUNTY</b>	<b>FARM-LAND &amp; OTHER IMPROVEMENTS</b>	<b>FARM HOMESTEAD EXEMPTION</b>	<b>FARM DISABILITY – HOMESTEAD EXEMPTION</b>	<b>AMOUNT DEFERRED</b>	<b>TOTAL FARM FAIR CASH VALUE</b>
ADAIR	149,900,500	21,504,280	3,693,300	379,045,170	554,143,250
ALLEN	157,948,687	19,088,925	2,113,480	286,132,042	465,283,134
ANDERSON	196,280,451	11,915,800	1,288,700	162,580,319	372,065,270
BALLARD	137,028,838	6,373,758	774,900	271,922,243	416,099,739
BARREN	298,555,840	27,493,186	1,754,600	403,299,104	731,102,730
BATH	84,667,420	8,732,900	2,036,600	154,100,975	249,537,895
BELL	26,826,150	4,132,000	708,900	35,342,525	67,009,575
BOONE	269,811,112	15,404,950	930,000	1,929,038	1,053,075,100
BOURBON	320,801,719	11,723,405	839,200	1,024,655,661	1,358,019,985
BOYD	91,974,355	8,851,400	1,964,300	66,929,615	169,719,670
BOYLE	164,140,300	11,630,000	1,239,700	263,507,972	440,517,972
BRACKEN	103,710,425	8,207,200	1,030,250	92,918,455	205,866,330
BREATHITT	79,574,650	10,430,080	12,261,142	66,705,364	168,971,236
BRECKINRIDGE	218,005,923	20,172,134	2,493,203	381,208,652	621,879,912
BULLITT	241,422,861	17,364,235	3,051,412	354,365,186	616,203,694
BUTLER	117,844,445	12,252,110	3,488,100	235,272,417	368,857,072
CALDWELL	108,797,580	10,657,560	1,945,485	237,225,334	358,625,959
CALLOWAY	238,640,093	16,557,200	1,267,400	512,584,971	769,049,664
CAMPBELL	171,708,350	13,895,200	1,143,900	217,644,529	404,391,979
CARLISLE	64,889,253	6,425,124	1,031,100	143,727,453	216,072,930
CARROLL	60,110,950	5,533,300	405,900	125,962,790	192,012,940
CARTER	132,913,186	19,701,750	7,940,850	72,389,997	232,945,783
CASEY	170,559,550	22,479,900	2,972,200	284,762,195	480,773,845
CHRISTIAN	420,490,714	16,021,160	1,398,452	1,038,872,224	1,476,782,550
CLARK	245,852,800	13,155,200	2,332,700	481,164,073	742,504,773
CLAY	68,711,930	13,040,700	4,517,100	68,372,550	154,642,280
CLINTON	70,959,969	9,696,400	1,400,850	136,723,440	218,780,659
CRITTENDEN	124,322,675	9,153,395	1,137,733	157,696,995	292,310,798
CUMBERLAND	104,070,350	7,870,900	987,400	148,315,792	261,244,442
DAVISS	365,622,853	20,790,600	1,273,500	835,744,414	1,223,431,367
EDMONSON	110,621,058	13,791,709	1,811,350	169,002,086	295,226,203
ELLIOTT	58,405,501	11,401,622	5,402,178	95,823,524	171,032,825
ESTILL	97,896,127	11,040,667	2,730,751	81,234,596	192,902,141
FAYETTE	919,465,700	13,210,200	369,000	1,618,334,200	2,551,379,100

