

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 132.4851 is amended to read as follows:

4 (1) **(a)** For the January 1, 2022, and January 1, 2023, assessment dates, when a motor
5 vehicle is assessed under KRS 132.485, the portion of property taxes
6 computed on any increase in the motor vehicle's valuation from January 1,
7 2021, shall be exempt from state and local ad valorem taxes, including the
8 county, city, school, or other taxing district in which the motor vehicle has
9 taxable situs.

10 ~~**(b)(2)**~~ Taxpayers who paid motor vehicle property taxes for the January 1,
11 2022, assessment date on any increase in their motor vehicle's valuation from
12 January, 1, 2021, shall be entitled to a refund of the overpayment of taxes
13 under the exemption provided in this ~~**subsection**~~~~[section]~~. Notwithstanding
14 KRS 134.590, the department and county clerks shall work together to
15 establish procedures that enable taxpayers to receive refunds without making
16 a written request. Refunds issued under this ~~**paragraph**~~~~[subsection]~~ shall be
17 issued within ninety (90) days of March 10, 2022.

18 **(2) (a) On or after the January 1, 2026, assessment date, motor vehicles assessed**
19 **under KRS 132.485 shall be exempt from ad valorem tax for state purposes.**

20 **(b) Nothing in this subsection shall be construed to exempt a motor vehicle**
21 **assessed under KRS 132.485 from the usage tax imposed by KRS 138.460 or**
22 **from any applicable local ad valorem taxes assessed by a county, city,**
23 **school, or other taxing district in which it has a taxable situs.**

24 ➔Section 2. KRS 132.020 is amended to read as follows:

25 (1) The owner or person assessed shall pay an annual ad valorem tax for state purposes
26 at the rate of:

27 (a) Thirty-one and one-half cents (\$0.315) upon each one hundred dollars (\$100)

- 1 of value of all real property directed to be assessed for taxation;
- 2 (b) Twenty-five cents (\$0.25) upon each one hundred dollars (\$100) of value of
3 all motor vehicles qualifying for permanent registration as historic motor
4 vehicles under KRS 186.043;
- 5 (c) Fifteen cents (\$0.15) upon each one hundred dollars (\$100) of value of all:
- 6 1. Machinery actually engaged in manufacturing;
- 7 2. Commercial radio and television equipment used to receive, capture,
8 produce, edit, enhance, modify, process, store, convey, or transmit audio
9 or video content or electronic signals which are broadcast over the air to
10 an antenna, including radio and television towers used to transmit or
11 facilitate the transmission of the signal broadcast and equipment used to
12 gather or transmit weather information, but excluding telephone and
13 cellular communication towers; and
- 14 3. Tangible personal property which has been certified as a pollution
15 control facility as defined in KRS 224.1-300. In the case of tangible
16 personal property certified as a pollution control facility which is
17 incorporated into a landfill facility, the tangible personal property shall
18 be presumed to remain tangible personal property for purposes of this
19 paragraph if the tangible personal property is being used for its intended
20 purposes;
- 21 (d) Ten cents (\$0.10) upon each one hundred dollars (\$100) of value on the
22 operating property of railroads or railway companies that operate solely
23 within the Commonwealth;
- 24 (e) Five cents (\$0.05) upon each one hundred dollars (\$100) of value of goods
25 held for sale in the regular course of business, which includes:
- 26 1. Machinery and equipment held in a retailer's inventory for sale or lease
27 originating under a floor plan financing arrangement;

- 1 2. Motor vehicles:
 - 2 a. Held for sale in the inventory of a licensed motor vehicle dealer,
3 including licensed motor vehicle auction dealers, which are not
4 currently titled and registered in Kentucky and are held on an
5 assignment pursuant to KRS 186A.230; or
 - 6 b. That are in the possession of a licensed motor vehicle dealer,
7 including licensed motor vehicle auction dealers, for sale, although
8 ownership has not been transferred to the dealer;
- 9 3. Raw materials, which includes distilled spirits and distilled spirits
10 inventory;
- 11 4. In-process materials, which includes distilled spirits and distilled spirits
12 inventory, held for incorporation in finished goods held for sale in the
13 regular course of business; and
- 14 5. Qualified heavy equipment;
- 15 (f) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of
16 value of all:
 - 17 1. Privately owned leasehold interests in industrial buildings, as defined
18 under KRS 103.200, owned and financed by a tax-exempt governmental
19 unit, or tax-exempt statutory authority under the provisions of KRS
20 Chapter 103, upon the prior approval of the Kentucky Economic
21 Development Finance Authority, except that the rate shall not apply to
22 the proportion of value of the leasehold interest created through any
23 private financing;
 - 24 2. Qualifying voluntary environmental remediation property, provided the
25 property owner has corrected the effect of all known releases of
26 hazardous substances, pollutants, contaminants, petroleum, or petroleum
27 products located on the property consistent with a corrective action plan

