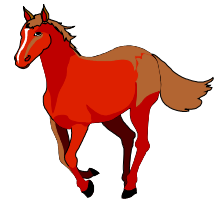




PROPERTY TAX NEWS



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MARIAN DAVIS APPOINTED COMMISSIONER OF DEPARTMENT OF PROPERTY VALUATION

Governor Ernie Fletcher has named Laurel County PVA Marian Davis commissioner of the Finance and Administration Cabinet's Department of Property Valuation. Davis' appointment is effective June 1, 2004.

Davis has been the Laurel County PVA since December 1998. Prior to being elected to that position, she worked for 25 years as a deputy in the PVA's office. She left her position April 30.

"Davis' years of experience and expertise make her uniquely qualified for this position," stated Governor Fletcher. Finance and Administration Cabinet Secretary Robbie Rudolph said "We are very pleased to have someone with Marian's experience assuming this role."

A special examination for residents of Laurel County interested in serving the remainder of Davis' term as PVA has been scheduled for Friday, June 11 at the Laurel Campus of Somerset Community College in London.

Davis is the first woman to be named head of property tax administration in Kentucky. She is the eighth commissioner since Property Valuation became a Department in 1982.



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PROPERTY TAX LEGISLATION PASSED BY THE 2004 GENERAL ASSEMBLY

The 2004 Session of the Kentucky General Assembly continued the recent trend of fewer bills passed. Only 165 bills made it through both houses, or 16.5 percent of the 1,000 bills introduced in 2004, compared to 20.6 percent of bills introduced in 2003. The House passed 108 of 715 bills in 2004, or 15 percent, with the Senate passing 57 of 285 bills, or 20 percent.

On the property tax front, over 40 bills were filed that, if made law, would have had a direct impact on property tax administration. Of these, only four passed, two dealing with local property tax rates, one dealing with delinquent property tax collections and one dealing with institutional intangible property taxes.

House Bill 292, which passed the House 92-0, was originally written to address a corporate license tax issue. But it was amended on the Senate floor to provide a break to Agricultural Credit Associations, now centrally assessed under KRS 136.300, by allowing a revised method of calculating taxable capital. The amended bill, which was finally passed after 11:00 p.m. on the final night of the session, will have a revenue impact of approximately \$1 million per year on the General Fund. In three floor votes, not a single dissenting vote was cast against HB 292.

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2004 LEGISLATION

(continued from page 1)

House Bill 373 allows cities to levy a separate, presumably higher, rate of taxation on “abandoned urban property.” This rate is specifically exempt from the requirements of KRS 132.027, or House Bill 44. The abandoned urban property program has been allowed in Louisville since 1990, and HB 373 simply expands its scope to cities of the second through sixth class. Procedures are established in HB 373 for the identification and disposition of blighted and deteriorated properties.

In order to levy a separate rate under HB 373, cities must adopt an ordinance establishing procedures for the review of abandoned urban property, and may establish a vacant properties review commission. This commission, or another city agency charged with this responsibility, compiles a list of abandoned urban properties and furnishes this list to the PVA prior to the assessment date (January 1). Property owners must apply to the city if their properties are improved or rehabilitated to the point that they are no longer considered “abandoned urban property,” whereupon the city notifies the PVA to remove them from the list.

In metro Louisville, there are about 800 parcels on the abandoned urban property list. These parcels generate about \$200,000 in revenue annually at the rate of \$1.50 per \$100 of value. HB 373 places no limit on the amount of the rate that can be levied.

House Bill 406 raises the cap on fire district property tax rates from 10¢ per \$100 to 20¢ per \$100, if the fire district operates an ambulance service, and if it is the primary provider of this service in the district. Testimony in committee

meetings portrayed this bill as not calling for a tax increase, which is true if a fire district and an ambulance district with separate 10¢ per \$100 rates are combined. Like all fire districts, combined fire/ambulance districts under this bill benefit from a “notwithstanding the provisions of KRS 132.023” clause, which means it is “exempt from the limitations of House Bill 44.” House Bill 406 passed the House 90-0, then made its way through the Senate 35-2 on the 58th day of the 60-day session.

House Bill 510 is another bill that changed as it made its way through the General Assembly. In its original form, this bill was written to apply only to “a former city of the first class in a consolidated local government,” i.e., Louisville. This part of HB 510, which survived intact through the bill’s passage, exempted certificates of delinquency in that city from the requirements for advertising and sheriff’s sale.

Floor amendments in the House and Senate greatly expanded the scope of HB 510. In the House, KRS 134.420 was amended to allow inclusion of additional costs, including attorneys fees, in liens placed upon delinquent property. In the Senate, KRS 134.450 was amended to expand the list of costs that are subject to the calculation of 12 percent interest to include advertising costs, a \$5 sheriff’s fee, the county clerk’s fee and the county attorney’s fee. This subsection is allowed for metro Louisville and any other county that passes an enabling ordinance.

