

1 AN ACT relating to the valuation of multi-unit rental housing subject to  
2 government restriction on use.

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

4 ➔Section 1. KRS 132.010 is amended to read as follows:

5 As used in this chapter, unless the context otherwise requires:

- 6 (1) "Department" means the Department of Revenue;
- 7 (2) "Taxpayer" means any person made liable by law to file a return or pay a tax;
- 8 (3) "Real property" includes all lands within this state and improvements thereon;
- 9 (4) "Personal property" includes every species and character of property, tangible and  
10 intangible, other than real property;
- 11 (5) "Resident" means any person who has taken up a place of abode within this state  
12 with the intention of continuing to abide in this state; any person who has had his or  
13 her actual or habitual place of abode in this state for the larger portion of the twelve  
14 (12) months next preceding the date as of which an assessment is due to be made  
15 shall be deemed to have intended to become a resident of this state;
- 16 (6) "Compensating tax rate" means that rate which, rounded to the next higher one-  
17 tenth of one cent (\$0.001) per one hundred dollars (\$100) of assessed value and  
18 applied to the current year's assessment of the property subject to taxation by a  
19 taxing district, excluding new property and personal property, produces an amount  
20 of revenue approximately equal to that produced in the preceding year from real  
21 property. However, in no event shall the compensating tax rate be a rate which,  
22 when applied to the total current year assessment of all classes of taxable property,  
23 produces an amount of revenue less than was produced in the preceding year from  
24 all classes of taxable property. For purposes of this subsection, "property subject to  
25 taxation" means the total fair cash value of all property subject to full local rates,  
26 less the total valuation exempted from taxation by the homestead exemption  
27 provision of the Constitution and the difference between the fair cash value and

- 1 agricultural or horticultural value of agricultural or horticultural land;
- 2 (7) "Net assessment growth" means the difference between:
- 3 (a) The total valuation of property subject to taxation by the county, city, school  
4 district, or special district in the preceding year, less the total valuation  
5 exempted from taxation by the homestead exemption provision of the  
6 Constitution in the current year over that exempted in the preceding year; and
- 7 (b) The total valuation of property subject to taxation by the county, city, school  
8 district, or special district for the current year;
- 9 (8) "New property" means the net difference in taxable value between real property  
10 additions and deletions to the property tax roll for the current year. "Real property  
11 additions" shall mean:
- 12 (a) Property annexed or incorporated by a municipal corporation, or any other  
13 taxing jurisdiction; however, this definition shall not apply to property  
14 acquired through the merger or consolidation of school districts, or the  
15 transfer of property from one (1) school district to another;
- 16 (b) Property, the ownership of which has been transferred from a tax-exempt  
17 entity to a nontax-exempt entity;
- 18 (c) The value of improvements to existing nonresidential property;
- 19 (d) The value of new residential improvements to property;
- 20 (e) The value of improvements to existing residential property when the  
21 improvement increases the assessed value of the property by fifty percent  
22 (50%) or more;
- 23 (f) Property created by the subdivision of unimproved property, provided, that  
24 when the property is reclassified from farm to subdivision by the property  
25 valuation administrator, the value of the property as a farm shall be a deletion  
26 from that category;
- 27 (g) Property exempt from taxation, as an inducement for industrial or business

1 use, at the expiration of its tax exempt status;

2 (h) Property, the tax rate of which will change, according to the provisions of  
3 KRS 82.085, to reflect additional urban services to be provided by the taxing  
4 jurisdiction, provided, however, that the property shall be considered "real  
5 property additions" only in proportion to the additional urban services to be  
6 provided to the property over the urban services previously provided; and

7 (i) The value of improvements to real property previously under assessment  
8 moratorium.

