



# Report Of The Property Valuation Administrator's Office Task Force

Research Memorandum No. 528

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# Kentucky Legislative Research Commission

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The Commission functions as Kentucky's Commission on Interstate Cooperation in carrying out the program of The Council of State Governments as it relates to Kentucky.

# **Report Of The Property Valuation Administrator's Office Task Force**

## **Legislative Members**

Senator Robby Mills, Co-Chair  
Senator Mike Nemes  
Senator Denise Harper Angel

Representative Randy Bridges, Co-Chair  
Representative Samara Heavrin  
Representative Nima Kulkami

## **Citizen Member**

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## **Research Memorandum No. 528**

## **Legislative Research Commission**

Frankfort, Kentucky  
[legislature.ky.gov](http://legislature.ky.gov)

Adopted by the Property Valuation Administrator's Office Task Force  
November 9, 2020



## Foreword

In 2020, the Legislative Research Commission created the Property Valuation Administrator's Office Task Force to study the operations and funding of these offices to identify best practices. Additionally, the task force was charged with studying job requirements, property valuation methods, and time frame in relation to the ad valorem taxation process.

This report represents the final action of the task force.

The task force Co-Chairs wish to thank the members of the task force and all those who assisted in the effort to learn more about this topic.

Jay D. Hartz  
Director

Legislative Research Commission  
Frankfort, Kentucky  
November 2020



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Property Valuation Administrator’s Office Task Force

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## Summary

The Legislative Research Commission established the Property Valuation Administrator's Office Task Force by memorandum on June 5, 2020. The duties assigned to the task force included but were not limited to the following:

- Studying the operations of Property Valuation Administrators' (PVAs') offices to identify best practices to reduce redundancy, increase efficiency, improve processes, increase cost savings, and create uniformity among the offices in the commonwealth
- Studying the funding of PVAs' offices to identify whether other funding methods or an increase in the current level of funding is needed
- Studying each PVA's job requirements, property valuation methods, and time frame established in relation to the ad valorem taxation process

The seven-member task force held five public meetings beginning on July 27, 2020. Nonpartisan staff collected and analyzed information from various sources to address the questions posed by members of the task force. Additionally, members heard testimony from various interested parties, including PVAs from offices located throughout the state and representatives from the Kentucky Department of Revenue, the Kentucky PVA Association, the Kentucky Sherriff's Association, the Kentucky County Clerk's Association, the Kentucky Commonwealth Office of Technology, the Kentucky Public Library Association, and the Kentucky Fire Districts. At the last meeting held on November 9, 2020, the task force adopted this report, which compiles information and recommendations presented to the members.



## Chapter 1

### Property Valuation Administrator's Office Task Force Members And Agenda

The Property Valuation Administrator's (PVA's) Office Task Force was formed by a memorandum dated June 5, 2020, which was signed by the President of the Senate and the Speaker of the House. The memorandum requires that the following be appointed to serve on the task force:

- three members of the Senate
- three members of the House of Representatives
- the executive director of the Kentucky Department of Revenue's Office of Property Valuation or a designee

**Table 1.1**  
**Members Appointed To The Task Force**

<b>Task Force Members</b>
Senator Robby Mills, co-chair
Representative Randy Bridges, co-chair
Senator Mike Nemes
Senator Denise Harper Angel
Representative Samara Heavrin
Representative Nima Kulkami
Tom Crawford, Kentucky Department of Revenue

The task force was directed to meet at least monthly during the interim and to present its findings, recommendations, and any proposed legislation to the Legislative Research Commission no later than December 1, 2020, for referral to the appropriate committee. In 2020, the task force committee met on July 27, August 18, September 15, October 20, and November 9. All meetings were held at 3 p.m. in Capitol Annex room 171.

The duties assigned to the task force include but are not limited to the following:

- Studying the operations of PVAs' offices to identify best practices to reduce redundancy, increase efficiency, improve processes, increase cost savings, and create uniformity among the offices in the commonwealth
- Studying the funding of PVAs' offices to identify whether other funding methods or an increase in the current level of funding is needed
- Studying each PVA's job requirements, property valuation methods, and time frame established in relation to the ad valorem taxation process

**Table 1.2**  
**Task Force Presentation Topics And Speakers**

<b>Meeting Date</b>	<b>Presentation Topic</b>	<b>Speakers</b>
July 27	Overview Of The PVA's Job Duties And Office Funding	<ul style="list-style-type: none"> <li>• Mack Bushart, executive director, Kentucky PVA Association</li> </ul>
August 18	PVA Office Efficiencies, Best Practices, And Uniformity Among Offices	<ul style="list-style-type: none"> <li>• Jeffrey Kelley, Webster County PVA</li> <li>• Rachel Pence Foster, Daviess County PVA</li> <li>• Cindy Arlinghaus Martin, Boone County PVA</li> </ul>
September 15	Revenue Generated By The PVA Office And Any Office Expense Issues Or Challenges	<ul style="list-style-type: none"> <li>• Kim Holt, Department of Revenue</li> <li>• Dave Schroeder, director, Kenton County Public Library</li> <li>• Jessica Powell, director, Oldham County Public Library</li> <li>• Chief Adam Jones, Buechel Fire Protection District</li> <li>• Andrew Powell, Henderson County PVA</li> </ul>
October 20	Technology And Software	<ul style="list-style-type: none"> <li>• Tom Crawford, Kentucky Department of Revenue</li> <li>• Mike Tackett, Kentucky Department of Revenue</li> <li>• Kent Anness, GIS branch manager, Commonwealth Office of Technology</li> <li>• Lieutenant Colonel Patrick Morgan, Kenton County Sheriff's Office</li> <li>• Renesa Abner, Henderson County Clerk</li> </ul>
	Overview Of The Property Tax Calendar	<ul style="list-style-type: none"> <li>• Cynthia Brown, Legislative Research Commission, Appropriations and Revenue Committee staff</li> </ul>

## Chapter 2

### Property Valuation Administrators

Section 99 of the Constitution of Kentucky requires each county to elect an office of the assessor. Section 104 gives the General Assembly the authority to abolish the office of the assessor and provide that the assessment of property be made by other officers. The General Assembly exercised that option and replaced the constitutionally required office of the assessor with the statutorily required office of the PVA.

#### Requirements To Become A PVA

KRS 132.370 requires that a PVA be elected in each county for a term of 4 years. The elections of all PVAs are conducted in the same year in which county elections are held. The 4-year term begins on the first Monday in December after the election.

Section 100 of the Constitution of Kentucky requires that a person seeking the office of PVA be

- at least 24 years old at the time of the election,
- a citizen of Kentucky,
- a resident of Kentucky for 2 years, and
- a resident of the county for at least 1 year preceding the election.

In addition to the qualifications set by Section 100, KRS 132.380 requires that any nonincumbent seeking the office of PVA pass a qualifying examination administered by the Department of Revenue. Everyone who passes the qualifying examination is issued a certificate, which expires 1 year from the date of issuance.

If a PVA vacates the office in any year of a 4-year term, KRS 132.375 permits the Department of Revenue to designate a qualified employee to carry on the duties of the office until the vacancy is filled by appointment or election.

#### Current PVAs' Years Of Experience

The Henderson County PVA testified that the current PVAs have a combined total of 1,298 years of experience, with 10.82 years being the average tenure.

- 28 (23 percent) of PVAs are serving in their first term.
- 3 (2.5 percent) are newly appointed.
- 51 (42.5 percent) are serving in their first two terms.
- 5 (4.2 percent) have served longer than 25 years.

## PVA Salary Schedule

PVAs are considered state officers with county jurisdiction. As state employees, PVAs receive the same benefits as other state employees, such as participation in the Kentucky Retirement Systems. Unlike other state employees, PVAs are compensated based on a salary schedule set out in KRS 132.590.

The salary schedule provides nine levels of salaries based on the population of the county in the prior year as determined by the US Census Bureau. The salary schedule also provides four steps for annual increments within each population group. PVAs are paid according to the first step within their population group for the first year (or portion thereof, in the case of appointed PVAs) that they serve in office. The salary automatically advances to the next step on January 1 of each subsequent year until the maximum salary amount for the population group is reached.

Any person who has served as a PVA prior to assuming the office must certify to the Finance and Administration Cabinet the total number of service years, not to exceed 4 years. The cabinet shall place the PVA in the proper step of the salary schedule based on one incremental step per full calendar year of service.

The Department for Local Government makes an annual calculation of the salary schedule. Upon publication of the annual Consumer Price Index (CPI) by the US Department of Commerce, the annual rate of salary for the PVA is determined by applying the increase in the CPI to the previous year's salary. The applicable CPI is usually published nationwide by the first week of February. The updated salary determination is applied retroactively to January 1. For 2020, the state/executive branch budget bill, HB 352, has superseded KRS 132.590 and prohibited any incremental increase to the base salary.

**Table 2.1**  
**2020 PVA Salary Scale**

Population Group	Step 1	Step 2	Step 3	Step 4
1 0–4,999	\$71,156.23	\$73,312.48	\$75,468.73	\$77,624.97
2 5,000–9,999	77,624.97	79,781.22	81,937.47	84,093.72
3 10,000–19,999	84,093.72	86,249.97	88,406.22	90,562.47
4 20,000–29,999	87,328.10	90,562.47	93,796.84	97,031.22
5 30,000–44,999	93,796.84	97,031.22	100,265.59	103,499.97
6 45,000–59,999	97,031.22	101,343.72	105,656.22	109,968.71
7 60,000–89,999	103,499.97	107,812.46	112,124.96	116,437.46
8 90,000–499,999	106,734.34	112,124.96	117,515.59	122,906.21
9 500,000+	113,203.09	118,593.71	123,984.33	129,374.96

Sources: Schedule prepared by Kentucky Department for Local Government, January 2020; population estimates from US Census Bureau, July 2017, per KRS 64.5275.

## Department Of Revenue Training Program

Based on the requirements of KRS 132.385, the Department of Revenue administers a program for educating and training PVAs, deputies, and Department of Revenue employees in the



technical, legal, and administrative aspects of property tax administration. The program consists of classes specific to Kentucky, as well as classes on international appraisal methods taught under International Association of Assessing Officers (IAAO) guidelines.

The Department of Revenue also provides certifications to those who meet the requirements.

- Certified Kentucky Assessor (CKA) requirements
  - A minimum of 120 hours of classroom instruction
  - Passage of subject matter examinations
  - 3 years of experience in Kentucky property tax administration
- Senior Kentucky Assessor (SKA) requirements
  - Completion of CKA designation
  - An additional 90 hours of classroom instruction
  - Passage of subject matter examinations
  - An additional 2 years of experience in Kentucky property tax administration

### **PVA Expense Allowance**

KRS 132.597 allows an expense allowance to be granted to each PVA who, within a calendar year, participates in instructional classes approved by the Department of Revenue. No records are required to verify the expenditures for the expense allowance. The expense allowance is considered additional income, and appropriate taxes and fringe benefits are deducted on the same basis as for the PVA's salary. To receive the expense allowance, the PVA must attend a minimum of 30 classroom hours. If the PVA has an SKA designation, the minimum classroom time is reduced to 15 hours. Failure to attend the required classroom hours results in forfeiture of the PVA's expense allowance for the next calendar year. By statute, the expense allowance is a \$300 monthly payment, but the statute has currently been superseded by the state/executive branch budget bill, HB 352, and the allowance reduced to \$200 a month. When an individual is appointed or elected to fill an unexpired term of a PVA, the individual is entitled to immediately receive the monthly expense allowance, and the educational requirements listed in the statute will be required to be met during the first calendar year the individual is in office.

### **Lump Sum Training Payment**

KRS 132.590 provides that a lump sum payment be paid to each PVA for every 40-hour training unit that is successfully completed per calendar year. If the training is not sponsored by the Department of Revenue or the IAAO, the PVA must seek preapproval for the course. Like the PVA salary schedule, the lump sum amount is also adjusted annually by the CPI. Each PVA can earn one lump sum payment every year, up to a maximum of four. The Department of Revenue certifies a PVA's eligibility to receive a lump sum payment.



## Chapter 3

### Personnel Of The PVA's Office

KRS 132.590 provides the PVA the authority to appoint employees who are approved by the Department of Revenue for the purpose of assisting in the performance of PVA job duties. Each deputy must be at least 21 years old and is hired as an at-will, nonmerit state employee who by statutory requirement may be removed at the pleasure of the PVA.

#### Formula For Allocation Of Deputies And Allocation Of Deputies

Since 2009, the number of deputies assigned to each PVA office is based on the formula for allocation of deputies (FAD). FAD takes into account the county's population and square mileage, and the number of real property parcels, automobiles, and tangible personal property tax forms. By statute, the minimum number of employees per county is two. There are 24 counties that have only two employees.

The Henderson County PVA testified that there are currently 592.5 deputy positions and that 38 full-time deputy positions have been voluntarily absorbed since FAD was developed in 2009. The Boone County PVA testified that the loss of these positions has saved the state more than \$10 million and continues to save the state more than \$1 million each year.

The Webster County PVA testified that Webster County has three full-time employees allocated to it in addition to the PVA. The Daviess County PVA testified that Daviess County has 12 full-time employees allocated in addition to the PVA; however, she currently has 9.5 employees and receives a vacancy credit for the sacrificed 2.5 positions. The Boone County PVA testified that Boone County has 10.5 full-time employees allocated to it in addition to the PVA; however, to save on retirement costs, she currently has 8 full-time employees and 8 part-time employees.

The branch manager of the Kentucky Department of Revenue Local Officials Compliance Branch testified that each PVA is allowed one deputy who is one grade below the county grade and that PVAs typically use this allowance to hire a chief deputy. As a way to save on payroll costs, all other grades are locked into the grades that the county possessed in 2009. In order to retain employees, approximately 90 counties pay their employees additional wages by using local funds, since they cannot increase the employees' grades.