Two other bills passed that are of indirect interest to property tax administrators: House Bill 404 and House

Bill 619. **HB 404** specifically applies to planning and zoning; it revises the definition of agricultural land to allow five acre “horse farms,” or land used for various horse-related activities. PVAs are advised that this does not apply to the determination of eligibility for agricultural use value assessment. Taxpayers seeking this classification for these types of operations of fewer than 10 acres do not qualify for agricultural use value for property tax purposes and should be denied.

House Bill 619 establishes a new set of requirements for cities reporting annexation or reduction of territory to the county clerk, the Secretary of State and the Department of Local Government. The description and accompanying map must be prepared by a professional land surveyor and it must include boundary locations, adjacent physical features and a statement identifying the “deeds, plats, right-of-way plans or other resources” used in the preparation of the documents depicting the municipal boundary. This bill should result in some improvement of accuracy of municipal boundaries used in the determination of property tax situs.

While the volume of legislation enacted by the 2004 Session of the General Assembly was not as large as sessions past, no bills were passed that could be considered detrimental to the property tax system.



**NORTH CAROLINA
REVENUE OFFICIALS
VISIT KENTUCKY**

Revenue administrators, assessors and tax collectors from North Carolina visited Frankfort on March 8, 2004 to study the Kentucky Motor Vehicle Property Tax (MOTAX) system. Pat Barlow, Brenda Major, and Nick Kearney of the Department of Revenue shared information on the history and effectiveness of MOTAX. Programmers from the Governor's Office for Technology were also present to illustrate the valuation procedures and utilization of Automated Vehicle Information System (AVIS) information. Patsy Conway, Franklin County PVA, and Guy Ziegler, Franklin County Clerk, opened their offices for live demonstrations of assessment procedures and tax collection. The group also toured the new Transportation Cabinet facility.

Currently in North Carolina, taxpayers renew their registration and are later billed for the property tax. Their delinquency rate is as high as Kentucky's was prior to 1984 - when MOTAX evolved. While they are anxious to implement a new system similar to ours, their greatest challenge will be finding revenues to make such a change, especially with no state money. Property tax on motor vehicles is only subject to local rates in North Carolina.

The North Carolina officials said they were envious of our MOTAX system, our friendly state capital town and our impressive state of the art Transportation building.



**MOTAX COMMITTEE
MEETS**

The MOTAX Committee held its first meeting of the year on February 9, 2004.

The committee discussed several issues, including current valuation methods regarding classic automobiles, heavy trucks, watercraft and trailers. These vehicles were identified as problem areas. Non-valued vehicles need to be coded "88" to prevent taxpayers from renewing without tax being collected.

For 2004, trade-in value will include 4-wheel drive and/or diesel engine add-on when applicable. This will promote equality in valuation procedures, but some confusion when affected taxpayers assessments increase from 2003.

The committee also discussed the clerk's ability to identify vehicles not registered on January 1, but in possession of the taxpayer. It was decided that clerks should give the PVA a list of these vehicles. PVAs could then create a 2004 tax segment (on first time registration) or call the Motor Vehicle Branch if the tax segment needs to be changed for 2004.

District "88" reports were discussed and the time it takes to work them was noted. However, some counties are still not getting these reports worked in a timely manner, resulting in lost revenue for local districts. Warren County PVA Bill Carter discussed how he automated the working of his report to save time in his office. It was decided that a presentation would be made at the PVA conference to try and help other counties automate this report. Vehicles having Kentucky situs with out-of-state tags continue to be a problem area, especially in border counties. Officials are encouraged to report suspects to the Freddie Freeroader number: 800-882-8990.

The goals of the committee are to increase taxpayer awareness of the motor vehicle property tax laws, provide courteous and efficient service to taxpayers and to assess all taxable motor vehicles in a fair and equitable manner statewide.



**GILLIS APPOINTED PVA
IN WOODFORD COUNTY**

Governor Ernie Fletcher appointed Gary Gillis PVA in Woodford County. Gillis was one of 12 people who passed a special examination given by the department on February 20th.

Gillis served as Secretary of the Revenue Cabinet during the Martha Layne Collins Administration and was serving as Vice Chairman of the Public Service Commission at the time of his appointment. His appointment will expire when the results of the General Election are finalized in November.



EDUCATION UPDATE

Kentucky Course 80, Residential Real Property Appraisal, scheduled for May 24-27 at Rough River, has been canceled due to low enrollment.

Anyone meeting the requirements to receive their CKA or SKA designation at the summer conference should send in their application by June 4, 2004. Persons waiting on the outcome of a class to determine if they meet the requirements should submit an application with "pending" written beside the class. This allows the branch to anticipate the number of designations to be awarded and to identify those individuals waiting on test results.



