

1 AN ACT relating to property taxation.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 132.020 is amended to read as follows:

- 4 (1) The owner or person assessed shall pay an annual ad valorem tax for state purposes  
5 at the rate of:
- 6 (a) Thirty-one and one-half cents (\$0.315) upon each one hundred dollars (\$100)  
7 of value of all real property directed to be assessed for taxation;
  - 8 (b) Twenty-five cents (\$0.25) upon each one hundred dollars (\$100) of value of  
9 all motor vehicles qualifying for permanent registration as historic motor  
10 vehicles under KRS 186.043;
  - 11 (c) Fifteen cents (\$0.15) upon each one hundred dollars (\$100) of value of all:
    - 12 1. Machinery actually engaged in manufacturing;
    - 13 2. Commercial radio and television equipment used to receive, capture,  
14 produce, edit, enhance, modify, process, store, convey, or transmit audio  
15 or video content or electronic signals which are broadcast over the air to  
16 an antenna, including radio and television towers used to transmit or  
17 facilitate the transmission of the signal broadcast and equipment used to  
18 gather or transmit weather information, but excluding telephone and  
19 cellular communication towers; and
    - 20 3. Tangible personal property which has been certified as a pollution  
21 control facility as defined in KRS 224.1-300. In the case of tangible  
22 personal property certified as a pollution control facility which is  
23 incorporated into a landfill facility, the tangible personal property shall  
24 be presumed to remain tangible personal property for purposes of this  
25 paragraph if the tangible personal property is being used for its intended  
26 purposes;
  - 27 (d) Ten cents (\$0.10) upon each one hundred dollars (\$100) of value on the

- 1 operating property of railroads or railway companies that operate solely within  
2 the Commonwealth;
- 3 (e) Five cents (\$0.05) upon each one hundred dollars (\$100) of value of goods  
4 held for sale in the regular course of business, which includes:
- 5 1. Machinery and equipment held in a retailer's inventory for sale or lease  
6 originating under a floor plan financing arrangement;
  - 7 2. Motor vehicles:
    - 8 a. Held for sale in the inventory of a licensed motor vehicle dealer,  
9 including licensed motor vehicle auction dealers, which are not  
10 currently titled and registered in Kentucky and are held on an  
11 assignment pursuant to KRS 186A.230; or
    - 12 b. That are in the possession of a licensed motor vehicle dealer,  
13 including licensed motor vehicle auction dealers, for sale, although  
14 ownership has not been transferred to the dealer;
  - 15 3. Raw materials, which includes distilled spirits and distilled spirits  
16 inventory;
  - 17 4. In-process materials, which includes distilled spirits and distilled spirits  
18 inventory, held for incorporation in finished goods held for sale in the  
19 regular course of business; and
  - 20 5. Qualified heavy equipment;
- 21 (f) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of  
22 value of all:
- 23 1. Privately owned leasehold interests in industrial buildings, as defined  
24 under KRS 103.200, owned and financed by a tax-exempt governmental  
25 unit, or tax-exempt statutory authority under the provisions of KRS  
26 Chapter 103, upon the prior approval of the Kentucky Economic  
27 Development Finance Authority, except that the rate shall not apply to

- 1           the proportion of value of the leasehold interest created through any  
2           private financing;
- 3           2.   Qualifying voluntary environmental remediation property, provided the  
4           property owner has corrected the effect of all known releases of  
5           hazardous substances, pollutants, contaminants, petroleum, or petroleum  
6           products located on the property consistent with a corrective action plan  
7           approved by the Energy and Environment Cabinet pursuant to KRS  
8           224.1-400, 224.1-405, or 224.60-135, and provided the cleanup was not  
9           financed through a public grant or the petroleum storage tank  
10          environmental assurance fund. This rate shall apply for a period of three  
11          (3) years following the Energy and Environment Cabinet's issuance of a  
12          No Further Action Letter or its equivalent, after which the regular tax  
13          rate shall apply;
- 14          3.   Tobacco directed to be assessed for taxation;
- 15          4.   Unmanufactured agricultural products;
- 16          5. ~~5. Aircraft not used in the business of transporting persons or property for~~  
17          ~~compensation or hire;~~
- 18          6. ~~6. Federally documented vessels not used in the business of transporting~~  
19          ~~persons or property for compensation or hire, or for other commercial~~  
20          ~~purposes; and~~
- 21          6.7. Privately owned leasehold interests in residential property described in  
22          KRS 132.195(2)(g);
- 23          (g) One-tenth of one cent (\$.001) upon each one hundred dollars (\$100) of value  
24          of all:
- 25                1.   Farm implements and farm machinery owned by or leased to a person  
26                actually engaged in farming and used in his farm operations;
- 27                2.   Livestock and domestic fowl;

