

1 AN ACT relating to property assessments.

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

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

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

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

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

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

17 **,with the valuation specifically including but not limited to:**

18 **1. Rental income pursuant to an existing lease;**

19 **2. Terms of any existing lease allocating financial duties related to the**  
20 **operation and maintenance of leased property;**

21 **3. Terms of any existing lease allocating financial duties related to the**  
22 **payment of insurance premiums, property taxes, and any other**  
23 **governmentally imposed expenditures applicable to leased property;**

24 **4. Terms of any existing lease establishing a rental amount as fixed or**  
25 **based upon sales revenue recognized by a lessee;**

26 **5. Terms of any existing lease establishing the length or duration of the**  
27 **leasehold; and**

1           6. Terms of any existing lease related to a rental increase, decrease,  
2           setoff, abatement, and any defense to payment;

3           (c) A sales comparison approach, which is a method of appraisal based on a  
4           comparison of the property with similar properties sold in the recent past;  
5           and]

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

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

10          b. Sales or rentals of properties that are similar to the property  
11          being assessed with regard to age, condition, use, type of  
12          construction, location, design, physical features, and economic  
13          characteristics, including similarities in occupancy and the  
14          potential to generate rental income.

15          2. Properties shall not be considered similar properties for purposes of  
16          the sales comparison approach if any of the following applies:

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

22          b. The property is dark property and the property being assessed is  
23          not dark property.

24          3. As used in this paragraph:

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

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

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

- 9                   1. When subdivision and development are the highest and best use of the  
10                   parcel of raw land being appraised; and  
11                   2. When all direct and indirect costs and entrepreneurial incentives are  
12                   deducted from the estimated anticipated gross sales price of the finished  
13                   lots, and the resultant net sales proceeds are then discounted to present  
14                   value at a market-derived rate over the development and absorption  
15                   period.

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

- 18           (a) The Kentucky Department of Revenue, as stated in its Guidelines for  
19           Assessment of Vacant Lots, dated March 26, 2008; or  
20           (b) The International Association of Assessing Officers.

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

- 24           (a) Holding costs, including interest and maintenance;  
25           (b) Marketing costs, including commissions and advertising; and  
26           (c) Entrepreneurial profit.

27   **(5) The appraisal of real property shall:**

1 (a) Meet the minimum applicable appraisal standards established by the  
2 International Association of Assessing Officers;

3 (b) Reflect the reasonable, probable, and most profitable use of the property  
4 that is legally permissible, physically possible, and financially feasible; and

5 (c) Take into consideration any value that is added to a property from a lease  
6 that encumbers the property.

7 ➔ Section 2. KRS 133.120 is amended to read as follows:

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

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

17 a. An attorney licensed to practice law in the Commonwealth of  
18 Kentucky;

19 b. A certified public accountant who is authorized under KRS  
20 Chapter 325 to practice public accounting in the Commonwealth  
21 of Kentucky;

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

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

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

27 ~~e.~~ ~~f.~~ A ~~licensed or certified Kentucky~~ real estate appraiser licensed or

1 **certified under KRS Chapter 324A; or**

2 ~~f.[g.]~~ An appraiser who possesses a temporary practice permit or  
3 reciprocal license or certification in Kentucky to perform  
4 appraisals and whose license or certification requires him or her to  
5 conform to the Uniform Standards of Professional Appraisal  
6 Practice~~;~~ ~~or~~

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

9 2. A person representing a property owner before the property valuation  
10 administrator shall:

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

13 **b. Possess knowledge of valuing property specific to the**  
14 **geographical area of the property in dispute;**

15 **c.** Present written authorization from the property owner which sets  
16 forth his or her professional capacity; **and**

17 **d.** ~~[and shall]~~ Disclose to the property valuation administrator any  
18 personal or private interests he or she may have in the matter,  
19 including any contingency fee arrangements, except that attorneys  
20 shall not be required to disclose the terms and conditions of any  
21 contingency fee arrangement.

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

27 (d) The property valuation administrator or his or her deputy shall keep a record

1 of each conference which shall include but not be limited to the initial  
2 assessed value, the value claimed by the taxpayer, an explanation of any  
3 changes offered or agreed to by each party, and a brief account of the outcome  
4 of the conference.