#### 90-Day Hiring Delay

Due to budget constraints, all PVAs currently observe a 90-day hiring delay whenever a vacancy arises. The only way the PVA can fill the position sooner is to use local funds to pay for all of the salary and benefits (retirement, health insurance, and life insurance) associated with the position. After observance of the 90-day hiring delay, if a newly hired deputy leaves the position within the first 6 months of employment, the PVA does not have to wait another 90 days to

replace the deputy. A PVA may promote a current employee to a vacant position of a higher grade after the 90-day hiring delay is observed. The lower-grade position may then be filled immediately, since the required 90-day hiring delay has already been observed. However, the new employee filling the lower position must be hired at the same or lower grade unless the PVA pays the difference in salary from local funds.

**Table 3.1  
Job Classifications And Duties Of PVA Office Personnel**

<b>Series</b>	<b>Job Classification</b>	<b>Duties</b>
Mapping	GIS Mapping Technician	<ul style="list-style-type: none"> <li>• Maintains all mapping records</li> <li>• Updates digitized and/or conventional property survey maps per survey and legal descriptions</li> <li>• Designs and updates plats or digitizes new subdivisions for digital maps</li> <li>• Designs new geographic information system (GIS) maps for intra-office and public use</li> <li>• Assists the public</li> <li>• Other duties as required</li> </ul>
	GIS Mapping Technician Principal or Supervisor	<ul style="list-style-type: none"> <li>• Maintains all mapping records</li> <li>• Updates digitized and/or conventional property survey maps per survey and legal descriptions</li> <li>• Designs and updates plats or digitizes new subdivisions for digital maps</li> <li>• Designs new GIS maps for intra-office and public use</li> <li>• Assists the public</li> <li>• Other duties as required</li> <li>• Supervisor: Supervises GIS mapping technicians</li> <li>• Supervisor: Plans and monitors work flow</li> </ul>
Supervisor Assessment	Real Property Assessor	<ul style="list-style-type: none"> <li>• Performs subjective evaluations of real property</li> <li>• Performs real property physical inspections as necessary</li> <li>• Performs computer-assisted mass appraisals and reviews them for accuracy and equity</li> <li>• Makes single-property appraisals of unique properties</li> <li>• Supports defense of assessed values in informal and formal appeals</li> <li>• Provides technical advice and assistance to PVA staff</li> <li>• Answers public inquiries on appraisal process and about specific appraisals</li> <li>• Other duties as assigned</li> </ul>
	Real Property Assessor Principal or Supervisor	<ul style="list-style-type: none"> <li>• Performs subjective evaluations of real property</li> <li>• Performs real property physical inspections as necessary</li> <li>• Performs computer-assisted mass appraisals and reviews them for accuracy and equity</li> <li>• Makes single-property appraisals of unique properties</li> <li>• Supports defense of assessed values in informal and formal appeals</li> <li>• Provides technical advice and assistance to PVA staff</li> <li>• Answers public inquiries on appraisal process and about specific appraisals</li> <li>• Other duties as assigned</li> <li>• Supervisor: Assists in the development and execution of appraisal procedures</li> <li>• Supervisor: Manages the workflow of real property assessors</li> </ul>
Supervisor Data Collection	Field Representative and Field Representative	<ul style="list-style-type: none"> <li>• Performs field work including measuring improvements and obtaining characteristic data working off building permits</li> <li>• Sketches improvements for property cards</li> <li>• Performs data entry of characteristics when needed</li> </ul>

## Property Valuation Administrator's Office Task Force

<b>Series</b>	<b>Job Classification</b>	<b>Duties</b>
	Principal	<ul style="list-style-type: none"> <li>• Photographs properties for physical inspection</li> <li>• Contacts property owners to obtain and verify data</li> <li>• Other duties as assigned</li> </ul>
Supervisor Administrative	General Deputy and General Deputy Principal	<ul style="list-style-type: none"> <li>• Assists in all departments of PVA office except real estate appraisals</li> <li>• Manages real and personal property records</li> <li>• Performs data entry</li> <li>• Assists public</li> <li>• Other duties as required</li> </ul>
	Customer Service Representative	<ul style="list-style-type: none"> <li>• Answers telephone calls and responds to in-person inquiries about property values, characteristics, sales and all aspects of PVA office operations</li> <li>• Assists with use of public computer terminals where available</li> <li>• Other duties as required</li> </ul>
	Personal Property Clerk	<ul style="list-style-type: none"> <li>• Inputs data from tangible tax returns</li> <li>• Performs personal property appraisal (Motax and boats)</li> <li>• Assists public</li> <li>• Answers phone calls and in-person queries</li> <li>• Processes exonerations</li> <li>• Other duties as assigned</li> </ul>
	Personal Property Clerk Principal	<ul style="list-style-type: none"> <li>• Inputs data from tangible tax returns</li> <li>• Performs personal property appraisal (Motax and boats)</li> <li>• Assists public</li> <li>• Answers phone calls and in-person queries</li> <li>• Processes exonerations</li> <li>• Other duties as assigned</li> </ul>
	Administrative Assistant	<ul style="list-style-type: none"> <li>• Answers telephone calls and responds to in-person inquiries about PVA office data and procedures</li> <li>• Assists in maintenance of paper and digital files</li> <li>• Processes exonerations</li> <li>• Other duties as assigned</li> </ul>
	Office Manager	<ul style="list-style-type: none"> <li>• Maintains time and attendance records</li> <li>• Controls office supply inventory</li> <li>• Manages real and/or personal property records</li> <li>• Assists in all departments of PVA office as needed</li> <li>• Other duties as assigned</li> </ul>
	Chief Administrative Assistant	<ul style="list-style-type: none"> <li>• Prepares correspondence and scheduling for PVA</li> <li>• Maintains checking accounts</li> <li>• Prepares budgets</li> <li>• Organizes for audits</li> <li>• Assists with public access to PVA database and GIS data</li> <li>• Assists chief of staff</li> <li>• Other duties as assigned</li> </ul>
	Chief of Staff and Chief Deputy	<ul style="list-style-type: none"> <li>• Manages and supervises all functions and employees of the office in absence of the PVA</li> <li>• Processes data requests from state government and private sector</li> <li>• Manages all office projects</li> <li>• Formulates new programs and procedures to better perform statutory duties of PVA office</li> <li>• Other duties as assigned</li> </ul>

Source: Kentucky. Finance and Administration Cabinet. Department of Revenue.

### Salary Grade Classification System

The salaries of deputies and other authorized personnel are set by the PVA in accordance with a grade classification system established by the Department of Revenue. The grade classification system is required to be equitable in all respects to the personnel classification systems maintained for other state employees, and the Personnel Cabinet provides advice and technical assistance to the Department of Revenue in regard to revising or updating the classification system. The last update to the grade classification system occurred on June 1, 2019.

**Table 3.2**  
**2019 Grade Classifications And Experience Requirements**

Grade Level	Wage/Hour	Monthly Wages	Entry-Level Experience Requirement
5	\$7.67	\$1,245.90	Co-op/summer help student or under age 18
6	8.44	1,370.70	High school graduate or GED equivalent with Passing Number Certificate
7	10.10	1,641.26	Routine tasks with other duties as required
8	10.71	1,741.07	High school up to 1 year of experience or college or combination
9	11.22	1,823.90	High school plus 2 years of experience or college or combination
10	12.35	2,006.08	High school plus 3 years of experience or college or combination
11	13.58	2,206.92	High school plus 4 years or college graduate
12	14.94	2,427.44	College graduate plus 1 year or high school plus 5 years of experience or combination
13	16.43	2,670.20	College graduate plus 2 years of experience or combination
14	18.08	2,937.20	College graduate plus 3 years of experience or combination
15	19.88	3,230.84	College graduate plus 4 years of experience or combination
16	21.87	3,553.88	College graduate plus 5 years of experience, a master's degree*, or combination
17	24.06	3,908.94	College graduate plus 6 years of experience, a master's degree*, or combination

Note: A PVA may recommend the appointment of a qualified applicant with an extra 5 percent for 4 additional years of experience or 10 percent for 8 additional years of experience, above the minimum salary. An average weekly schedule of 35 hours equals 100 percent for grade certification. PVA offices' salary schedule still reflects Grade 7 at the previously higher minimum wage and corresponding Grade 8 entry level.

\*A certified public accountant certification, a juris doctor, an International Association of Assessing Officers certification, or an accredited postgraduate certification will substitute for a master's degree.

Source: Kentucky. Finance and Administration Cabinet. Department of Revenue.

### Educational Opportunities And Training Requirements

Deputies of the PVA office can attend the same Department of Revenue training program provided by KRS 132.385 that is available for PVAs. They can also obtain the CKA and SKA certifications. Upon receiving either the CKA or SKA designation, deputies may receive an education incentive of 5 percent of their annual salary at the time of completion. At the end of each fiscal year, the PVA/DOR Budget Committee decides whether educational incentives can be offered.

The Webster County PVA testified that in addition to the Department of Revenue training program, many PVA employees are trained in-house through a mentoring program. He also stated that smaller PVA offices cross-train employees to do many different tasks, whereas larger counties' offices are more specialized. He mentioned that there is a 6-month probationary pay incentive for new hires to encourage them to learn in a relatively short period of time to perform their jobs in a professional manner, because to fully train new hires takes a lot of time—even more when they must be cross-trained for multiple tasks and duties. The Boone County PVA testified that her office also has training manuals for employees.





## Chapter 4

### Operations Of The PVA's Office

The PVA is responsible for assessing property for taxation purposes. The Kentucky PVA Association executive director testified that in 2017 the revenue generated from the PVA's assessed value totaled \$3.2 billion, with \$600 million generated from the state tax rate and \$2.6 billion generated from local tax rates. This revenue is the primary source of income for fiscal courts, schools, libraries, and other special taxing districts.

#### PVA Responsibilities

Statewide PVAs assess 2.2 million real estate parcels annually. The executive director of the Department of Revenue Office of Property Valuation testified that for the 2020 tax year, assessments made by PVAs totaled \$280.2 billion, an increase from the \$269.4 billion in assessments for the 2019 tax year. He also testified that PVAs assessed \$4.2 billion in new property in 2020 and \$3.6 billion in new property in 2019.

By statute, PVAs are required to inspect property at least once every 4 years. PVAs follow a quadrennial plan that is approved by the Department of Revenue to ensure that all properties are inspected at least once within the 4-year timeframe. Revaluations of property can occur more than once every 4 years, and they typically do occur when a property title is transferred or when the fair cash value of the property has changed by a significant amount.

PVAs are responsible for administering the homestead exemption. PVAs provide information to property owners about the homestead exemption, help qualified individuals apply for the exemption, and remove the exemption when the property owner no longer qualifies. The Kentucky PVA Association executive director testified that more than 440,000 properties in the state have the homestead exemption.

PVAs have other responsibilities. They transfer property records and provide correct addresses for tax assessment notices. They record more than 131,000 tangible personal property tax returns annually, and they account for the ownership and assessment of nearly 5 million vehicles, boats, and campers.

#### Recordkeeping

In addition to determining the assessed value for each real estate parcel, PVAs maintain records on the property in their counties. Retention of records is mandated by statute. They are kept for the period specified by the records retention schedule of the Kentucky Department for Libraries and Archives (KDLA). The Webster County PVA testified that available storage space is typically an issue for record retention. He stated that storage space is often in less than optimal conditions, with physical records exposed to moisture, heat, and rodent or insect infestation. The

Boone County PVA testified that her records are essentially paperless. Her office uses signature pads, e-signatures, and scanning programs. She stated that her office uses the OnBase program for its online filing cabinet.

PVA records include

- real property appraisals;
- real property exemptions;
- maps of each real estate parcel;
- characteristic data on each real estate parcel, including sketches and photos;
- tangible personal property tax return data;
- motor vehicle assessment data;
- ownership information for property; and
- any other information needed to perform job duties.

### **PVA Conference**

Each year the Department of Revenue conducts the Conference on Assessment Administration in accordance with KRS 131.140. The conference cannot last longer than 5 days. PVAs must attend unless prevented by illness or other reason satisfactory to the commissioner of the Department of Revenue. Any officer who willfully fails to attend the conference may be removed from office by the Circuit Court of the county where he or she was elected. The Finance and Administration Cabinet pays half of PVA's actual and necessary expenses in attending the conference, and the county pays the other half.

### **Audits Of The PVA Office**

The Office of the Auditor of Public Accounts audits each PVA office once every 4 years, based on procedures agreed to by the Department of Revenue and the PVA. The audit results are available for public view on the auditor of public accounts' website.

## **Chapter 5**

### **PVA Budget**

KRS 132.590 requires the PVA to submit a fiscal year budget request to the Finance and Administration Cabinet by June 1 each year. Once the budget is approved, the cabinet returns it to the PVA by July 1.

### **PVA Funding**

PVA offices are funded through four major sources:

- An appropriated amount from the state general fund
- An appropriated amount from the county as required by KRS 132.590
- An appropriated amount from the cities that elect to use the PVA assessment as required by KRS 132.285
- Miscellaneous income received from fees charged by the PVA, printing tax bills, and interest income

The Kentucky PVA Association executive director testified that approximately four cities do not use the PVA assessment.

### **Funding Issues**

In 2020, the general fund appropriation amount was \$56,446,700, which is used for PVA salaries and employee benefits. It is also used for deputy salaries and employee benefits, but it does not cover 100 percent of these costs. The PVA supplements the difference through deputy/hire base billing, under which the PVA sends local funds to the Department of Revenue to cover the additional staffing costs. (See Appendix A.)

The Henderson County PVA testified that the general fund appropriation for 2020 covered 83 percent of payroll needs; to cover 100 percent of payroll, \$67,696,700 should be appropriated. He stated that PVAs have to come up with \$11,250,000 in 2020 to make payroll.