9 "Real property deletions" shall be limited to the value of real property removed  
10 from, or reduced over the preceding year on, the property tax roll for the current  
11 year;

12 (9) "Agricultural land" means:

13 (a) Any tract of land, including all income-producing improvements, of at least  
14 ten (10) contiguous acres in area used for the production of livestock,  
15 livestock products, poultry, poultry products and/or the growing of tobacco  
16 and/or other crops including timber;

17 (b) Any tract of land, including all income-producing improvements, of at least  
18 five (5) contiguous acres in area commercially used for aquaculture; or

19 (c) Any tract of land devoted to and meeting the requirements and qualifications  
20 for payments pursuant to agriculture programs under an agreement with the  
21 state or federal government;

22 (10) "Horticultural land" means any tract of land, including all income-producing  
23 improvements, of at least five (5) contiguous acres in area commercially used for  
24 the cultivation of a garden, orchard, or the raising of fruits or nuts, vegetables,  
25 flowers, or ornamental plants;

26 (11) "Agricultural or horticultural value" means the use value of "agricultural or  
27 horticultural land" based upon income-producing capability and comparable sales

1 of farmland purchased for farm purposes where the price is indicative of farm use  
2 value, excluding sales representing purchases for farm expansion, better  
3 accessibility, and other factors which inflate the purchase price beyond farm use  
4 value, if any, considering the following factors as they affect a taxable unit:

- 5 (a) Relative percentages of tillable land, pasture land, and woodland;
- 6 (b) Degree of productivity of the soil;
- 7 (c) Risk of flooding;
- 8 (d) Improvements to and on the land that relate to the production of income;
- 9 (e) Row crop capability including allotted crops other than tobacco;
- 10 (f) Accessibility to all-weather roads and markets; and
- 11 (g) Factors which affect the general agricultural or horticultural economy, such  
12 as: interest, price of farm products, cost of farm materials and supplies, labor,  
13 or any economic factor which would affect net farm income;

14 (12) "Deferred tax" means the difference in the tax based on agricultural or horticultural  
15 value and the tax based on fair cash value;

16 (13) "Homestead" means real property maintained as the permanent residence of the  
17 owner with all land and improvements adjoining and contiguous thereto including  
18 but not limited to lawns, drives, flower or vegetable gardens, outbuildings, and all  
19 other land connected thereto;

20 (14) "Residential unit" means all or that part of real property occupied as the permanent  
21 residence of the owner;

22 (15) "Special benefits" are those which are provided by public works not financed  
23 through the general tax levy but through special assessments against the benefited  
24 property;

25 (16) "Manufactured home" means a structure manufactured after June 15, 1976, in  
26 accordance with the National Manufactured Housing Construction and Safety  
27 Standards Act, transportable in one (1) or more sections, which when erected on

1 site measures eight (8) body feet or more in width and thirty-two (32) body feet or  
2 more in length, and which is built on a permanent chassis and designed to be used  
3 as a dwelling, with or without a permanent foundation, when connected to the  
4 required utilities, and includes the plumbing, heating, air-conditioning, and  
5 electrical systems contained therein. It may be used as a place of residence,  
6 business, profession, or trade by the owner, lessee, or their assignees and may  
7 consist of one (1) or more units that can be attached or joined together to comprise  
8 an integral unit or condominium structure;

9 (17) "Mobile home" means a structure manufactured on or before June 15, 1976, that  
10 was not required to be constructed in accordance with the National Manufactured  
11 Housing Construction and Safety Standards Act, transportable in one (1) or more  
12 sections, which when erected on site measures eight (8) body feet or more in width  
13 and thirty-two (32) body feet or more in length, and which is built on a permanent  
14 chassis and designed to be used as a dwelling, with or without a permanent  
15 foundation, when connected to the required utilities, and includes the plumbing,  
16 heating, air-conditioning, and electrical systems contained therein. It may be used  
17 as a place of residence, business, profession, or trade by the owner, lessee, or their  
18 assigns and may consist of one (1) or more units that can be attached or joined  
19 together to comprise an integral unit or condominium structure;

20 (18) "Modular home" means a structure which is certified by its manufacturer as being  
21 constructed in accordance with all applicable provisions of the Kentucky Building  
22 Code and standards adopted by the local authority which has jurisdiction,  
23 transportable in one (1) or more sections, and designed to be used as a dwelling on  
24 a permanent foundation when connected to the required utilities, and includes the  
25 plumbing, heating, air-conditioning, and electrical systems contained therein;

26 (19) "Prefabricated home" means a manufactured home, a mobile home, or a modular  
27 home;

1 (20) "Recreational vehicle" means a vehicular type unit primarily designed as temporary  
2 living quarters for recreational, camping, or travel use, which either has its own  
3 motive power or is mounted on or drawn by another vehicle. The basic entities are:  
4 travel trailer, camping trailer, truck camper, and motor home. As used in this  
5 subsection:

6 (a) "Travel trailer" means a vehicular unit, mounted on wheels, designed to  
7 provide temporary living quarters for recreational, camping, or travel use, and  
8 of a size or weight that does not require special highway movement permits  
9 when drawn by a motorized vehicle, and with a living area of less than two  
10 hundred twenty (220) square feet, excluding built-in equipment (such as  
11 wardrobes, closets, cabinets, kitchen units or fixtures) and bath and toilet  
12 rooms;

13 (b) "Camping trailer" means a vehicular portable unit mounted on wheels and  
14 constructed with collapsible partial side walls which fold for towing by  
15 another vehicle and unfold at the camp site to provide temporary living  
16 quarters for recreational, camping, or travel use;

17 (c) "Truck camper" means a portable unit constructed to provide temporary living  
18 quarters for recreational, travel, or camping use, consisting of a roof, floor,  
19 and sides, designed to be loaded onto and unloaded from the bed of a pick-up  
20 truck; and

21 (d) "Motor home" means a vehicular unit designed to provide temporary living  
22 quarters for recreational, camping, or travel use built on or permanently  
23 attached to a self-propelled motor vehicle chassis or on a chassis cab or van  
24 which is an integral part of the completed vehicle;

25 (21) "Hazardous substances" shall have the meaning provided in KRS 224.1-400;

26 (22) "Pollutant or contaminant" shall have the meaning provided in KRS 224.1-400;

27 (23) "Release" shall have the meaning as provided in either or both KRS 224.1-400 and

1 KRS 224.60-115;

2 (24) "Qualifying voluntary environmental remediation property" means real property  
3 subject to the provisions of KRS 224.1-400 and 224.1-405, or 224.60-135 where the  
4 Energy and Environment Cabinet has made a determination that:

5 (a) All releases of hazardous substances, pollutants, contaminants, petroleum, or  
6 petroleum products at the property occurred prior to the property owner's  
7 acquisition of the property;

8 (b) The property owner has made all appropriate inquiry into previous ownership  
9 and uses of the property in accordance with generally accepted practices prior  
10 to the acquisition of the property;

11 (c) The property owner or a responsible party has provided all legally required  
12 notices with respect to hazardous substances, pollutants, contaminants,  
13 petroleum, or petroleum products found at the property;

14 (d) The property owner is in compliance with all land use restrictions and does  
15 not impede the effectiveness or integrity of any institutional control;

16 (e) The property owner complied with any information request or administrative  
17 subpoena under KRS Chapter 224; and

18 (f) The property owner is not affiliated with any person who is potentially liable  
19 for the release of hazardous substances, pollutants, contaminants, petroleum,  
20 or petroleum products on the property pursuant to KRS 224.1-400, 224.1-405,  
21 or 224.60-135, through:

22 1. Direct or indirect familial relationship;

23 2. Any contractual, corporate, or financial relationship, excluding  
24 relationships created by instruments conveying or financing title or by  
25 contracts for sale of goods or services; or

26 3. Reorganization of a business entity that was potentially liable;

27 (25) "Intangible personal property" means stocks, mutual funds, money market funds,

- 1 bonds, loans, notes, mortgages, accounts receivable, land contracts, cash, credits,  
2 patents, trademarks, copyrights, tobacco base, allotments, annuities, deferred  
3 compensation, retirement plans, and any other type of personal property that is not  
4 tangible personal property;
- 5 (26) (a) "County" means any county, consolidated local government, urban-county  
6 government, unified local government, or charter county government;
- 7 (b) "Fiscal court" means the legislative body of any county, consolidated local  
8 government, urban-county government, unified local government, or charter  
9 county government; and
- 10 (c) "County judge/executive" means the chief executive officer of any county,  
11 consolidated local government, urban-county government, unified local  
12 government, or charter county government;
- 13 (27) "Taxing district" means any entity with the authority to levy a local ad valorem tax,  
14 including special purpose governmental entities;
- 15 (28) "Special purpose governmental entity" shall have the same meaning as in KRS  
16 65A.010, and as used in this chapter shall include only those special purpose  
17 governmental entities with the authority to levy ad valorem taxes, and that are not  
18 specifically exempt from the provisions of this chapter by another provision of the  
19 Kentucky Revised Statutes;
- 20 (29) (a) "Broadcast" means the transmission of audio, video, or other signals, through  
21 any electronic, radio, light, or similar medium or method now in existence or  
22 later devised over the airwaves to the public in general.
- 23 (b) "Broadcast" shall not apply to operations performed by multichannel video  
24 programming service providers as defined in KRS 136.602 or any other  
25 operations that transmit audio, video, or other signals, exclusively to persons  
26 for a fee;
- 27 (30) "Livestock" means cattle, sheep, swine, goats, horses, alpacas, llamas, buffaloes,