<b>FLEMING</b>	176,179,200	14,048,500	1,965,500	212,872,725	405,065,925
<b>FLOYD</b>	116,145,573	20,334,034	9,273,600	67,288,998	213,042,205
<b>FRANKLIN</b>	168,174,290	11,933,502	528,484	166,221,780	346,858,056
<b>FULTON</b>	59,846,002	3,474,694	146,830	287,747,867	351,215,393
<b>GALLATIN</b>	65,317,845	4,598,700	502,100	165,231,586	235,650,231
<b>GARRARD</b>	130,052,008	13,245,400	2,041,600	207,145,222	352,484,230
<b>GRANT</b>	213,012,100	20,553,600	1,889,300	290,737,222	526,192,222
<b>GRAVES</b>	372,696,158	24,774,440	4,237,250	981,741,957	1,383,449,805
<b>GRAYSON</b>	201,096,576	22,067,900	2,994,600	292,684,949	518,844,025
<b>GREEN</b>	118,582,269	15,223,800	1,862,300	231,337,619	367,005,988
<b>GREENUP</b>	124,784,144	16,728,431	5,851,349	115,630,122	262,994,046
<b>HANCOCK</b>	80,306,768	9,883,300	987,300	178,934,256	270,111,624
<b>HARDIN</b>	368,634,010	28,121,100	2,379,200	648,055,670	1,047,189,980
<b>HARLAN</b>	41,305,335	2,439,555	1,406,360	94,281,594	139,432,844
<b>HARRISON</b>	224,816,361	14,911,048	1,831,822	305,412,076	546,971,307
<b>HART</b>	219,305,150	19,200,500	3,410,000	294,453,799	536,369,449
<b>HENDERSON</b>	260,516,109	10,303,531	627,300	906,687,687	1,178,134,627
<b>HENRY</b>	202,012,800	12,847,800	781,600	299,420,607	515,062,807
<b>HICKMAN</b>	110,756,885	5,956,769	332,100	420,180,050	537,225,804
<b>HOPKINS</b>	252,915,163	15,297,400	3,295,640	295,560,626	567,068,829
<b>JACKSON</b>	70,626,340	14,048,150	4,751,450	111,776,795	201,202,735
<b>JEFFERSON</b>	128,305,460	6,457,500	369,000	533,531,810	668,663,770
<b>JESSAMINE</b>	241,528,382	10,355,946	1,033,189	555,938,711	808,856,228
<b>JOHNSON</b>	97,395,058	16,944,462	7,175,756	104,520,350	226,035,626
<b>KENTON</b>	116,058,730	6,850,000	616,800	221,811,970	345,337,500
<b>KNOTT</b>	51,352,894	15,095,021	5,816,200	64,573,965	136,838,080
<b>KNOX</b>	91,141,873	17,183,738	4,330,539	154,408,666	267,064,816
<b>LARUE</b>	147,217,552	14,483,540	1,442,000	264,933,038	428,076,130
<b>LAUREL</b>	191,101,071	28,865,591	5,383,959	405,953,580	631,304,201
<b>LAWRENCE</b>	100,061,530	15,777,773	5,991,859	116,503,386	238,334,548
<b>LEE</b>	41,212,360	6,447,600	2,438,611	59,884,797	109,983,368
<b>LESLIE</b>	55,348,648	7,291,100	3,442,671	43,132,543	109,214,962
<b>LETCHER</b>	46,315,936	14,977,600	4,402,550	73,696,964	139,393,050
<b>LEWIS</b>	110,365,040	11,250,250	1,939,900	160,901,110	284,456,300
<b>LINCOLN</b>	168,797,002	21,547,100	1,977,770	297,245,791	489,567,663
<b>LIVINGSTON</b>	111,336,605	9,196,400	1,232,700	212,107,735	333,873,440
<b>LOGAN</b>	318,966,852	15,910,585	1,235,000	1,040,424,218	1,376,536,655
<b>LYON</b>	59,513,328	5,981,282	669,050	149,563,997	215,727,657
<b>MCCRACKEN</b>	133,500,601	9,969,690	833,338	196,693,538	340,997,167
<b>MCCREARY</b>	51,097,763	6,975,700	2,146,400	30,895,792	91,115,655
<b>MCLEAN</b>	144,722,123	6,184,075	504,800	253,546,904	404,957,902