Appropriation amounts from the city and county are set by a statutory formula using assessments, and they have a cap. The total amount of local funds appropriated to PVAs in 2020 was \$11.6 million. The Henderson County PVA testified that \$8.5 million (73 percent) was used to cover payroll, leaving only \$3.1 million (26.7 percent) for operating expenses.

PVAs do not receive as much income from miscellaneous sources as they receive from the state and local appropriations; however, the PVA budget is tight, and miscellaneous income is needed to help cover expenses. The Kentucky PVA Association executive director testified that some large corporations do not want to pay the PVA's fee and take the position that tax roll data

should be available at no cost. The Henderson County PVA testified that miscellaneous income is under attack. He stated that a lawsuit is pending regarding the fees charged for the sale of assessment information. He also stated that, depending on the results of the lawsuit, PVAs could lose their ability to charge fees, which would drastically reduce the PVAs' miscellaneous income. He mentioned other ways that miscellaneous income is being reduced by stating that interest income is at an all-time low, fewer PVAs are involved in printing tax bills, and outside companies are reselling assessment data and aerial imagery originally obtained from the PVA office.

Special purpose governmental entities (SPGEs) are not required to appropriate money to the PVA for use of the assessments. The Boone County PVA testified that the state, counties, and cities subsidize the cost of the tax roll for other special taxing districts, which in Boone County includes two school districts, nine fire districts, one library district, one health department district, and an extension agency. She stated that \$123 million is generated for Boone County districts that do not pay revenue to the PVA office.

### **PVAs' Response To Funding Shortage**

The Henderson County PVA testified that PVAs have self-imposed policies to help keep payroll costs down in response to the shortage of PVA funding. He explained the following policies:

- Reducing staff by using the FAD formula to allocate the number of deputies per PVA office
  - 38 full-time positions eliminated
  - Saves \$1.5 million annually
- Requiring a 90-day hiring delay
  - saves \$650,000 annually
- Deputy/hire base billing
  - \$8.5 million in local funds sent to Frankfort
- Paying employee promotions using local funds
  - \$1.5 million in local funds sent to Frankfort
- Not filling vacant positions
  - 59 full-time and 29 part-time positions vacant as of August 1, 2019

### **PVA Funding In Relation To Property Tax Dollars Generated**

The Kentucky PVA Association executive director testified that a reduction in PVA funding will result in the loss of tax revenues. He also testified that PVA offices generate more tax dollars than what is invested into the office. Using 2017 data, he stated that PVAs have a return on investment of \$48 to \$1, and he provided the information shown in Table 5.1.

**Figure 5.A**  
**PVA Funding In Relation To Property Tax Dollars Generated**

Real and tangible property tax income to state	=	\$600 million
Real and tangible property tax income to local districts	=	\$2.6 billion
Total income produced for state and local districts	=	\$3.2 billion

State expenditure	\$56.0 million
Local expenditure	<u>\$10.5 million</u>
Total	\$66.5 million

**Return On Investment**

State income to budget contribution:	\$11 to \$1
Local tax districts income to budget contribution:	\$248 to \$1
Total income to total cost to all districts:	\$48 to \$1

Source: Executive director of the Kentucky PVA Association.

**PVA Office Expenses**

Personnel cost is the largest expense of the PVA office. The Kentucky PVA Association executive director provided the information presented in Table 5.1, showing total personnel expenses for fiscal year 2021.

**Table 5.1**  
**PVA Office Expenses**  
**FY 2021**

<b>Expense</b>	<b>Amount</b>
State budget allocation	\$56,446,700
PVA deputy contribution from local funds	3,500,000
PVA shortfall contribution from local funds	5,000,000
Excess vacancy credits	500,000
90-day hiring delay savings	750,000
Annual FAD* savings from staff attrition	1,500,000
<b>Total cost of personnel funding</b>	<b>\$67,696,700</b>

\*Formula for allocation of deputies.

Source: Executive director of the Kentucky PVA Association.

By statutory requirement, the county government must provide the office space, furniture, and utilities for the PVA office.

Common operating expenses for a PVA office are paid from local funds only. These vary from one PVA to the next but overall can include the following types of expenses:

- Advertising for statutorily required notifications
- Aerial imagery
- Computer software and hardware (computer purchases or leases, computer technicians, websites, computer maintenance agreements, software costs for assessment software,

sketching software, geographical information system (GIS) software, and emulator software for AVIS system)

- Copiers and fax machines (copier purchases or leases and maintenance agreement costs)
- Educational expenses
- Field supplies (computer tablets and laser measuring tools)
- Postage
- Printers (printer purchases or leases, including office printers and wide-array printers for maps)
- Professional contracted services (outside printing services and appraisal services)
- Office supplies
- Subscriptions
- Travel for education and conference requirements
- Vehicles (vehicle purchases or leases, fuel costs, maintenance and repairs, insurance costs, and mileage reimbursement)

The Boone County PVA testified that operating expenses can vary from one PVA office to another depending on the working relationship agreements that PVAs have with other local government offices. She stated that in her county she is able to use the county's IT department, including its network, internet, phone, and IT services. She stated that the county maintains and houses the servers and that it has IT technicians available. Counties that do not have this option must use the Commonwealth Office of Technology at a cost. She also stated that she uses the county's property maintenance; cleaning staff; conference rooms; permitting database; and reimbursed/contracted services, such as the vehicle maintenance department, mail room, GIS mapping services, and postage machine. She said her PVA office also received reduced costs on OnBase licenses and copier leases.

## **Chapter 6**

### **Technology**

The PVA offices use technology to map and appraise property, keep records, and provide services to the public. Many products are available for PVAs to choose for their office. The Webster County PVA testified that a cost/benefit analysis has to be considered when deciding which software to use, and many PVAs choose the programs that their office can afford.

#### **Technology For Mapping And Appraising Property**

##### **Aerial Imagery**

Two types of aerial photography are available to PVA offices: ortho and oblique. Ortho photography shoots straight down and is essential to help the PVA map parcel boundaries. Oblique photography is shot at an angle to show the sides of buildings, which allows a PVA office to see more detail about improvements made on a parcel. Oblique photography also helps PVA offices in finding new structures that are built in hard-to-access parts of a county and in measuring additions to existing structures. PVAs use a combination of ortho and oblique aerial photography for mapping and appraisal.

A total of 33 counties use aerial photography provided by KyFromAbove, an initiative undertaken by the Commonwealth Office of Technology. These counties have ortho photographs only. There are 70 counties that have their own contracts with vendors such as EagleView or Vexcel to provide ortho and oblique aerial photography. The remaining 17 counties use US Department of Agriculture ortho aerial photography.

The Daviess County PVA testified that her office has aerial imagery with 2-inch resolution flown every 2 years. The city and county consortium pays 60 percent of the cost. She stated the cost of the imagery to be \$42,883 each year or \$85,000 for 2 years. The Boone County PVA testified that, due to costs, her office has aerial imagery with only 3-inch and 6-inch resolution, flown every 3 to 4 years.

##### **ArcGIS**

In 2008, five geographic information systems were used by PVAs in Kentucky: MapInfo, GeoSync XG, GeoSync 3.2, ArcView 3.3, and ArcGIS 8.X. In 2009, the Finance and Administration Cabinet offered an enterprise license agreement (ELA) to PVAs to use ArcGIS software, and 87 counties entered into the ELA. Today, the ELA has grown to include 116 county PVA offices. Three counties have their own geographical information systems, and one county doesn't use GIS at all. ArcGIS software is the state standard set by the Division of Graphic Information and the Commonwealth Office of Technology. There are nearly 900 ArcGIS licenses in the Finance and Administration Cabinet, saving an estimated \$200,000 annually.

## **KyGeoNet**

The Commonwealth of Technology maintains the central statewide GIS database KyGeoNet. There are more than 400 layers of GIS data, and most are publicly available. KyGeoNet and its supporting server infrastructure receive a monthly average of 15 million server requests from upward of 30,000 unique visitors accessing interactive maps, retrieving data, or doing data research. The data produced from KyGeoNet is used for multiple purposes by multiple agencies.

## **Computer-Assisted Mass Appraisal**

The executive director of the Department of Revenue Office of Property Valuation testified that computer-assisted mass appraisal (CAMA) software is used by nine counties: Clark, Daviess, Fayette, Hardin, Jefferson, Kenton, Madison, Pulaski, and Scott. He said CAMA can be very useful when a PVA must value a large area of properties that are similar in nature, such as a large subdivision. Most of the counties not using CAMA are rural.

## **Tax Roll Software**

PVA offices are paying for 120 different contracts for tax roll software. Eleven tax roll software systems are used: Alliance, ARM, Assess Right Pro, E-Ring, In House, IPS, Patriot, ProVal, PVD Manage, PVD Net, and Tyler Technologies. In addition to these software systems, there are also complimentary software systems: Marshall & Swift, Cybelesoft z/Scope, and sketching software.

## **Scanning Files And Searchable Databases**

One large difference among PVA offices is how they keep their office records. Some have digital records, and others keep paper records.

The Daviess County PVA testified that for keeping records her office uses Sentryfile, a paperless system that requires files to be scanned in, which includes a searchable database for files. She stores all important documents, such as homestead and disability exemptions, conference records, and changes of address. The Boone County PVA stated that her office uses OnBase for electronic filing.

The Daviess County PVA also stated that Daviess County has countywide planning and zoning and that she is able to access every permit in her county digitally through a searchable database without cost.

The Boone County PVA testified that she uses LexisNexis to help identify homestead exemptions and ineligible property owners who are receiving it. She said that when she first started using LexisNexis, her office billed additional taxes of \$83,000 in 2012 and \$25,000 in 2013.



The Boone County PVA also said her office had LoopNet software, which is now CoStar. This software is a commercial sales database that assists in appraising commercial buildings and in appeals of commercial buildings. She stated that the office can no longer afford this software.

### Websites

Websites relieve in-person traffic in the PVA office and help to compensate for employee shortages. The Boone County PVA testified that everything done in her office can also be done online through the PVA website via Smartsheet and the Silanis live signature application. By using the Smartsheet program and an online signature, citizens can go online to apply for the homestead exemption, remove a motor vehicle from the tax roll, and apply for the agricultural exemption. Her website also has a live chat feature. She stated that these programs were a great help when offices were closed because of COVID-19.

PVA offices are paying for 107 different contracts for PVA data websites. Each PVA negotiates its own contract agreements. A total of 72 PVA offices are being charged \$2,500 to \$44,000 a year for websites. These offices can receive revenues from subscription fees for use of the website. Thirty-five PVA offices are not being charged for hosting tax roll on websites. These PVA offices cannot receive revenues from the website.

**Table 6.1**  
**PVAs And Websites By County**

<b>County</b>	<b>PVA</b>	<b>Website</b>
Adair	Landon T. Edwards	—
Allen	Tracy Oliver	qpublic.net/ky/allen
Anderson	Brian Stivers	qpublic.net/ky/anderson
Ballard	Susan Sullivan	qpublic.net/ky/ballard
Barren	Kim Shipley	qpublic.net/ky/barren
Bath	Jackie Watson	qpublic.net/ky/bath
Bell	Michelle Bailey	N/A
Boone	Cindy Arlinghaus Martin	boonepva.ky.gov
Bourbon	Tim Lizer	qpublic.net/ky/bourbon
Boyd	Chuck Adkins	boydpva.com
Boyle	Lacresha "My" Gibson	boylepva.com
Bracken	Tracey Florer	qpublic.net/ky/bracken
Breathitt	Ervine Allen	N/A
Breckinridge	Dana Bland	qpublic.net/ky/breckinridge
Bullitt	Layne Abell	qpublic.net/ky/bullitt
Butler	Suzanne Brosnan	qpublic.net/ky/butler
Caldwell	Ronald Wood	qpublic.net/ky/caldwell
Calloway	Nikki Crouch	qpublic.net/ky/calloway
Campbell	Daniel K. Braun	pva.campbellcountykentucky.com
Carlisle	Jonathan Bruer	qpublic.net/ky/carlisle
Carroll	Rob Robertson	carrollpva.com
Carter	Leslie Roseberry	qpublic.net/ky/carter
Casey	Eric Brown	qpublic.net/ky/casey
Christian	Angie M. Strader	qpublic.net/ky/Christian
Clark	Jason Neely	qpublic.net/ky/clark