1 and any other animals of the bovine, ovine, porcine, caprine, equine, or camelid  
2 species;

3 (31) "Heavy equipment rental agreement" means the short-term rental contract under  
4 which qualified heavy equipment is rented without an operator for a period:

5 (a) Not to exceed three hundred sixty-five (365) days; or

6 (b) That is open-ended under the terms of the contract with no specified end date;

7 (32) "Heavy equipment rental company" means an entity that is primarily engaged in a  
8 line of business described in Code 532412 or 532310 of the North American  
9 Industry Classification System Manual in effect on January 1, 2019;

10 (33) "Qualified heavy equipment" means machinery and equipment, including ancillary  
11 equipment and any attachments used in conjunction with the machinery and  
12 equipment, that is:

13 (a) Primarily used and designed for construction, mining, forestry, or industrial  
14 purposes, including but not limited to cranes, earthmoving equipment, well-  
15 drilling machinery and equipment, lifts, material handling equipment, pumps,  
16 generators, and pollution-reducing equipment; and

17 (b) Held in a heavy equipment rental company's inventory for:

18 1. Rental under a heavy equipment rental agreement; or

19 2. Sale in the regular course of business;~~and~~

20 (34) "Veteran service organization" means an organization wholly dedicated to  
21 advocating on behalf of military veterans and providing charitable programs in  
22 honor and on behalf of military veterans;~~and~~

23 **(35) "Government restriction on use" means a limitation on the use of at least fifty**  
24 **percent (50%) of the individual dwelling units of a multi-unit rental housing in**  
25 **order to receive a federal or state government incentive based on low-income**  
26 **renter restrictions, including the following government incentives:**

27 **(a) A tax credit under Section 42 of the Internal Revenue Code;**

1 (b) Financing derived from exempt facility bonds for qualified residential  
 2 rental projects under Section 142 of the Internal Revenue Code;

3 (c) A low-interest loan under Section 235 or 236 of the National Housing Act  
 4 or Section 515 of the Housing Act of 1949;

5 (d) A rent subsidy;

6 (e) A guaranteed loan;

7 (f) A grant; or

8 (g) A guarantee;

9 (36) "Low-income" means earning at or below eighty percent (80%) of the area  
 10 median income as defined by the United States Department of Housing and  
 11 Urban Development for the location of the multi-unit rental housing; and

12 (37) "Multi-unit rental housing" means residential property or project consisting of  
 13 four (4) or more individual dwelling units and does not include:

14 (a) Assisted living facilities; or

15 (b) Duplexes or single-family units unless they are included as part of a larger  
 16 property that is subject to government restriction on use.

17 ➔Section 2. KRS 132.191 is amended to read as follows:

18 (1) The General Assembly recognizes that Section 172 of the Constitution of Kentucky  
 19 requires all property, not exempted from taxation by the Constitution, to be assessed  
 20 at one hundred percent (100%) of the fair cash value, estimated at the price the  
 21 property would bring at a fair voluntary sale, and that it is the responsibility of the  
 22 property valuation administrator to value property in accordance with the  
 23 Constitution.

24 (2) The General Assembly further recognizes that property valuation may be  
 25 determined using a variety of valid valuation methods, including but not limited to:

26 (a) A cost approach, which is a method of appraisal in which the estimated value  
 27 of the land is combined with the current depreciated reproduction or