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

6 (2) (a) Any taxpayer still aggrieved by an assessment on real property made by the  
7 property valuation administrator after complying with the provisions of  
8 subsection (1) of this section may appeal to the board of assessment appeals.

9 (b) The taxpayer shall appeal his or her assessment by filing in person or sending  
10 a letter or other written petition to the county clerk stating the reasons for  
11 appeal, identifying the property for which the appeal is filed, and stating the  
12 taxpayer's opinion of the fair cash value of the property.

13 (c) The appeal shall be filed no later than one (1) workday following the  
14 conclusion of the inspection period provided for in KRS 133.045 or no later  
15 than the last day of an extension granted under paragraph (d) of this  
16 subsection.

17 (d) A property valuation administrator may make a written request to the  
18 department to extend the deadline in his or her county of jurisdiction to allow  
19 the completion of the conferences requested during the inspection period  
20 required by subsection (1)(a) of this section and to extend the filing deadline  
21 for appeals to the board of assessment appeals. If approved by the department,  
22 the deadline for the completion of the conferences requested during the  
23 inspection period and filing appeals shall be extended for a period not to  
24 exceed twenty-five (25) days from the date of the original filing deadline.

25 (e) The county clerk shall notify the department of all assessment appeals and of  
26 the date and times of the hearings.

27 (f) The board of assessment appeals may review and change any assessment

1           made by the property valuation administrator upon recommendation of the  
2           county judge/executive, mayor of any city using the county assessment, or the  
3           superintendent of any school district in which the property is located, if the  
4           recommendation is made to the board in writing specifying the individual  
5           properties recommended for review and is made no later than one (1) work  
6           day following the conclusion of the inspection period provided for in KRS  
7           133.045, or no later than the last day of an extension granted under paragraph  
8           (d) of this subsection, or upon the written recommendation of the department.  
9           If the board of assessment appeals determines that the assessment should be  
10          increased, it shall give the taxpayer notice in the manner required by  
11          subsection (4) of KRS 132.450, specifying a date when the board will hear the  
12          taxpayer, if he or she so desires, in protest of an increase.

13          (g) Any real property owner who has listed his or her property with the property  
14          valuation administrator at its fair cash value may ask the county board of  
15          assessment appeals to review the assessments of real properties he or she  
16          believes to be assessed at less than fair cash value, if he or she specifies in  
17          writing the individual properties for which the review is sought and factual  
18          information upon which his or her request is based, such as comparable sales  
19          or cost data and if the request is made no later than one (1) work day  
20          following the conclusion of the inspection period provided for in KRS  
21          133.045, or no later than the last day of an extension granted under paragraph  
22          (d) of this subsection.

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

26          (3) (a) The board of assessment appeals shall hold a public hearing for each  
27          individual taxpayer appeal in protest of the assessment by the property

1 valuation administrator filed in accordance with the provisions of subsection  
2 (2) of this section, and after hearing all the evidence, shall fix the assessment  
3 of the property at its fair cash value.

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

6 (c) The taxpayer shall provide factual evidence to support his or her appeal. If the  
7 taxpayer fails to provide reasonable information pertaining to the value of the  
8 property requested by the property valuation administrator, the department, or  
9 any member of the board, his or her appeal shall be denied.

10 (d) This information shall include but not be limited to the physical characteristics  
11 of land and improvements, insurance policies, cost of construction, real estate  
12 sales listings and contracts, income and expense statements for commercial  
13 property, and loans or mortgages.

14 (e) The board of assessment appeals shall only hear and consider evidence which  
15 has been submitted to it in the presence of both the property valuation  
16 administrator or his or her designated deputy and the taxpayer or his or her  
17 authorized representative.