<b>County</b>	<b>PVA</b>	<b>Website</b>
Clay	Philip R. Mobley	N/A
Clinton	Patrick Campbell	N/A
Crittenden	Ronnie Heady	qpublic.net/ky/crittenden
Cumberland	Gina Lee-Watson	N/A
Daviess	Rachel Pence Foster	daviesskypva.org
Edmonson	Kyle M. White	qpublic.net/ky/edmonson
Elliott	Eddie Frazier	qpublic.net/ky/elliott
Estill	Jeff L. Hix	estillky.com/index.php/estill-property-valuation-administrator
Fayette	David O'Neill	fayettepva.com
Fleming	Michelle Butler	flemingpva.com
Floyd	Connie Moore	qpublic.net/ky/floyd
Franklin	Kellie Lang	franklincountypva.com
Fulton	Pete Morgan	qpublic.net/ky/fulton
Gallatin	Sheryl Jones	gallatinpva.com
Garrard	Kay Hall	garrardpva.com
Grant	Elliott "Eli" Anderson	grantpva.com
Graves	Howel Carr	qpublic.net/ky/graves
Grayson	Ernie Perkins	graysoncountypva.com
Green	Sean D. Curry	qpublic.net/ky/green
Greenup	Bobby Hall	qpublic.net/ky/greenup
Hancock	Karen Robertson	qpublic.net/ky/hancock
Hardin	Danny L. Hutcherson	qpublic.net/ky/hardin
Harlan	Felicia Tammé	qpublic.net/ky/harlan
Harrison	Allen "Pat" Darnell	harrisoncountypva.com
Hart	Cindy Atwell	qpublic.net/ky/hart
Henderson	Andrew Powell	qpublic.net/ky/henderson
Henry	Jason Scriber	henrypva.com
Hickman	Amanda Spillman	qpublic.net/ky/hickman
Hopkins	Pam Love-Barber	qpublic.net/ky/hopkins
Jackson	Paul Rose	jacksoncounty.ky.gov/Pages/Officials.aspx
Jefferson	Colleen Younger	jeffersonpva.ky.gov
Jessamine	Brad Freeman	jessaminepva.com
Johnson	Michael "Dip" Stafford	qpublic.net/ky/johnson
Kenton	Darlene Plummer	kentonpva.org
Knott	Ed Slone	N/A
Knox	William S. Oxendine Jr.	qpublic.net/ky/knox
LaRue	Scotty Lee	www.laruecounty.org
Laurel	Joyce Parker	qpublic.net/ky/laurel
Lawrence	Chris Rose	lawrencepva.com
Lee	Elizabeth "Libby" Roach	leecountykypva.com
Leslie	Jeff Boggs	qpublic.net/ky/leslie
Letcher	Ricky Rose	qpublic.net/ky/letcher
Lewis	Kenny Ruckel	qpublic.net/ky/lewis
Lincoln	David Gambrel	qpublic.net/ky/lincoln/
Livingston	Elisha Harp	livingstoncountypva.com
Logan	Brooke Waldrup	qpublic.net/ky/logan
Lyon	Christie Cruce	qpublic.net/ky/lyon
Madison	William E. "Billy" Ackerman	qpublic.net/ky/Madison
Magoffin	Rebecca "Becky" Allen	N/A
Marion	Terry "Catfish" Rakes	marionkypva.com
Marshall	Tony Henson	mcpva.com
Martin	Bobby E. Hale Jr.	martincounty.ky.gov/elected/Pages/pva.aspx
Mason	Tony Cracraft	qpublic.net/ky/mason

## Property Valuation Administrator's Office Task Force

<b>County</b>	<b>PVA</b>	<b>Website</b>
McCracken	Bill Dunn	mccrackenpva.com
McCreary	Dwight Ross	qpublic.net/ky/mccreary
McLean	Dale Ayer	qpublic.net/ky/mclean
Meade	Rebecca W. Richardson	qpublic.net/ky/meade
Menifee	James Lawson	N/A
Mercer	Jessica Elliott	mercercountypva.com
Metcalfe	Michael Welsh	qpublic.net/ky/metcalfe
Monroe	Shawn Guffey	qpublic.net/ky/monroe
Montgomery	Floyd Arnold	qpublic.net/ky/montgomery
Morgan	Darby Franklin	qpublic.net/ky/morgan
Muhlenberg	Belinda McKinney	qpublic.net/ky/muhlenberg
Nelson	Barbara Tichenor	qpublic.net/ky/nelson
Nicholas	Michelle McDonald	qpublic.net/ky/nicholas
Ohio	Jason S. Chinn	ohiopva.com
Oldham	Barbara Winters	qpublic.net/ky/oldham
Owen	Blake Robertson	qpublic.net/ky/owen
Owsley	Sandy King	qpublic.net/ky/owsley
Pendleton	John Steele	pendletonpva.com
Perry	John Frank Gross	qpublic.net/ky/perry
Pike	Lonnie Osborne	qpublic.net/ky/pike
Powell	Dustin Billings	powellcountyky.us/pva.asp
Pulaski	Thomas "T.W." Todd	qpublic.net/ky/pulaski
Robertson	Annette C. Lovins	robertsoncounty.ky.gov/departments/Pages/PVA.aspx
Rockcastle	Janet Vaughn	rockcastlecountyky.com/government.html
Rowan	Carmen Eldridge Black	qpublic.net/ky/rowan
Russell	Tim Popplewell	russellpva.com
Scott	Tim Jenkins	scottkypva.com
Shelby	Brad McDowell	qpublic.net/ky/shelby
Simpson	Alison Cummings	qpublic.net/ky/simpson
Spencer	Kim Stump	spencercountypva.com
Taylor	Chad Shively	qpublic.net/ky/taylor
Todd	Perry Stokes	qpublic.net/ky/todd
Trigg	Lauren Fowler	qpublic.net/ky/trigg
Trimble	Jill Hudson Mahoney	trimblecounty.ky.gov/government/Pages/property-valuation.aspx
Union	Clay Wells	qpublic.net/ky/union
Warren	Bob Branstetter	qpublic.net/ky/warren
Washington	Fran Carrico	washingtonkypva.com
Wayne	Bobby Upchurch	qpublic.net/ky/wayne
Webster	Jeffrey Kelley	webstercountypva.com
Whitley	Ronnie Moses	qpublic.net/ky/whitley
Wolfe	Justina Smith	N/A
Woodford	Judy Bobbitt	qpublic.net/ky/woodford

Source: Kentucky. Finance and Administration Cabinet. Department of Revenue.

### **Sharing Software**

In some counties the PVA office shares technology with the county clerk's office and the sheriff's office. The Kenton County Sherriff's Office Chief Deputy testified that in Kenton County the PVA office works together with shared software on property tax issues. He explained that the shared system works really well in assisting individuals. He stated that in Kenton County he can help a property owner sign up for the homestead exemption.

In other counties, the PVA has a separate software system from the county clerk and the sheriff. The Henderson County Clerk testified that in Henderson County the PVA is not sharing technology with the county clerk or the sheriff. She explained that a separate software system provides an extra layer of checks and balances to ensure that the assessment data is accurate for preparing the tax bills.

## Chapter 7

### The Property Tax Calendar

The property tax calendar sets out the deadlines for the property taxation process. The property taxation process includes listing and assessing property, setting tax rates, preparing and mailing the tax bills, collecting the property tax, assessing penalties and fees for delinquencies, and selling certificates of delinquency. The entire process involves several state and local offices.

The property tax calendar starts on January 1, the assessment date. All taxable property listed with the PVA is assessed as of January 1 of each year. The listing period for real property and personal property differs. Real property is listed with the PVA from January 1 through March 1, and personal property is listed with the PVA from January 1 through May 15. Both types of property are reported by their owner. Real property is valued by the PVA, and personal property is valued by the owner through the filing of a tangible personal tax return.

On or before the first Monday in April, the PVA must file the first recapitulation of the tax roll to the Department of Revenue. Upon receipt, the Department of Revenue reviews the recapitulation data and lets the PVA know if any changes are needed.

During the inspection period, the public can review the tax roll and property owners can have a conference with the PVA to discuss their property's assessed valuation. The PVA must advertise the inspection period in the local newspaper 1 week prior to the beginning of the inspection period. The inspection period begins on the first Monday in May. The tax roll must remain open for public inspection at least 13 days, 6 days a week, including at least one Saturday.

Within 6 days after the close of the inspection period, the PVA must send the final recapitulation of the tax roll to the Department of Revenue. The Department of Revenue reviews the tax roll and conducts a sales-assessment ratio study on the property to determine whether the PVA has valued the property within an acceptable range of fair cash value. If the acceptable range is met, the Department of Revenue certifies the property. If it is not met, the PVA must go back and adjust property assessments to get within the acceptable range.

Once the assessments have been certified, the tax rate setting process can begin. The Department of Revenue sets the state tax rate by July 1 following the tax rate requirements in KRS 132.020. The Department for Local Government calculates the compensating tax rate and the 4 percent tax rate for the local taxing districts. After receiving those calculations, the local taxing districts have 45 days to levy any tax rate they choose. If the tax rate they choose to levy is above the compensating tax rate, a public hearing is required, and if any portion of the tax rate they levy increases the local taxing district's revenues more than 4 percent above the revenues that the compensating tax rate would generate, that portion of the tax rate is subject to recall. If a petition is filed with the county clerk to recall the tax rate, an extra 45 days (50 days for Fayette and Jefferson Counties) is added to the tax rate setting process. If the local taxing districts fail to levy any tax rate, the compensating tax rate is levied for the district.

Once the assessment values and the tax rates have been finalized, the county clerk can begin printing the bills. The county clerk prepares the tax bills and sends the printed bills to the sheriff by September 15. The sheriff is then responsible for mailing the tax bills and collecting the tax.

A 2 percent discount rate applies to bills that are paid in the 30 days immediately following the mailing of the tax bill. Once the 2 percent discount period expires, the full face value of the bill is due until December 31. After December 31, any unpaid tax bills are delinquent, and the delinquency collection process begins on January 1 of the following year.

Penalties and interest are added to delinquent tax bills beginning on January 1. For unpaid tax bills, a 5 percent penalty is added from January 1 through January 31. If the tax bill remains unpaid after January 31, an additional 10 percent penalty and 10 percent sheriff's fee is added to the bill.

Any tax bill that remains unpaid after April 15 is transferred to the county clerk as a certificate of delinquency. The county clerk provides the Department of Revenue a listing of the certificates of delinquency by May 15, and sales of certificates of delinquencies occur between July 14 and August 28. After the sale, all tax dollars are collected and the sheriff can settle the accounts to close out the books by September 1.

**Table 7.1**  
**Property Tax Calendar With Kentucky Revised Statutes**

<b>Current Assessments</b>		
<b>Action</b>	<b>Deadline (Current Year Of Assessment)</b>	<b>Statute</b>
Assessment date	January 1	KRS 132.220
Listing period	<ul style="list-style-type: none"> <li>• Real property: January 1–March 1</li> <li>• Personal property: January 1–May 15</li> </ul>	KRS 132.220
First recapitulation to Department of Revenue	First Monday in April	KRS 133.040
Inspection period and PVA conferences	13 days beginning first Monday in May (6 days per week, including Saturday)	KRS 133.045, 133.120
Final recapitulation to Department of Revenue	Within 6 days after close of inspection period	KRS 133.125
County board of assessment appeals	5 days beginning 25 to 35 days after close of inspection period	KRS 133.030
Certification of property valuation	Immediately upon completion of action by Department of Revenue	KRS 133.080
Tax rates set by taxing districts	Within 45 days of certification of property valuation	KRS 132.0225, 133.185
State tax rate set	By July 1	KRS 132.020
Tax bills prepared by county clerk	After forms are sent by Department of Revenue	KRS 133.220
Tax bills delivered to sheriff for mailing	By September 15	KRS 133.220
Payable with discount	By November 1	KRS 134.015
Payable at face value	November 2–December 31	KRS 134.015
<b>Delinquencies</b>		
<b>Action</b>	<b>Deadline (Year After Assessment)</b>	<b>Statute</b>
Tax bills delinquent	January 1	KRS 134.015
Payable with 5% penalty	January 1–January 31	KRS 134.015
Payable with 10% penalty and 10% sheriff's add-on fee	After January 31	KRS 134.015, 134.119
Transfer of delinquent tax bills from sheriff to county clerk; tax bills become certificates of delinquency	April 15 (sheriff collects tax through close of business)	KRS 134.122
County clerk provides Department of Revenue listing of certificates of delinquency	By May 15	KRS 134.131
Sale of certificates of delinquency	July 14–August 28	KRS 134.128
Settlement of sheriff's accounts	By September 1	KRS 134.192

Source: Kentucky. Finance and Administration Cabinet. Department of Revenue.





## Chapter 8

### Property Assessments

The PVA collects, records, and analyzes data on a mass production basis. This data is used to estimate the fair cash value of all property in the state. Section 172 of the Constitution of Kentucky requires that all property, unless exempted from taxation by the constitution, be assessed at fair cash value, which is defined as the estimated price the property would bring at a fair voluntary sale. The PVAs are required to follow the appraisal standards of the International Association of Assessing Officers and Marshall and Swift.

KRS 132.191 outlines the valuation methods the PVA can use in appraising property:

- (2)(a) A cost approach, which is a method of appraisal in which the estimated value of the land is combined with the current depreciated reproduction or replacement cost of improvements on the land;
- (b) An income approach, which is a method of appraisal based on estimating the present value of future benefits arising from the ownership of the property;
- (c) A sales comparison approach, which is a method of appraisal based on a comparison of the property with similar properties sold in the recent past; 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 value at a market-derived rate over the development and absorption period.

### Certification Of PVA Assessments

The Department of Revenue is charged with ensuring that the PVAs assess property at fair cash value. The department certifies the PVAs' assessments by using an assessment/sales ratio study. The PVAs submit sales information to the department, which determines that all of the sales submitted are arm's length real estate transactions and then conducts the assessment/sales ratio study to determine whether the PVA is assessing the property within an acceptable range of fair cash value. The range accepted is based on the period of time when the sales occurred. As an example, for 2020, if the sales submitted occurred during the last 6 months of 2018, the acceptable range is 95 percent to 105 percent of fair cash value, but if the sales submitted occurred in the last 6 months of 2019, the acceptable range grows to 90 percent to 110 percent of fair cash value.

The Kentucky PVA Association executive director testified that all sales are ordered from lowest to highest and then the median sale is used to determine whether the assessments are within the acceptable range of fair cash value. He further stated that when the median sale is not within the

acceptable range, the PVA must adjust the assessments to get within the acceptable range in order to be certified.

The Kentucky PVA Association executive director provided the following example:

- Required assessment range is 95 percent to 105 percent
- PVA's sales ratio median is 89 percent
- PVA's total assessment is \$500 million
- PVA must raise 6 percent to get to 95 percent
- $\$500 \text{ million} \times 0.06 = \$30 \text{ million}$
- PVA must raise assessments by \$30 million to be certified

The Boone County PVA testified that the acceptable range criteria can be difficult to meet in counties with fast-growing economies. She stated that in Boone County the market has increased by 11 percent in the last year. When properties are reviewed only once every 4 years based on the quadrennial plan, the assessed values may need to be dramatically increased in order to get within the acceptable range of fair cash value. She provided the following table showing the market growth for her county based on a property that sold for \$100,000.