- 1           3.    Tangible personal property located in a foreign trade zone established  
2                    pursuant to 19 U.S.C. sec. 81, provided that the zone is activated in  
3                    accordance with the regulations of the United States Customs Service  
4                    and the Foreign Trade Zones Board; and
- 5           4.    Property which has been certified as an alcohol production facility as  
6                    defined in KRS 247.910, or as a fluidized bed energy production facility  
7                    as defined in KRS 211.390; and
- 8           (h)   Forty-five cents (\$0.45) upon each one hundred dollars (\$100) of value of all  
9                    other property directed to be assessed for taxation shall be paid by the owner  
10                  or person assessed, except as provided in KRS 132.030, 132.200, 136.300,  
11                  and 136.320, providing a different tax rate for particular property.
- 12   (2)   Notwithstanding subsection (1)(a) of this section, the state tax rate on real property  
13                  shall be reduced to compensate for any increase in the aggregate assessed value of  
14                  real property to the extent that the increase exceeds the preceding year's assessment  
15                  by more than four percent (4%), excluding:
- 16           (a)   The assessment of new property as defined in KRS 132.010(8);
- 17           (b)   The assessment from property which is subject to tax increment financing  
18                  pursuant to KRS Chapter 65; and
- 19           (c)   The assessment from leasehold property which is owned and financed by a  
20                  tax-exempt governmental unit, or tax-exempt statutory authority under the  
21                  provisions of KRS Chapter 103 and entitled to the reduced rate of one and  
22                  one-half cents (\$0.015) pursuant to subsection (1)(f) of this section. In any  
23                  year in which the aggregate assessed value of real property is less than the  
24                  preceding year, the state rate shall be increased to the extent necessary to  
25                  produce the approximate amount of revenue that was produced in the  
26                  preceding year from real property.
- 27   (3)   By July 1 each year, the department shall compute the state tax rate applicable to

1 real property for the current year in accordance with the provisions of subsection (2)  
2 of this section and certify the rate to the county clerks for their use in preparing the  
3 tax bills. If the assessments for all counties have not been certified by July 1, the  
4 department shall, when either real property assessments of at least seventy-five  
5 percent (75%) of the total number of counties of the Commonwealth have been  
6 determined to be acceptable by the department, or when the number of counties  
7 having at least seventy-five percent (75%) of the total real property assessment for  
8 the previous year have been determined to be acceptable by the department, make  
9 an estimate of the real property assessments of the uncertified counties and compute  
10 the state tax rate.

11 (4) If the tax rate set by the department as provided in subsection (2) of this section  
12 produces more than a four percent (4%) increase in real property tax revenues,  
13 excluding:

- 14 (a) The revenue resulting from new property as defined in KRS 132.010(8);  
15 (b) The revenue from property which is subject to tax increment financing  
16 pursuant to KRS Chapter 65; and  
17 (c) The revenue from leasehold property which is owned and financed by a tax-  
18 exempt governmental unit, or tax-exempt statutory authority under the  
19 provisions of KRS Chapter 103 and entitled to the reduced rate of one and  
20 one-half cents (\$0.015) pursuant to subsection (1) of this section;

21 the rate shall be adjusted in the succeeding year so that the cumulative total of each  
22 year's property tax revenue increase shall not exceed four percent (4%) per year.

23 (5) The provisions of subsection (2) of this section notwithstanding, the assessed value  
24 of unmined coal certified by the department after July 1, 1994, shall not be included  
25 with the assessed value of other real property in determining the state real property  
26 tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also  
27 be excluded from the provisions of subsection (2) of this section. The calculated

1 rate shall, however, be applied to unmined coal property, and the state revenue shall  
2 be devoted to the program described in KRS 146.550 to 146.570, except that four  
3 hundred thousand dollars (\$400,000) of the state revenue shall be paid annually to  
4 the State Treasury and credited to the Office of Energy Policy for the purpose of  
5 public education of coal-related issues.