18 (4) (a) Any person receiving compensation to represent a property owner in an appeal  
19 before the board shall be:

20 1. An attorney licensed to practice law in the Commonwealth of  
21 Kentucky;

22 2. A certified public accountant who is authorized under KRS Chapter  
23 325 to practice public accounting in the Commonwealth of Kentucky;

24 3. A ~~certified~~ real estate broker who is authorized under KRS Chapter  
25 324 to practice real estate brokerage in the Commonwealth of  
26 Kentucky;

27 ~~[4. A Kentucky licensed real estate broker;]~~

- 1           ~~4.~~<sup>5.</sup> An employee of the **property owner**~~[taxpayer];~~  
2           ~~5.~~<sup>6.</sup> A ~~[licensed or certified Kentucky]~~ real estate appraiser **licensed or**  
3           **certified under KRS Chapter 324A; or**~~;~~  
4           ~~6.~~<sup>7.</sup> An appraiser who possesses a temporary practice permit or reciprocal  
5           license or certification in Kentucky to perform appraisals and whose  
6           license or certification requires him or her to conform to the Uniform  
7           Standards of Professional Appraisal Practice~~;~~ ~~or~~  
8           ~~8. Any other individual possessing a professional appraisal designation~~  
9           ~~recognized by the department].~~

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

- 12           ~~1.~~ **Possess knowledge of applicable laws and the valuation methods**  
13           **permitted by subsection (2) of Section 1 of this Act;**  
14           ~~2.~~ **Possess knowledge of valuing property specific to the geographical**  
15           **area of the property in dispute;**  
16           ~~3.~~ Present a written authorization from the property owner which sets forth  
17           his or her professional capacity; **and**  
18           ~~4.~~ ~~[and shall]~~ Disclose to the county board of assessment appeals any  
19           personal or private interests he or she may have in the matter, including  
20           any contingency fee arrangements, except that attorneys shall not be  
21           required to disclose the terms and conditions of any contingency fee  
22           arrangement.

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

26       (6) The board shall report to the property valuation administrator any real property  
27       omitted from the tax roll. The property valuation administrator shall assess the

1 property and immediately give notice to the taxpayer in the manner required by  
2 KRS 132.450(4), specifying a date when the board of assessment appeals will hear  
3 the taxpayer, if he or she so desires, in protest of the action of the property valuation  
4 administrator.

5 (7) The board of assessment appeals shall have power to issue subpoenas, compel the  
6 attendance of witnesses, and adopt rules and regulations concerning the conduct of  
7 its business. Any member of the board shall have power to administer oaths to any  
8 witness in proceedings before the board.

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

11 (9) No appeal shall delay the collection or payment of any taxes based upon the  
12 assessment in controversy. The taxpayer shall pay all state, county, and district taxes  
13 due on the valuation which he or she claims as true value and stated in the petition  
14 of appeal filed in accordance with the provisions of subsection (1) of this section.  
15 When the valuation is finally determined upon appeal, the taxpayer shall be billed  
16 for any additional tax and interest at the tax interest rate as defined in KRS  
17 131.010(6) from the date when the tax would have become due if no appeal had  
18 been taken. The provisions of KRS 134.015(6) shall apply to the tax bill.

19 (10) Any member of the county board of assessment appeals may be required to give  
20 evidence in support of the board's findings in any appeal from its actions to the  
21 Board of Tax Appeals pursuant to KRS 49.220. Any persons aggrieved by a  
22 decision of the board, including the property valuation administrator, taxpayer, and  
23 department, may appeal the decision to the Board of Tax Appeals pursuant to KRS  
24 49.220. Any taxpayer failing to appeal to the county board of assessment appeals, or  
25 failing to appear before the board, either in person or by designated representative,  
26 shall not be eligible to appeal directly to the Board of Tax Appeals.

27 (11) The county attorney shall represent the interest of the state and county in all

1       hearings before the board of assessment appeals and on all appeals prosecuted from  
2       its decision. If the county attorney is unable to represent the state and county, he or  
3       she the fiscal court shall arrange for substitute representation.

4       (12) Taxpayers shall have the right to make audio recordings of the hearing before the  
5       county board of assessment appeals. The property valuation administrator may  
6       make similar audio recordings only if prior written notice is given to the taxpayer.  
7       The taxpayer shall be entitled to a copy of the department's recording as provided in  
8       KRS 61.874.

9       (13) The county board of assessment appeals shall physically inspect a property upon the  
10      request of the property owner or property valuation administrator.