**Table 8.1**  
**Boone County Assessment/Sales Ratio And Market Increase**

Year Assessed	12/31/20 Sales Price	Jan. 1 Assessment	Ratio	Market Increase
2020	\$100,000	\$89,000	89.00%	11%
2019	100,000	82,800	82.80	7
2018	100,000	77,800	77.80	6
2017	100,000	73,900	73.90	5

Source: Boone County PVA.

### Increase In Statewide Assessments

The executive director of the Department of Revenue Office of Property Valuation and the Kentucky PVA Association executive director both testified that the total real property assessments for the entire state have increased. For the 2020 tax year, the assessments total \$280.2 billion, an increase from \$269.4 billion assessed in 2019. Also \$4.2 billion in new property was added in 2020, an increase from the \$3.6 billion added in 2019.

**Table 8.2**  
**Statewide Real Property Assessment Growth**

Assessment Year	Total Value	Year Over Year Growth
2019	\$269,457,855,661	3.93%
2018	259,264,352,154	3.33
2017	250,983,684,739	3.79
2016	241,822,891,516	3.37
2015	233,949,029,669	2.52
2014	228,209,410,703	N/A

Source: Executive director of the Kentucky PVA Association.

**Table 8.3**  
**County Population Estimates, Total Parcels, And Assessed Values By Real Property Class**  
**2019**

County	Population		Residential		Commercial		Farm	
	Estimated Count	Rank	Parcels	Assessed Values	Parcels	Assessed Values*	Parcels	Values
Adair	19,202	61	7,964	\$309,680,750	727	\$124,741,290	4,184	\$159,028,500
Allen	21,315	54	8,789	515,704,452	420	129,401,136	3,357	208,772,035
Anderson	22,747	50	9,346	938,637,931	504	239,990,061	2,073	207,766,880
Ballard	7,888	109	3,803	177,563,433	439	67,831,104	2,096	157,013,367
Barren	44,249	25	17,610	1,199,350,747	1,488	521,475,057	4,654	315,332,091
Bath	12,500	87	4,754	177,826,131	280	44,559,000	1,983	86,692,050
Bell	26,032	42	14,733	438,948,500	630	191,647,554	1,084	28,143,500
Boone	133,581	4	42,768	7,152,303,840	2,676	4,624,962,896	2,511	293,153,979
Bourbon	19,788	58	6,623	636,834,852	536	191,711,985	1,851	368,912,445
Boyd	46,718	21	22,648	1,229,188,321	2,313	686,731,862	1,253	96,584,851
Boyle	30,060	35	10,402	1,042,556,850	862	466,577,050	1,488	185,447,050
Bracken	8,303	107	3,831	144,594,715	259	29,117,465	1,890	105,963,950
Breathitt	12,630	86	5,731	138,741,993	323	79,961,314	3,576	79,743,919
Breckinridge	20,477	55	12,424	604,881,161	599	88,836,725	4,756	239,172,241
Bullitt	81,676	10	30,174	4,200,268,783	1,432	1,281,416,091	2,500	266,981,661
Butler	12,879	84	5,009	199,906,500	366	67,916,560	3,301	155,184,340
Caldwell	12,747	85	5,539	245,046,753	489	102,638,463	2,285	125,450,167
Calloway	39,001	26	31,062	1,402,402,073	1,438	414,284,523	5,563	260,195,797
Campbell	93,584	8	33,565	4,653,368,031	6,073	1,227,488,880	1,891	189,345,910
Carlisle	4,760	117	2,273	77,643,099	173	18,347,192	1,569	94,570,151
Carroll	10,631	97	3,842	233,504,140	438	200,334,113	911	66,957,350
Carter	26,797	39	11,692	411,459,259	682	166,130,698	3,631	149,585,594
Casey	16,159	70	6,498	226,471,495	387	74,685,950	4,182	187,505,450
Christian	70,461	11	21,855	1,809,475,143	1,645	962,488,945	3,956	448,925,400
Clark	36,263	29	13,286	1,493,580,260	949	657,372,750	2,529	255,887,200
Clay	19,901	57	8,465	190,619,500	385	77,603,000	3,298	71,042,715
Clinton	10,218	98	5,626	200,563,421	401	108,228,966	1,783	71,111,801
Crittenden	8,806	104	4,464	157,028,856	333	45,173,946	2,904	155,972,472
Cumberland	6,614	114	3,577	162,937,000	237	35,133,602	1,838	117,368,500
Daviess	101,511	7	35,836	3,819,212,769	4,186	1,792,632,208	4,733	435,980,584
Edmonson	12,150	91	7,374	435,440,107	252	51,007,132	2,211	122,183,898
Elliott	7,517	110	2,131	70,209,708	91	17,222,163	2,180	70,006,240
Estill	14,106	79	6,927	228,558,294	455	68,674,099	2,470	105,247,266
Fayette	323,152	2	98,646	18,607,797,200	9,041	9,147,947,500	2,029	767,150,400
Fleming	14,581	76	5,852	283,044,805	401	80,910,990	2,722	193,431,401
Floyd	35,589	30	23,310	649,467,722	1,671	284,045,825	4,494	124,850,136
Franklin	50,991	19	19,388	2,019,648,188	1,558	943,874,416	1,968	192,088,868
Fulton	5,969	116	2,993	73,987,543	413	59,511,694	1,219	67,604,167
Gallatin	8,869	103	3,639	253,300,494	243	103,260,672	811	66,568,741
Garrard	17,666	66	7,608	540,433,889	417	61,662,043	2,657	135,532,288
Grant	25,069	46	8,349	662,198,833	557	276,914,224	2,916	235,722,729
Graves	37,266	27	18,228	818,568,491	1,797	324,362,619	9,017	402,583,855
Grayson	26,427	41	20,943	760,570,821	1,729	179,118,352	6,788	221,276,769
Green	10,941	94	4,579	175,740,510	318	42,035,990	3,200	128,384,344
Greenup	35,098	31	17,554	919,093,361	854	294,002,229	3,339	132,004,384
Hancock	8,722	105	3,417	177,221,673	285	167,776,914	1,835	87,181,149
Hardin	110,958	6	39,708	4,202,384,700	2,970	1,677,920,586	5,043	400,373,900
Harlan	26,010	43	15,825	393,971,003	1,099	146,208,229	1,380	44,655,798
Harrison	18,886	63	5,990	495,778,891	485	126,703,368	2,618	228,631,703
Hart	19,035	62	7,260	317,836,922	619	169,588,834	4,184	271,691,208
Henderson	45,210	23	16,737	1,387,283,892	1,482	583,562,293	2,943	290,027,550
Henry	16,126	71	5,674	460,329,600	367	84,264,040	2,778	227,658,400
Hickman	4,380	119	2,302	73,160,790	189	22,970,385	1,923	121,778,336

## Property Valuation Administrator's Office Task Force

County	Population		Residential		Commercial		Farm	
	Estimated Count	Rank	Parcels	Assessed Values	Parcels	Assessed Values*	Parcels	Values
Hopkins	44,686	24	22,471	1,208,947,489	2,161	485,293,625	4,780	277,559,048
Jackson	13,329	80	5,380	143,239,516	321	40,968,000	2,786	75,152,650
Jefferson	766,757	1	271,558	43,459,498,109	23,294	22,009,819,472	1,256	172,648,220
Jessamine	54,115	18	17,522	3,042,857,115	1,101	738,482,696	1,981	272,670,002
Johnson	22,188	51	9,906	441,353,509	721	194,184,711	3,161	99,975,229
Kenton	166,998	3	59,437	8,171,757,796	4,414	2,655,172,879	1,043	123,725,700
Knott	14,806	73	7,269	161,742,783	939	76,940,426	3,156	50,182,733
Knox	31,145	32	14,380	514,827,499	773	243,786,939	3,615	97,075,099
LaRue	14,398	77	5,560	374,218,581	333	78,840,960	2,413	158,140,196
Laurel	60,813	15	26,284	1,554,204,481	1,974	761,361,133	4,129	205,471,341
Lawrence	15,317	72	6,715	254,126,496	510	102,470,150	3,367	105,679,864
Lee	7,403	111	4,182	94,637,003	298	54,305,938	1,977	45,103,856
Leslie	9,877	100	7,052	115,701,586	242	32,527,910	2,830	55,624,411
Letcher	21,553	53	10,688	215,903,688	603	109,513,124	2,381	45,617,851
Lewis	13,275	82	6,293	189,772,832	262	38,427,710	3,021	114,470,122
Lincoln	24,549	47	10,676	512,890,965	773	127,981,782	4,153	194,495,557
Livingston	9,194	102	4,946	253,646,323	392	93,245,301	1,852	124,502,250
Logan	27,102	38	12,082	658,567,139	971	255,793,348	5,062	336,948,683
Lyon	8,210	108	6,597	514,099,288	306	91,554,994	1,065	66,453,366
Madison	92,987	9	28,849	2,643,450,560	2,469	1,279,568,232	1,955	211,982,454
Magoffin	12,161	90	8,239	241,281,219	557	84,596,010	998	42,290,643
Marion	19,273	60	4,131	194,827,917	303	60,137,662	2,079	159,056,650
Marshall	31,100	33	29,601	3,446,708,919	2,364	1,155,757,798	3,638	289,654,049
Martin	11,195	93	6,276	106,562,800	288	40,520,511	3,692	46,904,158
Mason	17,070	68	6,842	511,833,814	617	310,417,551	3,016	198,807,302
McCracken	65,418	13	21,342	1,336,208,105	1,311	441,691,361	3,988	226,060,604
McCreary	17,231	67	4,816	95,779,359	559	79,837,492	1,655	29,894,761
McLean	9,207	101	7,203	411,738,499	666	239,901,736	1,672	113,897,345
Meade	28,572	36	12,094	964,040,062	582	131,007,630	2,397	185,636,617
Menifee	6,489	115	4,228	98,993,645	109	10,478,530	1,335	33,171,981
Mercer	21,933	52	8,759	773,950,749	606	234,261,201	2,447	262,422,573
Metcalfe	10,071	99	3,704	117,383,472	299	50,061,703	2,880	116,428,538
Monroe	10,650	96	5,152	155,292,671	425	53,715,781	2,735	122,926,905
Montgomery	28,157	37	10,312	764,260,764	908	338,143,242	1,721	119,242,127
Morgan	13,309	81	4,702	127,660,650	336	51,400,540	3,245	92,977,350
Muhlenberg	30,622	34	16,302	620,805,850	1,034	221,632,832	3,041	182,642,881
Nelson	46,233	22	17,509	1,955,092,341	1,142	614,743,423	3,817	407,571,837
Nicholas	7,269	112	2,576	113,612,935	151	16,060,689	1,597	100,551,471
Ohio	23,994	49	11,169	399,035,890	569	124,077,085	5,670	209,114,320
Oldham	66,799	12	23,153	5,606,166,131	874	533,505,256	1,274	266,647,175
Owen	10,901	95	5,994	300,299,060	239	42,841,425	2,752	174,826,052
Owsley	4,415	118	1,664	36,318,406	81	12,262,100	1,698	37,835,107
Pendleton	14,590	75	4,735	292,484,563	346	66,818,730	2,685	189,710,630
Perry	25,758	45	13,564	460,252,590	1,197	268,561,369	2,747	59,589,584
Pike	57,876	16	33,624	1,007,466,274	1,805	440,359,702	7,832	143,001,761
Powell	12,359	88	7,204	262,919,974	438	84,522,428	1,245	62,953,084
Pulaski	64,979	14	38,856	2,234,535,697	2,519	836,590,449	6,267	349,568,549
Robertson	2,108	120	676	22,387,741	51	4,210,308	825	40,396,490
Rockcastle	16,695	69	7,477	274,239,056	398	75,015,551	2,816	101,237,201
Rowan	24,460	48	8,775	580,346,111	681	325,615,882	1,963	107,906,109
Russell	17,923	65	17,475	562,710,629	796	196,774,173	3,133	129,033,482
Scott	57,004	17	18,083	2,964,988,136	912	1,240,046,317	3,434	367,382,415
Shelby	49,024	20	15,608	2,239,124,845	1,031	633,751,417	4,442	618,267,214
Simpson	18,572	64	7,163	655,364,286	653	361,179,229	1,822	213,440,900
Spencer	19,351	59	6,880	1,015,269,683	231	61,266,976	2,004	195,135,313
Taylor	25,769	44	9,528	643,983,438	903	292,407,972	2,543	140,616,805
Todd	12,294	89	4,850	238,035,131	444	97,592,192	2,412	169,540,414

## Property Valuation Administrator's Office Task Force

County	Population		Residential		Commercial		Farm	
	Estimated Count	Rank	Parcels	Assessed Values	Parcels	Assessed Values*	Parcels	Values
Trigg	14,651	74	16,027	660,824,292	487	87,296,274	1,917	105,371,413
Trimble	8,471	106	3,964	216,207,255	173	25,068,100	1,628	89,327,450
Union	14,381	78	5,789	287,135,482	577	108,421,530	1,824	162,741,782
Warren	132,896	5	39,759	5,660,464,771	3,908	3,320,091,820	4,851	499,951,100
Washington	12,095	92	3,924	273,422,549	293	97,607,981	2,724	176,794,695
Wayne	20,333	56	11,319	490,375,089	592	119,381,494	3,140	132,494,925
Webster	12,942	83	7,378	228,296,112	591	60,200,867	2,925	168,003,509
Whitley	36,264	28	18,808	729,185,897	944	233,698,292	3,572	145,964,850
Wolfe	7,157	113	2,538	66,232,350	200	37,078,700	1,810	64,635,550
Woodford	26,734	40	9,448	1,507,359,275	554	320,507,295	1,506	534,769,522
Total	\$4,467,673	N/A	1,805,690	\$174,673,235,437	136,564	\$73,344,320,919	339,752	\$21,440,299,305

\* Category includes commercial, industrial, and leasehold interest assessed values.

