

**14. Are leasehold improvements considered to be taxable tangible property?**

No. Any alterations, additions, or improvements made by an owner or tenant to real property which are permanently affixed and add value to the property should be included in the real property valuation. Property classified as a leasehold improvement includes, but is not limited to: carpeting, paneling, water sprinkler systems, landscaping, windows, permanent lighting systems, permanent walls and ceilings, centralized heating and cooling systems, and loading and unloading platforms.

**15. Can a taxpayer protest a tangible property assessment?**

Yes. Any taxpayer aggrieved by an assessment may protest through the provisions of KRS 131.110. The protest shall be made in writing and shall consist of a statement and supporting evidence setting forth the grounds upon which the protest is made. The statement should also include a complete description of property, the original cost, date of acquisition, and the condition of the property. Any assessment not protested within 45 days from the date of notice of assessment shall be final.

**16. What is omitted personal property? Are the tax rates the same?**

Omitted personal property is that property which was discovered or reported too late to be included on a county's yearly certified tax roll. This includes returns filed after the May 15th due date. Omitted property is assessed by the Department of Revenue. The actual tax rates for omitted property are the same. However, in accordance with KRS 132.290, a penalty of 10% for voluntary late filed listings and 20% for involuntary listings will be applied to the tax, plus interest starting one year from the assessment date.

**17. When can an assessment be reopened or increased?**

The Department of Revenue may assess, audit, or

reopen an assessment within five (5) years after the due date of the return. Notice of the increase shall be given to the taxpayer, who may protest the increase and offer evidence that no adjustment should be made. The assessment of omitted property and the revaluation of properly listed property are covered by separate statutes (KRS 132.320 and 132.360).

**18. Can tangible returns be amended?**

Yes. Taxpayers who discover an error on their personal property tax returns can file amended returns along with an explanation of why they are being amended and documentation to support the changes. Form 62A500 should be completed with "Amended" written at the top. Amended returns resulting in a possible refund should be filed within 2 years of the date of payment, in accordance with KRS 134.590. A refund application (Revenue Form 62A366R), should be included with the amended return. It can be obtained by contacting the local PVA Office or the Office of Property Valuation.

**19. Does the Department of Revenue actively promote the discovery of omitted or undervalued tangible personal property?**

Yes. DOR vigorously pursues a compliance program for the purpose of discovering, assessing, and billing tangible personal property that has been omitted, undervalued, or incorrectly reported.

**20. Where should the Tangible Personal Property Tax Return be mailed?**

It is recommended that timely filed returns be mailed to the PVA Office in the county where the property is located, and late filed returns should be mailed to the local PVA or to the Department of Revenue, Division of State Valuation, 501 High Street, Station 32, Frankfort, KY 40601. Use the correct year form based on the January 1st assessment date.



# The Assessment of Tangible Personal Property Taxes

ANSWERS TO  
FREQUENTLY ASKED  
QUESTIONS



**Kentucky Department of Revenue  
Office of Property Valuation  
Division of State Valuation  
502-564-2557**



**1. Is tangible personal property subject to ad valorem taxation, and what types should be listed?**

All property in Kentucky, unless exempted by the Kentucky Constitution or statute, is subject to taxation. Tangible personal property is not exempted. It consists of physical property that includes, but is not limited to: business furnishings and equipment, Coast Guard documented watercraft, aircraft, manufacturing machinery, inventories, materials and supplies, artwork, antiques, coin collections, and construction equipment. Excluded from the listing are Kentucky registered automobiles and watercraft, which are automatically reported at the county courthouse each year when the registration is renewed.

**2. Is tangible property located in the taxpayer's home subject to taxation?**

No, if the property consists of household goods and personal effects such as furniture and appliances that are necessary for the enjoyment of the home. However, when a business is operated from the home, the personal property used and associated with the business is considered to be taxable tangible property. Examples include office desks and furniture, computers, and office supplies. Furniture and appliances used in rental properties, hotels, and motels are taxable tangible property.

**3. When is the assessment date for tangible personal property?**

The assessment date is January 1st of each year.

**4. How should tangible property be listed?**

It is the responsibility of anyone owning or having beneficial interest in tangible personal property to list such property with the Property Valuation Administrator (PVA) or with the Kentucky Department of Revenue (DOR), between January 1st and May 15th of each year. Tangible property is listed on the Tangible Personal Property Tax Return (Revenue Form 62A500) and should be filed separately from other tax returns.

**5. Are filing extensions permissible?**

No. Extensions are not allowed for property taxes.

**6. In what county is tangible property reported?**

Tangible property should be reported in the county where it is located. If the tangible property is highly mobile (for example, construction equipment), it should be reported in the county where it is principally located.

**7. Can an alternative valuation method for tangible property be utilized?**

Yes, but it should originally be reported using the composite factors, methods, and guidelines provided with the standard return, Form 62A500. If a taxpayer believes the composite factors in the return have overvalued or undervalued the property, the taxpayer may petition the Department of Revenue to accept an alternative reporting method. The taxpayer must file the original return and the affidavit of alternative valuation with the Division of State Valuation, not the local PVA. The affidavit must include a proposed alternative valuation method, justification of the method chosen, and detailed documentation that can include, but is not limited to: independent appraisals, actual production, and sales and usage reports that support the proposed method. Accepting the alternative valuation method as filed in order to expedite the processing of the return does not affect the Department's right to eventually audit the return and the method used.

**8. Do out-of-state companies have to list their tangible property located in Kentucky?**

Yes. As a general rule, tangible property shall be taxed at the place where it is physically located and customarily kept. Tangible property owned by an out-of-state company and located at a site in Kentucky shall be assessed at that site until the taxpayer can show proof that the location is temporary rather than indefinite.

**9. Should non-Kentucky registered watercraft located in Kentucky be reported for property tax purposes on a Tangible Personal Property Tax Return?**

Yes. Watercraft is considered tangible property and should be taxed at the location where it is used. Non-

Kentucky registered watercraft is taxable at the location of use or the county where moored or docked. Non-Kentucky registered watercraft should be reported on Revenue Form 62A500-W.

**10. Should the taxpayer file a Tangible Personal Property Tax Return, Revenue Form 62A500, for every location containing tangible property?**

Yes. A Tangible Personal Property Tax Return must be filed for each location within Kentucky. Each return reflects the appropriate district within the appropriate county. Tax rates vary from district to district.

**11. Should a taxpayer report leased property?**

Yes. Leased property must be listed by the owner on Revenue Form 62A500, regardless of the lease agreement's terms regarding tax liability. Leased assets should be classified based on their economic life. Tangible personal property held under a capital lease shall be reported by the lessee. Tangible personal property held under an operating lease shall be reported by the lessor. The tax return must contain the name of the lessee and the location of the property. The lessee must file Revenue Form 62A500-L.

**12. How should taxpayers determine the value of inventories?**

Inventories are considered to be only those goods a business holds for resale. List inventories at fair cash value using full absorption first-in-first-out (FIFO) costs. Such costs include freight, labor, taxes and duties. LIFO deductions are not allowable.

**13. Are materials & supplies valued as inventories?**

No. Materials and supplies should be reported on Schedule C of Form 62A500 and are subject to full state and local rates. Materials, supplies, and spare parts normally expensed must be segregated and valued separately. Any supplies included in inventory should be removed from the inventory value and reported on Schedule C. In all cases list such property at its original cost. In the absence of year end totals, use the yearly expense accounts total divided by 12.