

1 AN ACT relating to property assessments.

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

3 ➔Section 1. KRS 132.191 is amended to read as follows:

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

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

12 (a) A cost approach, which is a method of appraisal in which the estimated value
13 of the land is combined with the current depreciated reproduction or
14 replacement cost of improvements on the land;

15 (b) An income approach, which is a method of appraisal based on estimating the
16 present value of future benefits arising from the ownership of the property;

17 (c) A sales comparison approach, which is a method of appraisal based on a
18 comparison of the property with similar properties sold in the recent past;
19 and

20 **1. Properties that shall be considered similar properties for purposes of**
21 **the sales comparison approach include but are not limited to:**

22 **a. Sales or rentals of properties exhibiting the same or a similar use**
23 **with placement in the same real estate market segment; and**

24 **b. Sales or rentals of properties that are similar to the property**
25 **being assessed with regard to age, condition, use, type of**
26 **construction, location, design, physical features, and economic**
27 **characteristics, including similarities in occupancy and the**

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potential to generate rental income.

2. Properties shall not be considered similar properties for purposes of the sales comparison approach if:

a. At or before the time of sale, the seller places any deed restriction on the property that changes the use of the property, or prohibits competition, so that it no longer qualifies as a similar property under subparagraph 1. of this paragraph and the property being assessed lacks the same type of restriction; or

b. The property is vacant property and the property being assessed is not vacant property.

3. As used in this paragraph:

a. "Vacant property" means property that is vacant or unoccupied beyond the normal period for property in the same real estate market segment; and

b. "Real estate market segment" means a pool of potential buyers and sellers that typically buy or sell properties similar to the property being assessed, including potential buyers who are investors or owner-occupants. The pool of potential buyers and sellers may be found locally, regionally, nationally, or internationally; and

(d) A subdivision development approach, which is a method of appraisal of raw land:

1. When subdivision and development are the highest and best use of the parcel of raw land being appraised; and

2. When all direct and indirect costs and entrepreneurial incentives are deducted from the estimated anticipated gross sales price of the finished lots, and the resultant net sales proceeds are then discounted to present

1 value at a market-derived rate over the development and absorption
2 period.

3 (3) The valuation of a residential, commercial, or industrial tract development shall
4 meet the minimum applicable appraisal standards established by:

5 (a) The Kentucky Department of Revenue, as stated in its Guidelines for
6 Assessment of Vacant Lots, dated March 26, 2008; or

7 (b) The International Association of Assessing Officers.

8 (4) To be appraised using the subdivision development approach, a subdivision
9 development shall consist of five (5) or more units. The appraisal of the
10 development shall reflect deductions and discounts for:

11 (a) Holding costs, including interest and maintenance;

12 (b) Marketing costs, including commissions and advertising; and

13 (c) Entrepreneurial profit.

14 **(5) The valuation of real property shall meet the minimum applicable assessment**
15 **standards established by the International Association of Assessing Officers or**
16 **the Uniform Standards of Professional Appraisal Practice.**

17 ➔Section 2. KRS 132.450 is amended to read as follows:

18 (1) **(a)** Each property valuation administrator shall assess at its fair cash value all
19 property which it is his duty to assess except as provided in paragraph (c) of
20 subsection (2) of this section.

21 **(b)** The property of one (1) person shall not be assessed willfully or intentionally
22 at a lower or higher relative value than the same class of property of another,
23 and any grossly discriminatory valuation shall be construed as an intentional
24 discrimination.

25 **(c)** The property valuation administrator shall make every effort, through visits
26 with the taxpayer, personal inspection of the property, from records, from his
27 own knowledge, from information in property schedules, and from such other

1 evidence as he may be able to obtain, to locate, identify, and assess property.

2 **(d) The property valuation administrator shall not use the asking price of a**
3 **property actively listed for sale as evidence in determining the fair cash**
4 **value of property unless the property valuation administrator demonstrates**
5 **through other evidence that the asking price is the price the property would**
6 **bring at a fair voluntary sale.**

7 **(e) In the event of an arm's length transaction, the property valuation**
8 **administrator shall use the statement of the full consideration, which is**
9 **stated on the deed as required by KRS 382.135, as the presumptive basis for**
10 **determining fair cash value.**

11 (2) (a) In determining the total area of land devoted to agricultural or horticultural
12 use, there shall be included the area of all land under farm buildings,
13 greenhouses and like structures, lakes, ponds, streams, irrigation ditches and
14 similar facilities, and garden plots devoted to growth of products for on-farm
15 personal consumption but there shall be excluded, land used in connection
16 with dwelling houses including, but not limited to, lawns, drives, flower
17 gardens, swimming pools, or other areas devoted to family recreation. Where
18 contiguous land in agricultural or horticultural use in one (1) ownership is
19 located in more than one (1) county or taxing district, compliance with the
20 minimum requirements shall be determined on the basis of the total area of
21 such land and not the area of land which is located in the particular county or
22 taxing district.