Sources: Kentucky. Finance and Administration Cabinet. Department of Revenue; US. Census Bureau.

### Appeals Of Property Tax Assessments

A property owner who wishes to appeal the PVA's assessment of real property must first request a conference with the PVA during the inspection period. If the dispute cannot be resolved during the conference, the property owner may appeal the assessment to the local board of assessment appeals. When a property owner is dissatisfied with the decision of the local board of assessment appeals, the appeal process can continue at the state level.

### Executive Order To Abolish Kentucky Claims Commission

Previously, property owners would file an appeal at the state level with the Kentucky Claims Commission (KCC); however, on August 31, 2020, the Governor issued an executive order to abolish the KCC (Appendix B). The Governor provided this explanation within the reorganization plan, "While the 2016 reorganization did provide greater efficiency for the Board of Claims and the Crime Victims Compensation Board, it created inefficiencies in the Board of Tax Appeals, which currently has a backlog of approximately 60 cases, some of which are two (2) years old." The executive order creates the Office of Claims and Appeals in place of the KCC. The Office of Claims and Appeals consists of three administrative boards: the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board. Property owners wishing to appeal property taxes will now appeal to the Board of Tax Appeals in order to continue their appeal at the state level.

If the assessment dispute continues after the Board of Tax Appeals issues its order, either party may appeal to the Kentucky court system.

### Dark Store Appraisal Theory

The dark store theory of property valuation suggests that commercial properties should be valued the same regardless of whether the store is currently in operation or vacant. The idea is based on the theory that the properties are difficult to sell because they have little appeal to subsequent buyers. This theory is primarily used in disputing the property taxation value placed on big-box

stores often with 50,000 square feet or more, but has also been used in disputing property taxation values of other types of commercial property.

PVAs value property based on IAAO appraisal theories, which require that property be appraised according to its highest and best use. In accordance with KRS 132.191, PVAs assess property by using the cost approach method, income approach method, and sales comparison approach method. When possible, PVAs use all three approaches to value property and compare the resulting values to determine fair cash value.

The dark store theory's method of valuation and the PVAs' method of valuation can produce significantly different valuations. In some instances, the valuations produced when using the dark store theory are less than 50 percent of the valuations produced by the PVAs.

The dark store theory has been used by owners of property to dispute property values in several states, most of which are located in the Midwest. Some states have proposed legislation to try to prevent further loss in revenues and court cases. The Kentucky PVA Association executive director testified that Kentucky has one court case involving the dark store theory that is currently at the Court of Appeals. He stated that the lower courts have sided with the PVAs' appraisal method.

The Kentucky Retail Federation has provided a letter to the task force stating its comments about the dark store theory and any potential legislation on the matter in Kentucky (Appendix C).

## Chapter 9

### Libraries And Fire Districts

#### Libraries

##### Library Funding

Libraries rely almost entirely on property tax revenues that are generated from the PVA assessments for funding. Libraries do not levy occupational taxes, insurance premium taxes, or fees on utilities. The libraries that are not special purpose governmental entities receive funding from other sources, such as an appropriation from the county's budget.

Approximately 112 libraries are SPGEs. Libraries that are not SPGEs include those in Louisville and Lexington and some smaller libraries that are not taxing districts. SB 5, enacted during the 2020 Regular Session, requires any SPGE that does not have a formal tax rate approval process in place to seek approval for any tax rate that is levied above the compensating tax rate. The provisions of SB 5 are effective beginning January 1, 2021.

Libraries that are SPGEs use the PVAs' assessment data in the tax rate setting process. The PVAs send the assessments to the Department of Revenue for certification. Once certified, the assessment data is forwarded to the Department for Libraries and Archives. KDLA calculates the compensating rate and alternative rates for the libraries. Library boards then hold a meeting to levy a tax rate. Once the tax rate is set, the library reports the rate to the fiscal court and notifies the Department of Revenue and the county clerk for purposes of preparing the tax bill.

Revenues collected from the property tax bills are distributed to the libraries by the county clerk and sheriff. The library district pays a fee to the county clerk and sheriff for their services.

Libraries try to keep 3 months of expenses in reserve to fund their projects. The balance of funds shown in the libraries' records varies depending on the time of year. Libraries receive most of their funding through property tax dollars collected in October through December and then use that money in the next year. The Kenton County Public Library director testified that his library district operates on an annual budget of approximately \$14.5 million and spends approximately \$1.2 million a month.

##### Financial Challenges For Public Libraries

The Kenton County Public Library director testified to the following financial issues facing libraries:

- The elimination of state aid to libraries in the 2020 session
- The increase costs of employee pensions, as part of the Kentucky retirement system
- Educational costs to certify employees who are provided continuing education as required by statute

- Salaries of library clerks, most of whom earn \$20,000 to \$30,000
- The elimination of grant programs from KDLA
- COVID-19 related issues
- Increases in health insurance costs
- Provision of broadband access
- Provision of e-books, which can be expensive as e-books are priced differently to libraries by the book publishers

The Kenton County Public Library director testified that a handful of libraries are danger of closing due to the loss of state aid. He named the following libraries: Ballard, Barren, Carlisle, Carter, Christian, Elliott, Hardin, Hickman, Hopkins, Jefferson, Knott, and Livingston. He also stated that counties with a tax base but with low property valuations per capita of revenue will be negatively affected.

### **Library Services And Programs**

The Oldham County Public Library director testified to the services and programs that libraries offer to the general public. She stated that libraries help people obtain employment by providing online skills training and assistance with résumés and job applications; by providing computers that people can use to manage unemployment claims; and through partnerships with the Kentucky Career Center, Grow with Google, and online job fairs. She also testified that libraries support educators and families learning at home by providing expanded internet and hot spots, offering online tutoring through products such as Brainfuse, and supporting homeschool families with educational programs. She stated that libraries have had to adjust their programs in order to continue operating under COVID-19 guidelines, by evolving traditional library services. Examples of this evolution include conducting outdoor community programs, offering take-home educational kits for kids, and offering children's story time and adult writers groups through Zoom.

## **Fire Districts**

### **Fire District Funding**

Fire districts rely almost entirely on property tax revenues that are generated from the PVA assessments for funding. Fire districts use the PVAs' assessment data in the tax rate setting process. The PVAs send the assessments to the Department of Revenue for certification. Once certified, the assessment data is forwarded to the Department for Local Government, which calculates the compensating rate and alternative rates for the fire districts. The fire district boards then hold a meeting to levy a tax rate. Once the tax rate is set, the fire district reports the rate and notifies the Department of Revenue and the county clerk for purposes of preparing the tax bill. Unlike libraries and other SPGEs, fire districts are exempt from the tax rate approval process established by SB 5 enacted during the 2020 Regular Session.

The tax rate for fire districts is capped at 10 cents per \$100 in assessed valuation. The tax rate cap was established by statute in 1944. It originally applied to volunteer-only fire departments.



Fire districts can collect some revenue from fees charged for inspections through the fire marshal's office. The service fee is \$60 and is set by statute.

### **Financial Challenges For Fire Districts**

The Buechel Fire Protection District Chief testified that increased costs and limited revenues have placed financial strain on fire districts. He stated that fire districts have very limited revenue outside of the property tax revenues and that the property tax rate cap further limits their ability to increase revenues. He listed the following financial issues that fire districts face:

- Fire districts are seeing an increase in service calls. Although fires have decreased over the years, medical calls and other fire district services have increased. The Buechel Fire Protection District Chief stated that the volume of services increased by 65 percent between 2008 and 2018.
- Regulations and training costs have increased. Firefighters are required to have 100 hours each year in continuing education through the fire commission.
- The fire districts' administrative costs have increased. The Buechel Fire Protection District Chief listed health insurance premiums and pension costs as examples. He stated that for members of the County Employees Retirement System, pension costs have increased 12 percent per year.



## Chapter 10

### Recommendations

#### PVA Funding

The Kentucky PVA Association executive director suggested allocating a portion of the state real property tax rate to fund the cost of personnel in PVA offices. Providing a dedicated funding stream ensures that the commonwealth receives all the property tax funds to which it is entitled. Reductions in funding negatively affect the state's ability to collect funds it is due. Allocating a portion of the state real property tax rate will allow the property tax system to fund the costs associated with state and local tax districts, which collect more than \$3.2 billion. He provided the following data:

- The 2019 real property assessment was \$269 billion.
- One cent of state tax rate yields approximately \$25 million.
- The 2019–2020 PVA state budget appropriation is \$56,446,700.
- Fully funded actual costs are \$67,696,700.
- A dedicated rate of 2.7 cents would fund PVA personnel costs.

The Webster County PVA also recommended that a dedicated funding stream be allocated to resolve the funding issues of the PVA offices. He stated that his position is that a portion of the state rate for property tax be earmarked for funding the income-producing department of state government that has become more important than ever for taxing districts.

The Daviess County PVA stated that the only way to solve the PVA funding is a strategic, continuous income stream based on each county's size. She suggested that legislators dedicate a portion of the state tax rate to fund property tax administration.

The Henderson County PVA suggested adding 3 cents to the property tax rate, dedicated to funding the PVAs. He stated that it would fully fund personnel costs at full staffing levels and free up the general fund allocation of more than \$50 million in the state budget.

SPGEs do not pay any amount for their use of the property tax roll. The Kentucky PVA Association executive director, the Webster County PVA, and the Henderson County PVA suggested that legislators enact a reasonable fee on SPGEs for their use of the tax roll.

The Kentucky PVA Association executive director stated that counties and cities contribute funding for PVA offices using formulas developed decades ago. The Henderson County PVA stated that the maximum amount paid for use of the tax roll is \$250,000 for a county and \$50,000 for a city. The Kentucky PVA Association executive director suggested that legislators enact a consumer price index to gradually increase the limits. The Henderson County PVA suggested that the caps be increased.

The Kentucky PVA Association executive director also suggested that a fee be attached to property tax bills, including property taxes on motor vehicles. He stated that approximately 2.2 million property tax bills are generated each year through the county tax rolls. The Henderson County PVA also stated that adding a fee to tax bills would be a way to partially fund PVA offices and relieve the PVAs from having to send their local funds to the state for payroll costs.

### **Expenses Of The PVA Office**

The tangible personal property tax return is a paper return that the property owner files with the PVA. Tangible property tax is self-reported by the owner, and the PVA hand keys the data on the return into the AVIS computer system for processing. The Kentucky PVA Association executive director recommended creating an online electronic business tangible form in place of the paper tangible personal property tax return and allowing it to be filed directly with the Department of Revenue. He stated that an e-file return would free up the PVA's office staff, decrease the number of typos, and encourage more certified public accountants to file the return. He also stated that AVIS is outdated software and is not supported by the KAVIS system that is currently used. Therefore, eliminating the need for AVIS would also result in savings on service and maintenance of that system.

The Kentucky PVA Association executive director suggested that the cost of internet service in PVA offices be analyzed. He stated that, in many cases, using a local carrier could result in faster connection speeds and increased cost effectiveness. The Office of Property Valuation currently pays for internet in the PVA offices that are on the state network. Many counties in recent years have opted to leave the state network due to slow line speeds. In doing so, the PVA offices have incurred an extra burden on the local budget while the state saves money. A comprehensive review of all counties is needed, and a solution that suits both parties could result in substantial savings.

The Kentucky PVA Association executive director also suggested having taxpayers sign up to receive PVA correspondence via email. Assessment notices and tax bills could be sent by email, creating considerable savings in postage and mailing costs if electronic correspondence were permissible in statute.

The Webster County PVA recommended that PVA offices create a good work plan that eliminates redundancy and accomplishes tasks with less cost in an expedient manner. He stated that this method is how his office plans its quadrennial work and field work and that it reduces mileage and windshield time while staff are inspecting or picking up new property.

### **Property Tax Calendar**

The Webster County PVA suggested that the property tax calendar be expanded for PVA offices and the Department of Revenue. He said a more comprehensive calendar is needed that includes

all of the deadlines. Including every deadline that falls between those currently listed on the calendar would create a road map or checklist to get job duties done.

### **Recordkeeping**

PVAs are guided by statute and the KDLA retention schedule for recordkeeping. The Webster County PVA suggested that records be purged regularly and converted to electronic records to reduce storage space issues. He stated that available storage space for records is typically an issue in all counties. Some counties have not purged information to reduce records and save on storage space. Storage spaces often have less than optimal conditions, with physical records being exposed to moisture, heat, and infestation. A move toward digital recordkeeping would save on storage space.

Senator Nemes suggested that perhaps PVA offices could use KDLA for recordkeeping.

The Daviess County PVA recommended that all PVAs be given the ability and funding to have Sentryfile or a similar software to use for storage of all important documents, such as homestead and disability exemptions, conference records, and changes of address.

### **KRS 133.120 Amendment**

The Webster County PVA suggested an amendment for KRS 133.120 to ensure that the taxpayer representatives protesting assessments are qualified. He stated that many taxpayer representatives are acting as advocates for the property owners for a percentage fee of the future tax savings and are not representing the taxpayer to achieve fair cash value of the property. He also stated that PVA offices should make sure that the person who is representing the owner is in compliance with KRS 133.120, which identifies individuals who may represent a property owner for compensation. Taxpayer representatives making protests or appeals should be familiar with property valuation and the Kentucky Revised Statutes.

The Webster County PVA proposed an amendment to make the following changes to KRS 133.120:

- “An attorney” should be changed to “a Kentucky licensed attorney.” The original term is misleading and may encourage unauthorized practice of law inconsistent with license law.
- “A certified public accountant” is inconsistent with license law and should be changed to “a Kentucky licensed certified public accountant.”
- “A certified real estate broker” has no meaning and is covered by “a Kentucky licensed real estate broker,” already in the statute.
- “Any other individual possessing a professional appraisal designation recognized by the department” should be stricken because it is redundant after a previous mention of “A licensed or certified Kentucky real estate appraiser.”