<b>MADISON</b>	262,820,721	20,244,314	1,727,800	431,787,099	716,579,934
<b>MAGOFFIN</b>	47,534,767	9,592,771	6,962,940	77,804,830	141,895,308
<b>MARION</b>	187,066,529	14,718,100	1,975,200	329,109,838	532,869,667
<b>MARSHALL</b>	197,025,519	20,547,267	2,010,693	203,039,288	422,622,767
<b>MARTIN</b>	28,934,074	7,696,650	3,805,125	16,165,776	56,601,625
<b>MASON</b>	107,059,440	7,188,342	799,707	282,250,745	397,298,234
<b>MEADE</b>	162,314,000	15,831,500	1,127,650	381,957,604	561,230,754
<b>MENIFEE</b>	31,264,179	5,941,915	1,677,280	30,044,737	68,928,111
<b>MERCER</b>	236,582,894	17,917,575	2,143,423	337,866,565	594,510,457
<b>METCALFE</b>	112,229,704	14,004,879	2,019,179	183,204,881	311,458,643
<b>MONROE</b>	98,707,355	10,384,825	834,800	265,959,581	375,886,561
<b>MONTGOMERY</b>	114,308,628	10,099,800	2,515,900	195,425,425	322,349,753
<b>MORGAN</b>	91,260,250	12,302,200	6,517,500	69,953,625	180,033,575
<b>MUHLENBERG</b>	164,035,510	14,401,900	2,767,700	182,047,971	363,253,081
<b>NELSON</b>	331,533,960	23,996,715	1,974,735	618,154,817	975,660,227
<b>NICHOLAS</b>	92,297,258	7,247,600	1,389,700	85,073,702	186,008,260
<b>OHIO</b>	203,238,311	17,752,607	4,372,295	346,121,368	571,484,581
<b>OLDHAM</b>	228,962,725	6,752,700	369,000	606,424,500	842,508,925
<b>OWEN</b>	146,954,755	12,948,700	1,374,200	307,703,873	468,981,528
<b>OWSLEY</b>	36,333,104	4,902,400	3,558,000	20,418,862	65,212,366
<b>PENDLETON</b>	172,357,735	17,103,000	1,928,600	245,254,008	436,643,343
<b>PERRY</b>	58,560,768	12,205,725	3,967,700	62,748,007	137,482,200
<b>PIKE</b>	147,392,018	31,272,650	19,558,450	159,384,315	357,607,433
<b>POWELL</b>	53,962,257	5,250,465	1,238,725	28,821,186	89,272,633
<b>PULASKI</b>	332,355,751	34,125,625	3,613,400	628,026,683	998,121,459
<b>ROBERTSON</b>	37,853,742	3,124,047	1,147,005	55,051,947	97,176,741
<b>ROCKCASTLE</b>	85,741,310	13,310,200	2,417,000	118,268,689	219,737,199
<b>ROWAN</b>	100,887,577	13,568,252	1,393,250	89,236,435	205,085,514
<b>RUSSELL</b>	123,632,472	16,715,400	1,546,500	261,506,683	403,401,055
<b>SCOTT</b>	305,036,143	15,477,387	1,027,193	573,659,266	895,199,989
<b>SHELBY</b>	472,164,059	22,237,700	1,648,100	768,464,467	1,264,514,326
<b>SIMPSON</b>	178,399,600	7,859,700	442,800	376,610,031	563,312,131
<b>SPENCER</b>	171,720,495	10,303,668	1,417,900	195,840,272	379,282,335
<b>TAYLOR</b>	128,412,675	14,677,500	1,534,530	269,178,452	413,803,157
<b>TODD</b>	158,439,224	9,153,622	362,541	551,006,770	718,962,157
<b>TRIGG</b>	94,661,712	5,728,360	688,609	497,568,306	598,646,987
<b>TRIMBLE</b>	83,949,900	7,785,100	527,100	156,078,200	248,340,300
<b>UNION</b>	153,563,605	5,429,530	413,844	547,625,168	707,032,147
<b>WARREN</b>	443,759,360	27,628,040	1,982,150	872,674,240	1,346,043,790
<b>WASHINGTON</b>	162,260,458	15,005,400	2,007,200	281,828,235	461,101,293
<b>WAYNE</b>	127,459,988	16,224,991	2,204,219	278,248,297	424,137,495

<b>WEBSTER</b>	151,280,514	8,458,657	769,250	349,087,000	509,595,421
<b>WHITLEY</b>	133,907,186	16,450,659	2,696,462	452,839,500	605,893,807
<b>WOLFE</b>	62,259,450	9,255,700	4,894,400	65,625,201	142,034,751
<b>WOODFORD</b>	514,518,000	8,777,500	405,900	861,914,160	1,385,615,560
<b>TOTALS</b>	<b>19,509,951,891</b>	<b>1,599,037,695</b>	<b>293,569,068</b>	<b>36,601,228,578</b>	<b>58,003,787,232</b>

**Data Source(s):** 1 and 3, Kentucky Department of Revenue, Office of Property Valuation  
2 and 5. Cheves, J. and Blackford L. (2016, February 18) Tax Relief  
Intended to Save Kentucky Farms Helps Pave Them Instead, Lexington  
Herald-Leader/Kentucky.com  
4. Jefferson County Property Valuation Administrator web site.  
6. The Chronicle of the Horse (2010, March 27) Chronical Forum

**Preparer:** Wendell F. Butler      **Reviewer:** JWN      **Date:** 3/9/16