23 (b) Land devoted to agricultural or horticultural use, where the owner or owners
24 have petitioned for, and been granted, a zoning classification other than for
25 agricultural or horticultural purposes qualifies for the agricultural or
26 horticultural assessment until such time as the land changes from agricultural
27 or horticultural use to the use granted by the zoning classification.

- 1 (c) When the use of a part of a tract of land which is assessed as agricultural or
2 horticultural land is changed either by conveyance or other action of the
3 owner, the right of the remaining land to be retained in the agricultural or
4 horticultural assessment shall not be impaired provided it meets the minimum
5 requirements, except the minimum ten (10) contiguous acre requirement shall
6 not be applicable if any portion of the agricultural or horticultural land has
7 been acquired for a public purpose as long as the remaining land continues to
8 meet the other requirements of this section.
- 9 (d) When in the opinion of the property valuation administrator any land has a
10 value in excess of that for agricultural or horticultural use the property
11 valuation administrator shall enter into the tax records the value of the
12 property according to its fair cash value. When the property valuation
13 administrator determines that the land meets the requirements for valuation as
14 agricultural or horticultural land, the valuation for tax purposes shall be its
15 agricultural or horticultural value.
- 16 (3) When land which has been valued and taxed as agricultural land for five (5) or more
17 consecutive years under the same ownership fails to qualify for the classification
18 through no other action on the part of the owner or owners other than ceasing to
19 farm the land, the land shall retain its agricultural classification for assessment and
20 taxation purposes. Classification as agricultural land shall expire upon change of
21 use by the owner or owners or upon conveyance of the property to a person other
22 than a surviving spouse.
- 23 (4) If the property valuation administrator assesses any property at a greater value than
24 that listed by the taxpayer or assesses unlisted property, the property valuation
25 administrator shall serve notice on the taxpayer of such action. The notice shall be
26 given by first-class mail or as provided in the Kentucky Rules of Civil Procedure.
- 27 (5) Any taxpayer may designate on the property schedule any property which he does

1 not consider to be subject to taxation, and it shall be the duty of the property
 2 valuation administrator to obtain and follow advice from the department relative to
 3 the taxability of such property.

4 ➔Section 3. KRS 133.120 is amended to read as follows:

5 (1) (a) Any taxpayer desiring to appeal an assessment on real property made by the
 6 property valuation administrator shall first request a conference with the
 7 property valuation administrator or his or her designated deputy. The
 8 conference shall be held prior to or during the inspection period provided for
 9 in KRS 133.045, or during an extension granted under subsection (2)(d) of
 10 this section.

11 (b) 1. Any person receiving compensation to represent a property owner at a
 12 conference with the property valuation administrator for a real property
 13 assessment shall be:

14 a. An attorney licensed to practice law in the Commonwealth of
 15 Kentucky;

16 b. A certified public accountant who is authorized under KRS
 17 Chapter 325 to practice public accounting in the Commonwealth
 18 of Kentucky;

19 c. A ~~certified~~ real estate broker who is authorized under KRS
 20 Chapter 324 to practice real estate brokerage in the
 21 Commonwealth of Kentucky;

22 ~~d. A Kentucky licensed real estate broker;~~

23 ~~d.~~ ~~e.~~ An employee of the property owner;

24 ~~e.~~ ~~f.~~ A ~~licensed or certified Kentucky~~ real estate appraiser licensed or
 25 certified under KRS Chapter 324A; or

26 ~~f.~~ ~~g.~~ An appraiser who possesses a temporary practice permit or
 27 reciprocal license or certification in Kentucky to perform

1 appraisals and whose license or certification requires him or her to
 2 conform to the Uniform Standards of Professional Appraisal
 3 Practice~~;~~ ~~or~~

4 ~~h. Any other individual possessing a professional appraisal~~
 5 ~~designation recognized by the department].~~

6 2. A person representing a property owner before the property valuation
 7 administrator shall:

8 **a. Possess knowledge of applicable laws and the valuation methods**
 9 **permitted by subsection (2) of Section 1 of this Act;**

10 **b.** Present written authorization from the property owner which sets
 11 forth his or her professional capacity; **and**

12 **c.** ~~[and shall]~~Disclose to the property valuation administrator any
 13 personal or private interests he or she may have in the matter,
 14 including any contingency fee arrangements, except that attorneys
 15 shall not be required to disclose the terms and conditions of any
 16 contingency fee arrangement.