## Training

The Daviess County PVA recommended that the classes given by the Department of Revenue be offered in different parts of the state more frequently. She stated that several offices cannot afford to pay for hotel rooms or lose a deputy for a week. Senator Mills asked if the training could be conducted online, and the Daviess County PVA indicated that it could, which would also be a good option.

The Kentucky PVA Association executive director recommended that internet classes qualify for annual education requirements. He said it would require a small change in current statute, but online classes would be a less expensive method of obtaining education, while eliminating travel costs and time away from the office.

## Technology

The Boone County PVA recommended that all PVAs have oblique aerial imagery.

The executive director of the Department of Revenue Office of Property Valuation suggested that local offices share technology systems. He gave the following reasons for his suggestion:

- Assessment information can be easily transferred electronically from the PVA office to the county clerk's office so that tax bills can be printed.
- Tax bill information will then transfer to the sheriff's office for collection.
- Delinquent tax bill information transfers from the sheriff back to the county clerk.
- Having the county attorney is on the same software would ease the preparation of the statutorily required delinquent notices.
- Each office could provide more information to the taxpayer; having to send the taxpayer from one office to another would be reduced.
- Cost savings could be realized with each office using one system.

The executive director of the Kentucky PVA Association recommended that there be master agreements for commonly used software purchases and gave the Esri master agreement as an example. He stated that the Esri master agreement allows PVA offices to share in the cost of purchasing Esri products with the Department of Revenue, at reduced costs for all participants. He also provided the following list of software with the potential to get a master agreement:

- CLEAR or LexisNexis—These are information services for counties to check compliance with homestead and disability exemptions. They are also used for finding mailing addresses for taxpayers with returned tax bills.
- Pictometry—Statewide flights would be less expensive than individual county flights and would allow small counties to participate, along with other state government entities including Homeland Security, Transportation, Forestry, Fish and Wildlife, Kentucky State Police, E-911, Division of Water, Sanitation, Kentucky Department of Education, and area development districts.

- **Change Finder Technology**—This application allows an old map to be compared to a new map, highlighting structure differences in the two maps. This process recognizes new construction, deletions, and additions for further review by PVA.

### **Dark Store Appraisal Theory**

The Henderson County PVA stated that to address the issue pertaining to property owners using the dark store appraisal theory in appealing their property assessment, a statutory change is needed to add the requirement that the appraisal be based on the highest and best use of the property.

### **Statements From Members**

Sen. Harper Angel provided the following statement:

First of all, thank you for the opportunity to serve as a member of the PVA task force. Having had a long history within the PVA world, as an employee for 16 years, as the elected Jefferson County PVA for an additional 16 years and as the first woman to serve as president of the statewide association, I have a particular interest in offering any insight I can on behalf of this group of elected officials and their staff.

The problems facing the PVAs in my opinion are not related to the tax calendar or with technology; the problem is strictly the fact that they are required to supplement personnel costs from their local budgets to the state. This requirement I believe began around 2002 with a small percentage that has now risen to 64 percent. To my knowledge there are no other elected officials required to send money to the state to ensure that they have the sufficient number of employees to do the work required.

If they didn't do this there would be a drastic number of employees laid off across the state and the property tax system would be crippled. They cannot continue producing a fair and equitable tax roll with such limited staff and resources. A solid fix needs to be applied.

Suggestions during our meetings were:

- Absorbing the personnel cost into the state budget
- Reducing the percentage on an annual basis that is required to supplement salaries
- Increasing the property tax rate with that percentage designated to PVAs
- Applying a fee to the special taxing districts for the use of the tax roll

Presentations were given regarding each of these options other than the idea of gradually reducing the annual supplemental percentage required. This would need to be analyzed by the PVA association as to an effective formula.

We also discussed potential efficiencies and cost savings with aerial photography and a statewide assessment software program. This concerns me that not only the savings may be negligible but that all but one county currently runs software that they and their staff are comfortable with and that it may actually be detrimental to uproot a system that is working. Should those discussions proceed the PVAs definitely need to be involved in the discussions in the beginning rather than being told what they are getting at the end.

The formation of the PVA task force was an excellent idea and I again say thank you both and extend my appreciation to the hard-working staff for their support. Let's fix this for the future.



## Appendix A

### Deputy/Hire Base Billing By County

County	Billing	County	Billing	County	Billing
Adair	\$20,144	Graves	\$58,880	Menifee	N/A
Allen	34,067	Grayson	53,760	Mercer	\$57,984
Anderson	25,600	Green	7,713	Metcalfe	5,713
Ballard	12,105	Greenup	64,944	Monroe	10,222
Barren	100,675	Hancock	15,394	Montgomery	72,960
Bath	4,310	Hardin	376,100	Morgan	7,094
Bell	57,304	Harlan	23,488	Muhlenberg	41,752
Boone	443,424	Harrison	59,751	Nelson	120,064
Bourbon	47,850	Hart	24,216	Nicholas	2,638
Boyd	143,200	Henderson	141,787	Ohio	49,500
Boyle	81,920	Henry	47,500	Oldham	219,565
Bracken	4,547	Hickman	2,194	Owen	11,947
Breathitt	8,478	Hopkins	115,840	Owsley	N/A
Breckinridge	30,209	Jackson	3,537	Pendleton	16,041
Bullitt	233,607	Jefferson	882,006	Perry	38,595
Butler	15,834	Jessamine	99,200	Pike	82,752
Caldwell	17,962	Johnson	25,820	Powell	11,691
Calloway	83,200	Kenton	486,451	Pulaski	131,968
Campbell	303,459	Knott	6,825	Robertson	N/A
Carlisle	771	Knox	44,611	Rockcastle	14,020
Carroll	25,157	LaRue	37,386	Rowan	39,040
Carter	24,106	Laurel	96,000	Russell	31,833
Casey	13,088	Lawrence	16,916	Scott	237,782
Christian	155,277	Lee	2,167	Shelby	157,500
Clark	83,200	Leslie	3,121	Simpson	55,040
Clay	24,123	Letcher	14,720	Spencer	29,532
Clinton	9,118	Lewis	18,719	Taylor	44,160
Crittenden	9,014	Lincoln	27,668	Todd	16,384
Cumberland	5,477	Livingston	16,929	Trigg	28,546
Daviess	237,304	Logan	64,320	Trimble	6,123
Edmonson	24,138	Lyon	22,242	Union	27,552
Elliott	N/A	Madison	156,800	Warren	277,484
Estill	9,695	Magoffin	4,059	Washington	17,474
Fayette	329,600	Marion	41,280	Wayne	30,080
Fleming	17,867	McCracken	225,000	Webster	22,197
Floyd	35,660	McCreary	5,403	Whitley	25,600
Franklin	140,000	McLean	12,976	Wolfe	N/A
Fulton	4,670	Marshall	94,720	Woodford	145,800
Gallatin	15,349	Martin	4,378		
Garrard	20,480	Mason	51,816	Total	\$8,502,955
Grant	59,695	Meade	48,000		

Note: Calculated combined billing = 64 percent. N/A = exempt because local revenues are less than \$10,000.  
Source: Kentucky. Finance and Administration Cabinet. Department of Revenue.



## **Appendix B**

### **Executive Order 2020-708**



**ANDY BESHEAR**  
GOVERNOR

**EXECUTIVE ORDER**

**Secretary of State**  
Frankfort  
Kentucky

2020-708  
August 31, 2020

**RELATING TO THE REORGANIZATION OF THE  
PUBLIC PROTECTION CABINET**

**WHEREAS**, it is the responsibility of state government to provide the citizens of this Commonwealth with an economical and efficient governmental structure, as well as regulatory practices that are administered in a consistent, ethical, and coordinated manner; and

**WHEREAS**, the efficiency and economy of government and more effective delivery of services by the Public Protection Cabinet to the citizens of the Commonwealth of Kentucky will be enhanced by establishing a reorganization plan for the agency; and

**WHEREAS**, KRS 12.020 and KRS 12.252 establish the Public Protection Cabinet and major organizational entities therein; and

**WHEREAS**, the Commonwealth has waived its sovereign immunity to the limited extent provided for in KRS Chapter 49 to allow a person to recover against the Commonwealth for any injury that results from the negligence of the Commonwealth, by and through any of its cabinets, departments, bureaus, or agencies, or any of its officers, agents, or employees while acting within the scope of their employment by the Commonwealth; and

**WHEREAS**, the Commonwealth should offer its care and support to crime victims by providing justly deserved payments in the most efficient and effective manner possible; and

**WHEREAS**, Kentucky's taxpayers, including Kentucky residents and other individuals, Kentucky corporations and other business entities engaged in business in Kentucky, and Kentucky's employers and other employers of Kentucky's citizens must have the ability to challenge revenue and taxation rulings that they may consider arbitrary, capricious, or unsupported, and receive timely decisions; and

**WHEREAS**, the Kentucky Claims Commission serves an important governmental function but has failed to do so in a way that promotes economy or efficiency; and

**WHEREAS**, it has been determined that immediate action can be taken to promote efficiency and improve administration by altering the structure of this commission to create separate boards with separate duties;

**NOW, THEREFORE**, I, Andy Beshear, Governor of the Commonwealth of Kentucky, by virtue of the authority vested in me by the Kentucky Constitution, Section 69 and 81, and KRS 12.028, do hereby Order and Direct the following to take effect immediately upon the filing of this Order:

1. The Kentucky Claims Commission, as established by KRS 49.010, is abolished, and the terms of the members serving on the commission, as it existed prior to the filing of this Order, shall expire immediately upon the filing of this Order.



**ANDY BESHEAR**  
GOVERNOR

**EXECUTIVE ORDER**

**Secretary of State**  
Frankfort  
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2. The Office of Claims and Appeals is created within the Public Protection Cabinet and shall constitute a statutory administrative office of the state government within the meaning of KRS Chapter 12.
  - a. The Office of Claims and Appeals shall consist of three separate and distinct administrative boards attached to the Office within the meaning of KRS 12.020: (1) the Board of Tax Appeals, (2) the Board of Claims, and (3) the Crime Victims Compensation Board.
  - b. The executive director of the Office of Claims and Appeals shall be appointed by the Secretary of the Public Protection Cabinet with the approval of the Governor in accordance with KRS 12.050. The Secretary of the Public Protection Cabinet is the appointing authority for the Office of Claims and Appeals and the executive director shall be directly responsible to the Secretary of the Public Protection Cabinet and shall perform the functions, powers, and duties provided by law and prescribed by the Secretary of the Public Protection Cabinet. The executive director shall (a) carry out the policy and program directives of the Boards; (b) be responsible for the day-to-day operations of the Office; (c) establish appropriate organizational structures and personnel policies; (e) prepare annual reports on the Office's and Boards' activities; (f) prepare budgets; and (g) perform all other duties as directed by the Secretary and the Boards and necessary for the operation of the Office.
3. The Board of Tax Appeals shall consist of three (3) members appointed by the Governor. One (1) member shall be appointed initially for a two (2) year term. One (1) member shall be appointed initially for a three (3) year term. One (1) member shall be appointed initially for a four (4) year term. Thereafter, all appointments to the board shall be for a four (4) year term. Each member may be reappointed for one (1) four (4) year term. Vacancies for unexpired terms shall be filled in the same manner as regular appointments, but the appointees shall hold office only to the end of the unexpired term of the member replaced. The Governor shall designate one (1) of the members of the board to act as chairperson and if the chairpersonship becomes vacant, the Governor shall designate a new chairperson. The Governor shall establish the compensation, not to include benefits, of the members of the board pursuant to the provision of KRS 64.640.
  - a. Each member of the Board of Tax Appeals shall be a person at least thirty-five (35) years of age. One (1) member shall be an attorney with the qualifications required of candidates for Circuit Judge. The other two (2) members shall be persons with a general business background except that not all of the members shall be of the same occupation or profession. No member shall engage in any occupation or business inconsistent with his duties as such a member.
  - b. I appoint the following to serve as members of the Board of Tax Appeals with the following terms:



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- i. Melinda Karns, of Lexington, Kentucky, Chairperson of Board of Tax Appeals, initial term of three (3) years;
- ii. Lanola Parsons, of Harlan, Kentucky, initial term of four (4) years;
- iii. Tony Colyer, of Louisville, Kentucky, initial term of two (2) years.

Please issue commissions to them.