6 ➔Section 2. KRS 132.200 is amended to read as follows:

7 All property subject to taxation for state purposes shall also be subject to taxation in the  
8 county, city, school, or other taxing district in which it has a taxable situs, except the class  
9 of property described in KRS 132.030 and the following classes of property, which shall  
10 be subject to taxation for state purposes only:

- 11 (1) Farm implements and farm machinery owned by or leased to a person actually  
12 engaged in farming and used in his farm operation;
- 13 (2) Livestock, ratite birds, and domestic fowl;
- 14 (3) Capital stock of savings and loan associations;
- 15 (4) Machinery actually engaged in manufacturing, products in the course of  
16 manufacture, and raw material actually on hand at the plant for the purpose of  
17 manufacture. The printing, publication, and distribution of a newspaper or operating  
18 a job printing plant shall be deemed to be manufacturing;
- 19 (5) (a) Commercial radio and television equipment used to receive, capture, produce,  
20 edit, enhance, modify, process, store, convey, or transmit audio or video  
21 content or electronic signals which are broadcast over the air to an antenna;  
22 (b) Equipment directly used or associated with the equipment identified in  
23 paragraph (a) of this subsection, including radio and television towers used to  
24 transmit or facilitate the transmission of the signal broadcast, but excluding  
25 telephone and cellular communications towers; and  
26 (c) Equipment used to gather or transmit weather information;
- 27 (6) Unmanufactured agricultural products. They shall be exempt from taxation for state

1 purposes to the extent of the value, or amount, of any unpaid nonrecourse loans  
2 thereon granted by the United States government or any agency thereof, and except  
3 that cities and counties may each impose an ad valorem tax of not exceeding one  
4 and one-half cents (\$0.015) on each one hundred dollars (\$100) of the fair cash  
5 value of all unmanufactured tobacco and not exceeding four and one-half cents  
6 (\$0.045) on each one hundred dollars (\$100) of the fair cash value of all other  
7 unmanufactured agricultural products, subject to taxation within their limits that are  
8 not actually on hand at the plants of manufacturing concerns for the purpose of  
9 manufacture, nor in the hands of the producer or any agent of the producer to whom  
10 the products have been conveyed or assigned for the purpose of sale;

11 (7) All privately owned leasehold interest in industrial buildings, as defined under KRS  
12 103.200, owned and financed by a tax-exempt governmental unit, or tax-exempt  
13 statutory authority under the provisions of KRS Chapter 103, except that the rate  
14 shall not apply to the proportion of value of the leasehold interest created through  
15 any private financing;

16 (8) Tangible personal property which has been certified as a pollution control facility as  
17 defined in KRS 224.1-300. In the case of tangible personal property certified as a  
18 pollution control facility which is incorporated into a landfill facility, the tangible  
19 personal property shall be presumed to remain tangible personal property for  
20 purposes of this subsection if the tangible personal property is being used for its  
21 intended purposes;

22 (9) Property which has been certified as an alcohol production facility as defined in  
23 KRS 247.910;

24 (10) On and after January 1, 1977, the assessed value of unmined coal shall be included  
25 in the formula contained in KRS 132.590(9) in determining the amount of county  
26 appropriation to the office of the property valuation administrator;

27 (11) Tangible personal property located in a foreign trade zone established pursuant to

1 19 U.S.C. sec. 81, provided that the zone is activated in accordance with the  
2 regulations of the United States Customs Service and the Foreign Trade Zones  
3 Board;

4 (12) Motor vehicles qualifying for permanent registration as historic motor vehicles  
5 under the provisions of KRS 186.043. However, nothing herein shall be construed  
6 to exempt historical motor vehicles from the usage tax imposed by KRS 138.460;

7 (13) Property which has been certified as a fluidized bed energy production facility as  
8 defined in KRS 211.390;

9 (14) All motor vehicles:

10 (a) Held for sale in the inventory of a licensed motor vehicle dealer, including  
11 motor vehicle auction dealers, which are not currently titled and registered in  
12 Kentucky and are held on an assignment pursuant to the provisions of KRS  
13 186A.230;

14 (b) That are in the possession of a licensed motor vehicle dealer, including  
15 licensed motor vehicle auction dealers, for sale, although ownership has not  
16 been transferred to the dealer; and

17 (c) With a salvage title held by an insurance company;

