

1 AN ACT relating to an ad valorem tax exemption for motor vehicles.

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
2 within 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. Aircraft not used in the business of transporting persons or property for
17 compensation or hire;
- 18 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 7. Privately owned leasehold interests in residential property described in
22 KRS 132.195(2)(g); and
- 23 (g) Forty-five cents (\$0.45) upon each one hundred dollars (\$100) of value of all other
24 property directed to be assessed for taxation shall be paid by the owner or person
25 assessed, except as provided in KRS 132.030, 132.200, 136.300,~~and~~ 136.320,
26 **and Section 2 of this Act**, providing a different tax rate for particular property.
- 27 (2) Notwithstanding subsection (1)(a) of this section, the state tax rate on real property

1 shall be reduced to compensate for any increase in the aggregate assessed value of
2 real property to the extent that the increase exceeds the preceding year's assessment
3 by more than four percent (4%), excluding:

- 4 (a) The assessment of new property as defined in KRS 132.010(8);
5 (b) The assessment from property which is subject to tax increment financing
6 pursuant to KRS Chapter 65; and
7 (c) The assessment from leasehold property which is owned and financed by a
8 tax-exempt governmental unit, or tax-exempt statutory authority under the
9 provisions of KRS Chapter 103 and entitled to the reduced rate of one and
10 one-half cents (\$0.015) pursuant to subsection (1)(f) of this section. In any
11 year in which the aggregate assessed value of real property is less than the
12 preceding year, the state rate shall be increased to the extent necessary to
13 produce the approximate amount of revenue that was produced in the
14 preceding year from real property.

15 (3) By July 1 each year, the department shall compute the state tax rate applicable to
16 real property for the current year in accordance with the provisions of subsection
17 (2) of this section and certify the rate to the county clerks for their use in preparing
18 the tax bills. If the assessments for all counties have not been certified by July 1, the
19 department shall, when either real property assessments of at least seventy-five
20 percent (75%) of the total number of counties of the Commonwealth have been
21 determined to be acceptable by the department, or when the number of counties
22 having at least seventy-five percent (75%) of the total real property assessment for
23 the previous year have been determined to be acceptable by the department, make
24 an estimate of the real property assessments of the uncertified counties and compute
25 the state tax rate.

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

1 excluding:

2 (a) The revenue resulting from new property as defined in KRS 132.010(8);

3 (b) The revenue from property which is subject to tax increment financing
4 pursuant to KRS Chapter 65; and

5 (c) The revenue from leasehold property which is owned and financed by a tax-
6 exempt governmental unit, or tax-exempt statutory authority under the
7 provisions of KRS Chapter 103 and entitled to the reduced rate of one and
8 one-half cents (\$0.015) pursuant to subsection (1) of this section;

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

11 (5) The provisions of subsection (2) of this section notwithstanding, the assessed value
12 of unmined coal certified by the department after July 1, 1994, shall not be included
13 with the assessed value of other real property in determining the state real property
14 tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also
15 be excluded from the provisions of subsection (2) of this section. The calculated
16 rate shall, however, be applied to unmined coal property, and the state revenue shall
17 be devoted to the program described in KRS 146.550 to 146.570, except that four
18 hundred thousand dollars (\$400,000) of the state revenue shall be paid annually to
19 the State Treasury and credited to the Office of Energy Policy for the purpose of
20 public education of coal-related issues.

21 ➔Section 2. KRS 132.4851 is amended to read as follows:

22 (1) (a) For the January 1, 2022, and January 1, 2023, assessment dates, when a motor
23 vehicle is assessed under KRS 132.485, the portion of property taxes
24 computed on any increase in the motor vehicle's valuation from January 1,
25 2021, shall be exempt from state and local ad valorem taxes, including the
26 county, city, school, or other taxing district in which the motor vehicle has
27 taxable situs.

1 ~~(b)(2)~~ Taxpayers who paid motor vehicle property taxes for the January 1,
2 2022, assessment date on any increase in their motor vehicle's valuation from
3 January, 1, 2021, shall be entitled to a refund of the overpayment of taxes
4 under the exemption provided in this subsection~~[section]~~. Notwithstanding
5 KRS 134.590, the department and county clerks shall work together to
6 establish procedures that enable taxpayers to receive refunds without making
7 a written request. Refunds issued under this subsection shall be issued within
8 ninety (90) days of March 10, 2022.

9 (2) (a) For motor vehicles assessed under KRS 132.485, the annual ad valorem tax
10 rate for state purposes shall be:

- 11 1. Forty cents (\$0.40) per one hundred dollars (\$100) of assessed value
12 for the January 1, 2026, assessment date;
- 13 2. Thirty-five cents (\$0.35) per one hundred dollars (\$100) of assessed
14 value for the January 1, 2027, assessment date;
- 15 3. Thirty cents (\$0.30) per one hundred dollars (\$100) of assessed value
16 for the January 1, 2028, assessment date;
- 17 4. Twenty-five cents (\$0.25) per one hundred dollars (\$100) of assessed
18 value for the January 1, 2029, assessment date;
- 19 5. Twenty cents (\$0.20) per one hundred dollars (\$100) of assessed value
20 for the January 1, 2030, assessment date;
- 21 6. Fifteen cents (\$0.15) per one hundred dollars (\$100) of assessed value
22 for the January 1, 2031, assessment date;
- 23 7. Ten cents (\$0.10) per one hundred dollars (\$100) of assessed value for
24 the January 1, 2032, assessment date; and
- 25 8. Five cents (\$0.05) per one hundred dollars (\$100) of assessed value
26 for the January 1, 2033, assessment date.

27 (b) Motor vehicles assessed under KRS 132.485 shall be exempt from ad

1 valorem tax for state purposes on and after the January 1, 2034, assessment
2 date.
3 (c) Nothing in this subsection shall be construed to exempt motor vehicles
4 assessed under KRS 132.485 from the usage tax imposed by KRS 138.460 or
5 from any applicable local ad valorem taxes assessed by a county, city,
6 school, or other taxing district in which it has a taxable situs.