- c. The Board of Tax Appeals is hereby vested with exclusive jurisdiction to hear and determine appeals from final rulings, orders, and determinations of any agency of state or county government affecting revenue and taxation, including appeals currently pending before the Kentucky Claims Commission. Administrative hearings before the Board of Tax Appeals shall be de novo and conducted in accordance with KRS Chapter 13B.
- d. All appeals to the Board of Tax Appeals shall be heard by the full board, except one (1) member or hearing officer may be authorized to hear an appeal by an individual. In any appeal referred to a hearing officer or one (1) member, the hearing officer or member shall tender a recommended order to the full board. The final order in any appeal heard by a single member or hearing officer shall be made and entered by a majority of the board.
- e. The Board of Tax Appeals, in its discretion, may request a hearing officer to assist the board with cases presented to the full board. If requested, a hearing officer shall supervise the presentation of evidence and perform any other duties assigned by the chairperson, the board, or the Executive Director, except that no hearing officer shall render a final decision, opinion or order. However, a hearing officer may hear discovery issues and disputes prior to a scheduled hearing, receive evidence on behalf of the board during the prehearing phase in a particular case, and make interlocutory rulings affecting the competency, relevancy, and materiality of the evidence about to be presented and upon motions presented during the taking of evidence as will expedite the preparation of the case.
- f. Any party aggrieved by any final ruling of the Board of Tax Appeals, except on appeals from a county board of assessment appeals, may appeal to the Franklin Circuit Court or to the Circuit Court of the county in which the party aggrieved resides or conducts his place of business in accordance with KRS Chapter 13B. Any final orders entered on rulings of a county board of assessment appeals may be appealed in like manner to the Circuit Court of the county in which the appeal originated.
- g. If a judicial appeal or cross-appeal is filed by a taxpayer aggrieved by any final ruling of the Board of Tax Appeals, a state or county agency may move the



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circuit court to require the taxpayer to post a bond or other adequate security for the payment of any judgment of the Court if the agency believes its ability to obtain payment from the taxpayer of the taxes, penalties and interest in issue is jeopardized by its inability to proceed with collection, due to the filing of the appeal or cross-appeal by the taxpayer, or if the agency believes that the appeal or cross-appeal is being brought to delay payment of the taxes, penalties and interest in issue. If the Court determines a bond or other security is necessary to protect the interest of the state or county, collection may be stayed in the manner directed by the Rules of Civil Procedure for the filing of a supersedeas bond. To avoid the accruing of additional interest and penalty while an appeal is pending, a taxpayer appealing an order of the Board of Tax Appeals affirming a tax assessment may, prior to the filing of the appeal, pay the agency, under protest, the amount ordered by the Board of Tax Appeals to be paid and seek a refund of taxes, including accrued interest, at issue in the appeal as provided in KRS 134.580. The taxpayer shall pay to the agency any tax included in the assessment not contested prior to the expiration of sixty (60) days after filing the appeal. If the appeal is filed by the agency, the payment of the uncontested tax shall not bar the taxpayer from obtaining a reduction, abatement, and/or refund of any contested tax in the appeal and shall not result in the taxpayer's appeal or cross-appeal being dismissed or delayed or judgment.

4. The Crime Victims Compensation Board shall consist of three (3) members appointed by the Governor, not all of whom shall be engaged in the same occupation or profession, at least one (1) of whom shall be a victim as defined in KRS 421.500(1), the parent, spouse, sibling, or child of a victim as defined in KRS 421.500(1), whether or not the victim is deceased; or a victim's advocate as defined in KRS 421.570(1). One (1) member shall be appointed initially for a two (2) year term. One (1) member shall be appointed initially for a three (3) year term. One (1) member shall be appointed initially for a four (4) year term. Thereafter, all appointments to the board shall be for a four (4) year term. Each member may be reappointed for one (1) four (4) year term. Vacancies for unexpired terms shall be filled in the same manner as regular appointments, but the appointees shall hold office only to the end of the unexpired term of the member replaced. The Governor shall designate one (1) member of the board as chairperson. The Governor shall fill any vacancy in the chairpersonship. The Governor shall establish the compensation, not to include benefits, of the members of the board pursuant to the provisions of KRS 64.640.
  - a. The Crime Victims Compensation Board is hereby vested with exclusive jurisdiction to hear and determine all matters relating to claims for compensation, including claims currently pending before the Kentucky Claims Commission, and the power to reinvestigate or reopen claims without regard to statutes of limitations, and to hold hearings in accordance with the provisions of KRS Chapter 13B. The powers provided in this subsection may be delegated by the board to any member or employee of the Office or a hearing officer.



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- b. I appoint the following to serve as members of the Crime Victims Compensation Board with the following terms:
- i. Dale Sights, of Henderson, Kentucky, Chairperson of Crime Victims Compensation Board, initial term of three (3) years;
  - ii. Joseph Childers, of Lexington, Kentucky, Chairperson of Board of Claims, initial term of four (4) years;
  - iii. Michael Plummer, of Fort Mitchell, Kentucky, initial term of two (2) years.

Please issue commissions to them.

5. The Board of Claims is vested with full power and authority to investigate, hear proof, and to compensate persons for damages sustained to either person or property as a proximate result of negligence on the part of the Commonwealth, any of its cabinets, departments, bureaus, or agencies, or any of its officers, agents, or employees while acting within the scope of their employment by the Commonwealth or any of its cabinets, departments, bureaus, or agencies, including claims currently pending before the Kentucky Claims Commission. Any claim against the Commonwealth, its departments, agencies, officers, agents, or employees, or a school district board of education, its members, officers, agents, or employees for damages sustained as the result of exposure to asbestos before, during or after its removal from a facility owned, leased, occupied, or operated by the Commonwealth or a school district board of education shall be brought before the Board of Claims. Except as herein provided, the board shall be independent of all agencies, cabinets, and departments of the Commonwealth except as provided in KRS 49.040 to 49.170.
- a. The board shall be composed of the members of the Crime Victims Compensation Board. The members shall not be entitled to additional compensation for their services on the Board of Claims. The Governor shall designate a member of the board to serve as chairperson for a term of four (4) years. The Governor shall fill any vacancy in the chairpersonship. No member shall serve as chairperson of the Crime Victims Compensation Board and as chairperson of the Board of Claims at the same time.
  - b. If an appointed board member has a conflict of interest, as defined by KRS chapter 11A, with respect to a matter scheduled before a full board or hearing officer, the Secretary of the Cabinet shall appoint a member of one of the other boards administered by the Office of Claims and Appeals as a substitute member. Following appointment, the substitute board member shall serve in place of the member who has a conflict for all actions and votes relevant to that matter.
6. Members of the Board of Tax Appeals, Board of Claims, and Crime Victims Compensation Board shall receive new member orientation and annual training to






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- discuss new legislation, pertinent court decisions, and board policies and procedures.
7. The principal office of the Office of Claims and Appeals shall be at Frankfort, Kentucky and shall be open during regular working hours for the conduct of its business. Any board may hold hearings outside of Frankfort with a view to securing the opportunity for citizens to appear before it with as little inconvenience and expense as practicable.
  8. In order to carry out the provisions and purposes of this Executive Order, the Office of Claims and Appeals shall be authorized to promulgate administrative regulations that are necessary.
  9. Except to the extent required by the differences between the Order and its application, and KRS Chapter 49, the provisions of law that apply to the Kentucky Claims Commission as contained in KRS Chapter 49, *et seq.*, shall remain in full force and effect and apply to the Office of Claims and Appeals, the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board.
  10. The Public Protection Cabinet, the Finance and Administration Cabinet, Office of State Budget Director, and the Personnel Cabinet, shall take all necessary action to effectuate the provisions of this Order.
  11. This Order shall be effective September 1, 2020.

  
ANDY BESHEAR, Governor  
Commonwealth of Kentucky

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MICHAEL G. ADAMS  
Secretary of State



**ANDY BESHEAR**  
GOVERNOR

**EXECUTIVE ORDER**

**Secretary of State**  
Frankfort  
Kentucky

**2020-708**  
**August 31, 2020**

**REORGANIZATION PLAN**

It is the policy of this Administration to provide the citizens of the Commonwealth with an economical and efficient governmental structure and to administer regulatory practices in a consistent, ethical, and coordinated manner. Therefore, pursuant to the provisions of KRS 12.028, the Governor implements the attached Executive Order to abolish the Kentucky Claims Commission and create the Office of Claims and Appeals, the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board to provide for the more expeditious determination of tax appeals until subsequent ratification or non-ratification by the General Assembly.

**EXPLANATION OF CHANGE**

This Executive Order abolishes the Kentucky Claims Commission and creates the Office of Claims and Appeals, which includes the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board. While the 2016 reorganization did provide greater efficiency for the Board of Claims and the Crime Victims Compensation Board, it created inefficiencies in the Board of Tax Appeals, which currently has a backlog of approximately 60 cases, some of which are two (2) years old.

The current reorganization promotes greater efficiency in the administration of tax appeals by separating the Board of Tax Appeals from the Board of Claims and the Crime Victims Compensation Board. These Boards hear different types of cases, and the expertise and experience needed to serve on the Boards are different. For example, one of the qualifications for membership on the Crime Victims Compensation Board is being a crime victim, the family member of a crime victim, or a victim's advocate. Membership on the Board of Tax Appeals, however, requires at least one (1) attorney, and two (2) individuals with a general business background. The differences in expertise needed is highlighted when the litigation involves complex questions of tax law before the Board of Tax Appeals.

**BUDGET AND FISCAL IMPACT**

The only increase in expenditures will be the addition of three (3) board members. Compensation and operating costs will be approximately \$45,000.

**IMPROVEMENTS**

In 2016, the Board of Tax Appeals, the Board of Claims, and the Crime Victims Compensation Board were consolidated into the Claims Commission, and the number of Board members was reduced from eight (8) to three (3). This consolidation assisted in resolving the backlog in the cases before the Board of Claims and the backlog in compensation to crime victims. It created, however, a backlog of appeals before the Board of Tax Appeals. There are now 151 cases pending before the Board including 43 from 2018 and 103 from 2019. The backlog of tax cases currently before the Board of Claims involves a significant sum, which negatively affects the State's ability to appropriate revenue and raises concerns with respect to the procedural due process rights of taxpayers.



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PERSONNEL IMPACT

The transition from the Claims Commission to the Office of Claims and Appeals will cause no changes to the number of current support staff. The number of board members will increase from three (3) to six (6). Three board members will serve on both the Crime Victims Compensation Board and the Board of Claims. The only increase in personnel is the three (3) additional Board members that will sit on the Board of Tax Appeals.



## Appendix C

### Letter From The Kentucky Retail Federation

Rep. Randy Bridges  
Co-Chair of the PVA Taskforce  
702 Capital Ave.  
Frankfort, Ky 40601

Sent electronically to: [randy.bridges@lrc.ky.gov](mailto:randy.bridges@lrc.ky.gov)  
Committee Staff Jennifer Hays: [jennifer.hays@lrc.ky.gov](mailto:jennifer.hays@lrc.ky.gov)

Dear Chairman Bridges:

On behalf of retailers located in the commonwealth, the Kentucky Retail Federation is writing to you regarding property assessments of retail and commercial properties which have been discussed in the PVA Task Force meetings. The Kentucky Retail Federation respectfully requests the following comments be submitted to all PVA Task Force members and placed on the record for consideration as part of the task force's final report.

In Kentucky, the retail industry is the largest employer in the commonwealth, and retailers and their employees pay significant state and local taxes every year—including, sales, income and property taxes. Retailers are an essential part of the fabric of our communities.

But the business of retailing has changed dramatically because of consumers moving to online sales, which has led to fewer brick and mortar retailers over the last few years. This change has only been accelerated by the recent global pandemic, which led to 20 national retailers filing for bankruptcy this year alone. Some retailers are reducing their physical footprint in response to these market forces as well. As retailers are trying to stay open during the global pandemic, now is not the time to propose legislation that will negatively impact the retail industry even further. Property assessors may not recognize these realities as contributing to the overall lower property assessments.

Kentucky Retail Federation staff has closely monitored the proceedings of the PVA Task Force, and we have concerns about some discussion points brought up by PVAs testifying before the committee; specifically dark store theory and the valuation of triple net leases. Dark store theory is not an issue unique to Kentucky; instead property assessors in other states have tried to remove vacant properties to determine the appraisal value of a property, leading to the over-assessing of property. The issue of triple net leases is in essence an attempt to value not just the land and structure, but on the profitability of the business itself. The net effect of these actions is double taxation as retailers already pay income taxes.

The Federation and its members believe that property assessments should be based on sound, longstanding valuation principles, such as the Uniform Standards of Professional Appraisal Practice and Appraisal Institute principles. In fact, Kentucky's Constitution requires property taxes to be uniform (*Section 171*). Dark store legislation seeks to manipulate best practices by inventing new, less credible valuation rules designed to increase assessments on commercial property. In dark store theory, assessors try to weaken the application of sound valuation principles by valuing retail properties based on the current occupant and income they generate on the property. This creates non-uniform assessments that put some Kentucky businesses at a competitive disadvantage.

Retailers believe that property tax should be based on bricks, sticks and land. Some property assessors have tried to assess the property based on the current occupant and the income they generate on the property. Retailers already pay income taxes in the Commonwealth and should not be subject to double taxation on income generated. This also creates an unlevel playing field for retailers as some will pay more in property taxes and others will pay less, because of the income generated at one location versus another.

Property valuation administrators in Kentucky seem to recognize this inequity based on a presentation by three PVAs titled "The Valuation of Net Leased Drugstore Properties" presented by Larry Harney (Scott County), Thomas Hart (Jefferson County) and Justin Stevens (Fayette County). In the presentation, it notes that companies with higher credit ratings with triple net leases are a higher value than companies with lower credit ratings. Basing property assessment in some part on credit ratings would set non-uniform taxation, which is not allowed under the *Section 171 of the Kentucky Constitution*. Real estate tax should just be based on taxing real estate and not the business value and the tenant of the property should be irrelevant.

Retailers also point out that the statutes should clarify that assessors are required to value the fee based on simple interest for all parties. By clarifying the definition of real property it would ensure property assessments in Kentucky are in compliance with the Kentucky Constitution and reduce the number of tax appeals. Another suggested change is in relation to the appeals process. A recommendation would be to make the standard of review regarding factual findings when a case reaches the Kentucky Board of Tax Appeals to be *de novo*.

In summary, property valuation in Kentucky should be based on sound and standard appraisal practices. In accordance with Section 172 of the Kentucky, property should be assessed at fair cash value—property not business value. The Constitution in Section 171 also requires uniformity and assessing the value of a property based on the business is not uniform. Retailers' brick and mortar footprints are shrinking, especially in the wake of the global pandemic. To keep retailers located in Kentucky operating and employing Kentuckians, we urge the PVA Task Force not to support any legislation addressing dark store theory. Dark store theory legislation will simply lead to more dark stores. Finally, no statutory changes should be made that would create winners and losers based on solely property assessments.

If you have additional questions or would like more information, please feel free to contact the Kentucky Retail Federation and we would be happy to provide such additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shannon Stiglitz", with a long horizontal flourish extending to the right.

Shannon Stiglitz