17 (c) During this conference, the property valuation administrator or his or her
 18 deputy shall provide an explanation to the taxpayer of the constitutional and
 19 statutory provisions governing property tax administration, including the
 20 appeal process, as well as an explanation of the procedures followed in
 21 deriving the assessed value for the taxpayer's property.

22 (d) The property valuation administrator or his or her deputy shall keep a record
 23 of each conference which shall include but not be limited to the initial
 24 assessed value, the value claimed by the taxpayer, an explanation of any
 25 changes offered or agreed to by each party, and a brief account of the outcome
 26 of the conference.

27 (e) At the request of the taxpayer, the conference may be held by telephone.

- 1 (2) (a) Any taxpayer still aggrieved by an assessment on real property made by the
2 property valuation administrator after complying with the provisions of
3 subsection (1) of this section may appeal to the board of assessment appeals.
- 4 (b) The taxpayer shall appeal his or her assessment by filing in person or sending
5 a letter or other written petition to the county clerk stating the reasons for
6 appeal, identifying the property for which the appeal is filed, and stating the
7 taxpayer's opinion of the fair cash value of the property.
- 8 (c) The appeal shall be filed no later than one (1) workday following the
9 conclusion of the inspection period provided for in KRS 133.045 or no later
10 than the last day of an extension granted under paragraph (d) of this
11 subsection.
- 12 (d) A property valuation administrator may make a written request to the
13 department to extend the deadline in his or her county of jurisdiction to allow
14 the completion of the conferences requested during the inspection period
15 required by subsection (1)(a) of this section and to extend the filing deadline
16 for appeals to the board of assessment appeals. If approved by the department,
17 the deadline for the completion of the conferences requested during the
18 inspection period and filing appeals shall be extended for a period not to
19 exceed twenty-five (25) days from the date of the original filing deadline.
- 20 (e) The county clerk shall notify the department of all assessment appeals and of
21 the date and times of the hearings.
- 22 (f) The board of assessment appeals may review and change any assessment
23 made by the property valuation administrator upon recommendation of the
24 county judge/executive, mayor of any city using the county assessment, or the
25 superintendent of any school district in which the property is located, if the
26 recommendation is made to the board in writing specifying the individual
27 properties recommended for review and is made no later than one (1) work

1 day following the conclusion of the inspection period provided for in KRS
2 133.045, or no later than the last day of an extension granted under paragraph
3 (d) of this subsection, or upon the written recommendation of the department.
4 If the board of assessment appeals determines that the assessment should be
5 increased, it shall give the taxpayer notice in the manner required by
6 subsection (4) of KRS 132.450, specifying a date when the board will hear the
7 taxpayer, if he or she so desires, in protest of an increase.

8 (g) Any real property owner who has listed his or her property with the property
9 valuation administrator at its fair cash value may ask the county board of
10 assessment appeals to review the assessments of real properties he or she
11 believes to be assessed at less than fair cash value, if he or she specifies in
12 writing the individual properties for which the review is sought and factual
13 information upon which his or her request is based, such as comparable sales
14 or cost data and if the request is made no later than one (1) work day
15 following the conclusion of the inspection period provided for in KRS
16 133.045, or no later than the last day of an extension granted under paragraph
17 (d) of this subsection.

18 (h) Nothing in this section shall be construed as granting any property owner the
19 right to request a blanket review of properties or the board the power to
20 conduct such a review.

21 (3) (a) The board of assessment appeals shall hold a public hearing for each
22 individual taxpayer appeal in protest of the assessment by the property
23 valuation administrator filed in accordance with the provisions of subsection
24 (2) of this section, and after hearing all the evidence, shall fix the assessment
25 of the property at its fair cash value.

26 (b) The department may be present at the hearing and present any pertinent
27 evidence as it pertains to the appeal.