1 approved by the Energy and Environment Cabinet pursuant to KRS
2 224.1-400, 224.1-405, or 224.60-135, and provided the cleanup was not
3 financed through a public grant or the petroleum storage tank
4 environmental assurance fund. This rate shall apply for a period of three
5 (3) years following the Energy and Environment Cabinet's issuance of a
6 No Further Action Letter or its equivalent, after which the regular tax
7 rate shall apply;

- 8 3. Tobacco directed to be assessed for taxation;
- 9 4. Unmanufactured agricultural products;
- 10 5. Aircraft not used in the business of transporting persons or property for
11 compensation or hire;
- 12 6. Federally documented vessels not used in the business of transporting
13 persons or property for compensation or hire, or for other commercial
14 purposes; and
- 15 7. Privately owned leasehold interests in residential property described in
16 KRS 132.195(2)(g); and

17 (g) Forty-five cents (\$0.45) upon each one hundred dollars (\$100) of value of all other
18 property directed to be assessed for taxation shall be paid by the owner or person
19 assessed, except as provided in KRS 132.030, 132.200, 136.300, ~~and~~ 136.320,
20 **and Section 1 of this Act**, providing a different tax rate for particular property.

21 (2) Notwithstanding subsection (1)(a) of this section, the state tax rate on real property
22 shall be reduced to compensate for any increase in the aggregate assessed value of
23 real property to the extent that the increase exceeds the preceding year's assessment
24 by more than four percent (4%), excluding:

- 25 (a) The assessment of new property as defined in KRS 132.010(8);
- 26 (b) The assessment from property which is subject to tax increment financing
27 pursuant to KRS Chapter 65; and

- 1 (c) The assessment from leasehold property which is owned and financed by a
2 tax-exempt governmental unit, or tax-exempt statutory authority under the
3 provisions of KRS Chapter 103 and entitled to the reduced rate of one and
4 one-half cents (\$0.015) pursuant to subsection (1)(f) of this section. In any
5 year in which the aggregate assessed value of real property is less than the
6 preceding year, the state rate shall be increased to the extent necessary to
7 produce the approximate amount of revenue that was produced in the
8 preceding year from real property.
- 9 (3) By July 1 each year, the department shall compute the state tax rate applicable to
10 real property for the current year in accordance with the provisions of subsection
11 (2) of this section and certify the rate to the county clerks for their use in preparing
12 the tax bills. If the assessments for all counties have not been certified by July 1, the
13 department shall, when either real property assessments of at least seventy-five
14 percent (75%) of the total number of counties of the Commonwealth have been
15 determined to be acceptable by the department, or when the number of counties
16 having at least seventy-five percent (75%) of the total real property assessment for
17 the previous year have been determined to be acceptable by the department, make
18 an estimate of the real property assessments of the uncertified counties and compute
19 the state tax rate.
- 20 (4) If the tax rate set by the department as provided in subsection (2) of this section
21 produces more than a four percent (4%) increase in real property tax revenues,
22 excluding:
- 23 (a) The revenue resulting from new property as defined in KRS 132.010(8);
 - 24 (b) The revenue from property which is subject to tax increment financing
25 pursuant to KRS Chapter 65; and
 - 26 (c) The revenue from leasehold property which is owned and financed by a tax-
27 exempt governmental unit, or tax-exempt statutory authority under the

1 provisions of KRS Chapter 103 and entitled to the reduced rate of one and
2 one-half cents (\$0.015) pursuant to subsection (1) of this section;
3 the rate shall be adjusted in the succeeding year so that the cumulative total of each
4 year's property tax revenue increase shall not exceed four percent (4%) per year.
5 (5) The provisions of subsection (2) of this section notwithstanding, the assessed value
6 of unmined coal certified by the department after July 1, 1994, shall not be included
7 with the assessed value of other real property in determining the state real property
8 tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also
9 be excluded from the provisions of subsection (2) of this section. The calculated
10 rate shall, however, be applied to unmined coal property, and the state revenue shall
11 be devoted to the program described in KRS 146.550 to 146.570, except that four
12 hundred thousand dollars (\$400,000) of the state revenue shall be paid annually to
13 the State Treasury and credited to the Office of Energy Policy for the purpose of
14 public education of coal-related issues.