- 1 replacement cost of improvements on the land;
- 2 (b) An income approach, which is a method of appraisal based on estimating the  
3 present value of future benefits arising from the ownership of the property;
- 4 (c) A sales comparison approach, which is a method of appraisal based on a  
5 comparison of the property with similar properties sold in the recent past;{  
6 ~~and~~}
- 7 (d) A subdivision development approach, which is a method of appraisal of raw  
8 land:
- 9 1. When subdivision and development are the highest and best use of the  
10 parcel of raw land being appraised; and
- 11 2. When all direct and indirect costs and entrepreneurial incentives are  
12 deducted from the estimated anticipated gross sales price of the finished  
13 lots, and the resultant net sales proceeds are then discounted to present  
14 value at a market-derived rate over the development and absorption  
15 period; and
- 16 **(e) The approaches listed in subsection (5) of this section for multi-unit rental**  
17 **housing that is subject to government restriction on use.**
- 18 (3) The valuation of a residential, commercial, or industrial tract development shall  
19 meet the minimum applicable appraisal standards established by:
- 20 (a) The Kentucky Department of Revenue, as stated in its Guidelines for  
21 Assessment of Vacant Lots, dated March 26, 2008; or
- 22 (b) The International Association of Assessing Officers.
- 23 (4) To be appraised using the subdivision development approach, a subdivision  
24 development shall consist of five (5) or more units. The appraisal of the  
25 development shall reflect deductions and discounts for:
- 26 (a) Holding costs, including interest and maintenance;
- 27 (b) Marketing costs, including commissions and advertising; and

1 (c) Entrepreneurial profit.

2 (5) (a) The property valuation of multi-unit rental housing that is subject to  
3 government restriction on use may be determined:

4 1. a. Through an annual net operating income approach to value that  
5 uses actual income and stabilized operating expenses that are  
6 based on the actual history of the property, when available, and a  
7 capitalization rate.

8 b. The methodology employed in the projection of income,  
9 expenses, and capitalization rate used shall be consistent with  
10 the Uniform Standards of Professional Appraisal Practice.

11 c. The capitalization rate shall be:

12 i. Based on the risks associated with multi-unit rental  
13 housing subject to government restriction on use, including  
14 diminished ownership control; income generating  
15 potential; liquidity; the condition of the property; the class  
16 of the property; and the property's location and size;

17 ii. Equal to or greater than the capitalization rate used for  
18 valuing multi-unit rental housing that is not subject to  
19 government restriction on use; and

20 iii. In the range of fifty (50) to one hundred fifty (150) basis  
21 points above the most recent quarterly survey of the  
22 national average cap rates of multifamily properties  
23 published by realtyrates.com or a successor organization.

24 d. The department shall publish the capitalization rate range for  
25 the property valuation administrators to use on its website at the  
26 beginning of each year; or

27 2. By adjusting the unrestricted market value of the multi-unit rental

1                   housing, computed without regard to any government restriction on  
2                   use applicable to the multi-unit rental housing, based on the ratio of  
3                   the average annual rent of those units of the property that are subject  
4                   to government restriction on use to the average annual rent of  
5                   comparable multi-unit rental housing that is not subject to  
6                   government restriction on use.

7                   (b) Income tax credits received under Section 42 of the Internal Revenue Code  
8                   or from any state or federal program shall not be included in the methods  
9                   used under paragraph (a) of this subsection in determining the income  
10                   attributable to the multi-unit rental housing or in any separate intangible  
11                   assessment.

12                   (c) 1. The owner of multi-unit rental housing shall:

13                   a. Notify the property valuation administrator if:

14                   i. The property is subject to government restriction on use;

15                   ii. The property is no longer subject to government restriction  
16                   on use; or

17                   iii. A foreclosure action has been brought upon the property;  
18                   and

19                   b. File with the property valuation administrator, on a form  
20                   prescribed by the department, the information necessary for the  
21                   multi-unit rental housing to be valued based on the methods  
22                   described in paragraph (a) of this subsection.

23                   2. The notification shall be in writing and submitted to the property  
24                   valuation administrator within sixty (60) days of the date in which the  
25                   applicable circumstance as listed in subparts i., ii., and iii. of  
26                   subparagraph 1.a. of this paragraph occurred.

27                   3. An owner who fails to comply with this paragraph may be subject to

1 penalties in an amount not to exceed two hundred dollars (\$200) as  
2 determined by the department.

3 (d) The department shall promulgate administrative regulations in accordance  
4 with KRS Chapter 13A to adopt forms, penalties, and procedures to carry  
5 out the provisions of this subsection.

6 ➔Section 3. This Act shall apply to multi-unit rental housing assessed on or after  
7 January 1, 2024.