- 1 (c) The taxpayer shall provide factual evidence to support his or her appeal. If the
 2 taxpayer fails to provide reasonable information pertaining to the value of the
 3 property requested by the property valuation administrator, the department, or
 4 any member of the board, his or her appeal shall be denied.
- 5 (d) This information shall include but not be limited to the physical characteristics
 6 of land and improvements, insurance policies, cost of construction, real estate
 7 sales listings and contracts, income and expense statements for commercial
 8 property, and loans or mortgages.
- 9 (e) The board of assessment appeals shall only hear and consider evidence which
 10 has been submitted to it in the presence of both the property valuation
 11 administrator or his or her designated deputy and the taxpayer or his or her
 12 authorized representative.
- 13 (4) (a) Any person receiving compensation to represent a property owner in an appeal
 14 before the board shall be:
- 15 1. An attorney licensed to practice law in the Commonwealth of
 16 Kentucky;
 - 17 2. A certified public accountant who is authorized under KRS Chapter
 18 325 to practice public accounting in the Commonwealth of Kentucky;
 - 19 3. A ~~certified~~ real estate broker who is authorized under KRS Chapter
 20 324 to practice real estate brokerage in the Commonwealth of
 21 Kentucky;
 - 22 ~~4. A Kentucky licensed real estate broker;~~
 - 23 ~~4.5.~~ An employee of the property owner~~taxpayer~~;
 - 24 ~~5.6.~~ A ~~licensed or certified Kentucky~~ real estate appraiser licensed or
 25 certified under KRS Chapter 324A; or~~;~~
 - 26 ~~6.7.~~ An appraiser who possesses a temporary practice permit or reciprocal
 27 license or certification in Kentucky to perform appraisals and whose

1 license or certification requires him or her to conform to the Uniform
2 Standards of Professional Appraisal Practice~~]; or~~

3 ~~8. Any other individual possessing a professional appraisal designation~~
4 ~~recognized by the department].~~

5 (b) A person representing a property owner before the county board of assessment
6 appeals shall:

7 1. Possess knowledge of applicable laws and the valuation methods
8 permitted by subsection (2) of Section 1 of this Act;

9 2. Present a written authorization from the property owner which sets forth
10 his or her professional capacity; and

11 3. ~~and shall~~ Disclose to the county board of assessment appeals any
12 personal or private interests he or she may have in the matter, including
13 any contingency fee arrangements, except that attorneys shall not be
14 required to disclose the terms and conditions of any contingency fee
15 arrangement.

16 (5) The board shall provide a written opinion justifying its action for each assessment
17 either decreased or increased in the record of its proceedings and orders required in
18 KRS 133.125 on forms or in a format provided or approved by the department.

19 (6) The board shall report to the property valuation administrator any real property
20 omitted from the tax roll. The property valuation administrator shall assess the
21 property and immediately give notice to the taxpayer in the manner required by
22 KRS 132.450(4), specifying a date when the board of assessment appeals will hear
23 the taxpayer, if he or she so desires, in protest of the action of the property valuation
24 administrator.

25 (7) The board of assessment appeals shall have power to issue subpoenas, compel the
26 attendance of witnesses, and adopt rules and regulations concerning the conduct of
27 its business. Any member of the board shall have power to administer oaths to any

1 witness in proceedings before the board.

2 (8) The powers of the board of assessment appeals shall be limited to those specifically
3 granted by this section.

4 (9) No appeal shall delay the collection or payment of any taxes based upon the
5 assessment in controversy. The taxpayer shall pay all state, county, and district taxes
6 due on the valuation which he or she claims as true value and stated in the petition
7 of appeal filed in accordance with the provisions of subsection (1) of this section.
8 When the valuation is finally determined upon appeal, the taxpayer shall be billed
9 for any additional tax and interest at the tax interest rate as defined in KRS
10 131.010(6) from the date when the tax would have become due if no appeal had
11 been taken. The provisions of KRS 134.015(6) shall apply to the tax bill.

12 (10) Any member of the county board of assessment appeals may be required to give
13 evidence in support of the board's findings in any appeal from its actions to the
14 Board of Tax Appeals pursuant to KRS 49.220. Any persons aggrieved by a
15 decision of the board, including the property valuation administrator, taxpayer, and
16 department, may appeal the decision to the Board of Tax Appeals pursuant to KRS
17 49.220. Any taxpayer failing to appeal to the county board of assessment appeals, or
18 failing to appear before the board, either in person or by designated representative,
19 shall not be eligible to appeal directly to the Board of Tax Appeals.

20 (11) The county attorney shall represent the interest of the state and county in all
21 hearings before the board of assessment appeals and on all appeals prosecuted from
22 its decision. If the county attorney is unable to represent the state and county, he or
23 she the fiscal court shall arrange for substitute representation.

24 (12) Taxpayers shall have the right to make audio recordings of the hearing before the
25 county board of assessment appeals. The property valuation administrator may
26 make similar audio recordings only if prior written notice is given to the taxpayer.
27 The taxpayer shall be entitled to a copy of the department's recording as provided in

- 1 KRS 61.874.
- 2 (13) The county board of assessment appeals shall physically inspect a property upon the
- 3 request of the property owner or property valuation administrator.