18 (15) Machinery or equipment owned by a business, industry, or organization in order to  
19 collect, source separate, compress, bale, shred, or otherwise handle waste materials  
20 if the machinery or equipment is primarily used for recycling purposes as defined in  
21 KRS 139.010;

22 (16) New farm machinery and other equipment held in the retailer's inventory for sale  
23 under a floor plan financing arrangement by a retailer, as defined under KRS  
24 365.800;

25 (17) New boats and new marine equipment held for retail sale under a floor plan  
26 financing arrangement by a dealer registered under KRS 235.220;

27 (18) ~~Aircraft not used in the business of transporting persons or property for~~

1       ~~compensation or hire if an exemption is approved by the county, city, school, or~~  
2       ~~other taxing district in which the aircraft has its taxable situs;~~

3       ~~(19)~~ Federally documented vessels not used in the business of transporting persons or  
4       property for compensation or hire or for other commercial purposes, if an  
5       exemption is approved by the county, city, school, or other taxing district in which  
6       the federally documented vessel has its taxable situs;

7       (19)~~(20)~~ Any nonferrous metal that conforms to the quality, shape, and weight  
8       specifications set by the New York Mercantile Exchange's special contract rules for  
9       metals, and which is located or stored in a commodity warehouse and held on  
10      warrant, or for which a written request has been made to a commodity warehouse to  
11      place it on warrant, according to the rules and regulations of a trading facility. In  
12      this subsection:

13      (a) "Commodity warehouse" means a warehouse, shipping plant, depository, or  
14      other facility that has been designated or approved by a trading facility as a  
15      regular delivery point for a commodity on contracts of sale for future delivery;  
16      and

17      (b) "Trading facility" means a facility that is designated by or registered with the  
18      federal Commodity Futures Trading Commission under 7 U.S.C. secs. 1 et  
19      seq. "Trading facility" includes the Board of Trade of the City of Chicago, the  
20      Chicago Mercantile Exchange, and the New York Mercantile Exchange;

21      (20)~~(21)~~ Qualifying voluntary environmental remediation property for a period of three  
22      (3) years following the Energy and Environment Cabinet's issuance of a No Further  
23      Action Letter or its equivalent, pursuant to the correction of the effect of all known  
24      releases of hazardous substances, pollutants, contaminants, petroleum, or petroleum  
25      products located on the property consistent with a corrective action plan approved  
26      by the Energy and Environment Cabinet pursuant to KRS 224.1-400, 224.1-405, or  
27      224.60-135, and provided the cleanup was not financed through a public grant

- 1 program of the petroleum storage tank environmental assurance fund;
- 2 ~~(21)~~~~(22)~~ Biotechnology products held in a warehouse for distribution by the
- 3 manufacturer or by an affiliate of the manufacturer. For the purposes of this section:
- 4 (a) "Biotechnology products" means those products that are applicable to the
- 5 prevention, treatment, or cure of a disease or condition of human beings and
- 6 that are produced using living organisms, materials derived from living
- 7 organisms, or cellular, subcellular, or molecular components of living
- 8 organisms. Biotechnology products does not include pharmaceutical products
- 9 which are produced from chemical compounds;
- 10 (b) "Warehouse" includes any establishment that is designed to house or store
- 11 biotechnology products, but does not include blood banks, plasma centers, or
- 12 other similar establishments;
- 13 (c) "Affiliate" means an individual, partnership, or corporation that directly or
- 14 indirectly owns or controls, or is owned or controlled by, or is under common
- 15 ownership or control with, another individual, partnership, or corporation;
- 16 ~~(22)~~~~(23)~~ Recreational vehicles held for sale in a retailer's inventory; and
- 17 ~~(23)~~~~(24)~~ A privately owned leasehold interest in residential property described in KRS
- 18 132.195(2)(g), if an exemption is approved by the county, city, school, or other
- 19 taxing district in which the residential property is located.

20 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 132 IS CREATED TO

21 READ AS FOLLOWS:

22 *For assessment dates beginning on or after January 1, 2023, aircraft not used in the*

23 *business of transporting persons or property for compensation or hire shall be exempt*

24 *from state and local ad valorem taxes, including the county, city, school, or other*

25 *taxing district in which it has a taxable situs.*

26 ➔Section 4. This Act applies to property assessed on or after January 1, 2023.