**PERSONNEL CHANGES
WITHIN THE OFFICE OF
PROPERTY VALUATION**

Phil Yancey has transferred to the Certification and Equalization Branch within the Division of Local Valuation. He will be working with sheriff's settlements and collections. Yancey is leaving the TRIM Branch after 16 years, much of which was spent providing technical support for the Sheriff's Automated Collection System (SACS).

Tom Breidert has been appointed Branch Manager of the Public Service Property Branch. He has worked in the Public Service Branch almost three years and has been with Revenue 23 years.



**IN MEMORY OF WALTER
"PEE WEE" KEITH**

Walter "Pee Wee" Keith, former Bullitt County PVA, died Wednesday, March 31. He was 78. Keith served as PVA in Bullitt County for almost 20 years, taking office in December of 1969 and retiring in 1988. Prior to taking office as PVA, he served 12 years as the Bullitt County Coroner.

Keith is survived by two sons and two daughters. Our sympathies are with them and the rest of the Keith family.



**NOTES FROM THE PVA ADMINISTRATIVE
SUPPORT BRANCH**

by Cyndi Abrams

We hope everyone has made it through the winter months and is looking forward to a bright and prosperous spring and summer.

We have a few reminders to pass along:

1. The Leave Balance Summary report (report 164) that is mailed out each pay period should be reconciled with timesheets at least once a month. This will help in the process of paying termination payments and the possibility of any corrections for annual and sick leave balances.
2. Direct deposit is strongly encouraged and recommended for all employee's payroll checks. There have been some delays in checks being received in the PVA offices by payday.
3. The election officer (907) and voting leave (906) have been combined and both should now be reported as voting leave (906).
4. **HIRING DURING THE STATE-WIDE HIRING FREEZE**

If and when a deputy leaves, the PVA shall write a justification memo to Secretary Robbie Rudolph, Finance and Adminis-

tration Cabinet, to ask for a waiver to hire. This memo should be sent to the PVA Administrative Support Branch and must be approved by Secretary Rudolph and Personnel Commissioner Bob Ramsey before any interviewing or hiring can take place in the county.

In the memo, an explanation of the critical nature of the position to the assessment process must be provided.

5. When "OX" bills (additional deputy hire) are received by the PVA, the payment should reach the PVA Administrative Support Branch on or before the date posted on the bill. This is crucial to the PVA budget and the continued employment of the deputy.
6. **Upcoming Events:**
Estimate letters to County Judge-Executives were sent in April. The 2004-05 PVA Office Budget Package will be sent in May.

As always, the staff of the PVA Administrative Support Branch is here to assist in any way with personnel, payroll and hiring questions.



COUNTIES HAVE NEW E-MAIL ADDRESSES

Two new counties have been added to the Wide Area Network and now have e-mail or a new e-mail address. The counties and their e-mail addresses are:

- Estill: DeborahD.Barnes@ky.gov
- Jackson: PaulN.Rose@ky.gov
- Rockcastle: Margaret.Offutt@ky.gov

This brings the total to 93 counties connected to the wide-area network, with more scheduled to be completed soon.

CONFERENCE UPDATES

2004 PVA SUMMER CONFERENCE

The agenda for the 2004 PVA Summer Conference, June 21 - 24 at the University Plaza in Bowling Green, is being finalized. The conference will offer PVAs the opportunity to earn 11 education hours. Workshops will be held Tuesday morning and afternoon and again on Wednesday morning. A general session will be held on Thursday morning, followed by the awards luncheon, which will close the conference. The traditional banquet will be held on Wednesday night, featuring music by the Jimmy Church Band.

Room reservations at the University Plaza must be made by May 20th to receive the conference rate of \$88 per night.

Registration packets have been mailed. Please be sure to return it as soon as possible.



IAAO CONFERENCE

“Bridging the Past, Building the Future” is the theme of the 70th annual International Association of Assessing Officers (IAAO) conference August 30 - September 1 at the Marriott - Copley Place in Boston, Mass.

The registration form is now on-line at www.iaao.org. cost is \$475 for IAAO members registered by May 31st and \$525 if registered by July 15th.



2004 FALL CONFERENCE

Plans for the 2004 Fall Conference, November 15 - 17 in Covington, are being finalized. There are a few format changes this year, due to the KACO conference being held the same week in Owensboro.

Registration will begin on Sunday afternoon, November 14, and the conference will begin Monday morning at 8:30 with an opening general session. Concurrent workshop sessions will be held Monday following the general session. One day workshops will be offered on Tuesday. These will require pre-registration. The banquet will be held Tuesday night and the conference will end Wednesday morning with a closing general session. The conference will provide 15 hours of education for PVAs.

Workshop topics have not yet been finalized. Suggestions for workshop topics should be submitted to Stacey Ewalt, conference coordinator, as soon as possible.

A block of rooms has been reserved at both the Marriott and the Embassy Suites. Hotel choice is available on a first come basis and once one hotel is full, attendees will be routed to the other hotel. Rooms at the Marriott, which is adjacent to the convention center where a majority of the conference events will be held, are available for \$85 a night. The telephone number for reservations is (859) 261-2900. Rooms at the Embassy Suites are \$99 a night and the telephone number is (859) 261-8400.

Specific information regarding the conference agenda will be released as it becomes available.



2004 GIS CONFERENCE

The 11th GIS Conference will be held September 28 - 29 at the Radisson Hotel in Lexington, Ky. The theme of this year’s conference is “Mapping Kentucky’s Future.” The conference is sponsored by the Office of Geographic Information and the Geographic Information Advisory Council (GIAC).

For anyone interested in participating in the conference as a presenter, the call for presentations is now on the OGI website, <http://ogi.ky.gov>. Topics for presentations should relate to one of these three broad levels: management issues, technical issues, or GIS applications. A suggested topic list is also included on the website. Abstracts must be submitted by May 5, 2004.



MORE CONFERENCE DATES

The 2004 Governor’s Local Issues Conference will be held August 16 - 17 at the Galt House in Louisville.

The 2004 Kentucky Association of Counties (KACO) conference will be held November 16 - 19 at the Executive Inn in Owensboro.



RECENT LEGAL DECISIONS

Pipefitters Joint Educational and Training Fund v. Revenue Cabinet

In an opinion rendered on January 27, 2004, the Court of Appeals held that a non-profit organization that trains individuals seeking to work as pipefitters is not exempt from property tax under Section 170 as an educational institution. The Court affirmed Jefferson Circuit Court and Kentucky Board of Tax Appeals rulings that the nonprofit organization primarily benefited its union sponsor or the union sponsor's members and that any benefit to the public was only secondary. To complete the program, a participant had to complete an apprenticeship in a union shop with a union employer, which entailed joining the union after seven days as an apprentice.

The Court of Appeals opinion reaffirms the principle that this exemption from taxation should be strictly limited and defined and is based upon the "fundamental ground of benefit to the public by [nonprofit educational institutions] and recognition of the fact that they perform a service that the state would or should otherwise have to perform, so there is consequent tax relief of the tax burden of others." Any benefit to the public from the activities of the organization in question in this case was only secondary to its primary purpose of promoting union membership.

The Court of Appeals further affirmed the KBTA's ruling that the exemption did not apply because the organization in question did not provide systematic instruction in useful learning through methods common to schools and institutions of learning, which is the legal test previously established by the courts for the exemption's application.

Individuals attending the organization's program do not receive any academic credits that can be applied to an academic degree. Moreover, any courses in subjects such as math and computer science were not taught in a general way but were instead geared exclusively to the pipefitters trade.

The taxpayer's petition for a rehearing and the Department of Revenue's motion for publication were denied by orders entered on March 19, 2004. This case is not yet final, however. The taxpayer has filed a motion for discretionary review with the Kentucky Supreme Court.

Insight Kentucky Partners II, L.P. v. Department of Revenue

In an opinion and order entered on February 5, 2004, the Franklin Circuit Court held that assessing cable television companies, but not direct broadcast satellite companies, as public service corporations for ad valorem tax purposes violated the requirement of Section 171 of the Kentucky Constitution that "taxes...shall be uniform upon all property of the same class." The court ruled that in order for a classification to be valid under Section 171, it must rest upon a natural, real or substantial distinction relevant to the purpose of taxation and in this case, the court found such a "substantial distinction" to be absent in the case of cable television companies and direct broadcast satellite companies.

This decision is not yet final. Both parties have filed motions to alter, amend, or vacate seeking reconsideration of the circuit court's decision.



IAAO NOTES

The chapter now has 405 members! If you have not yet paid your dues, please send them to the address below as soon as possible.

Kentucky Chapter of IAAO
 Attn: Susan Bailey, Secretary
 P. O. Box 1547
 Frankfort, KY. 40620-1547

The Executive Board of IAAO has chosen Kansas City, Missouri as the site for its new headquarters. The search had been narrowed to four cities: Chicago, Nashville, Indianapolis and Kansas City. At their meeting in March, the board heard presentations from all the potential candidates. The next step is to locate a building in the Kansas City area. IAAO has selected Colliers International, a real estate brokerage firm, to locate possible sites in the Kansas City area.



Property Tax News is a quarterly publication of the Finance and Administration Cabinet's Department of Revenue dedicated to increasing communication among professionals involved in the field of assessment administration in Kentucky.

Comments and suggestions for future articles should be addressed to Cindy Meholovitch, Editor, 200 Fair Oaks Lane, Frankfort, KY 40620, (502) 564-8340.

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