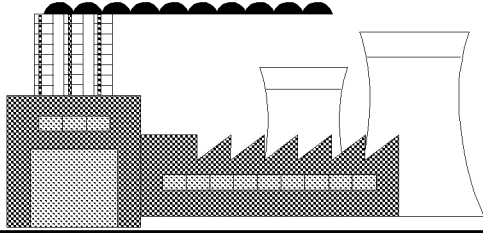


PROPERTY TAX NEWS



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2002 GENERAL ASSEMBLY RESULTS

The 2002 General Assembly, despite the impasse over the budget and other issues, quietly passed several key pieces of property tax legislation. While some of these bills essentially addressed "housekeeping" issues, others dealt with growing problems in interpretation that could have led to litigation and revenue losses. A summary of ten of the more significant bills affecting property tax follows:

HB 120, promoted by the Kentucky PVA Association, was filed in response to HB 343 of the 2001 General Assembly, which mandated changes in the method of administering training units/incentive payments for county officials. HB 120 will ensure uniformity throughout the courthouses in the administration of these programs.

HB 243 was written to provide relief to farmers who hold fee simple interest in their properties, or have retained the mineral rights as well as the surface rights. Currently, unmined minerals (including coal) are severed from the surface estate for many parcels and are assessed separately in all cases. Under HB 243, individuals will not receive an unmined minerals property tax bill if they own the surface real estate and the unmined minerals, they are not engaged in or affiliated with the business of mining, and the property is being actively farmed or managed for timber production.

HB 372 restructures the methods of tax increment financing (TIF) which were enacted through three separate bills

passed by the 2000 and 2001 general assemblies. TIF programs are based on the concept of "tax increments", or the difference between current revenues and future revenues to be derived from revitalized areas. These increments are used to retire bonds executed to stimulate economic development. One feature of HB 372 is that the sheriff is essentially removed from the process. Under previous TIF statutes, the "collector" of revenue was responsible for separating out and distributing the increments. Now the various taxing districts participating in a TIF program will be required to submit the incremental revenues after they have been collected and distributed in the normal manner by the sheriff. HB 372 insulates the state from loss of TIF revenue by excluding the latter from the calculation of the state real property tax rate (similar to the "new property" exclusion enjoyed by local taxing districts). It also requires approval by the Kentucky Economic Development Finance Authority of any leasehold interests qualifying for the 1.5¢ per \$100 state rate.

HB 448, the Revenue Cabinet's "Taxpayer Friendly Cleanup Bill", accomplishes the following:
Removes obsolete agency references;
Extends filing dates for public service companies and financial institutions;
Removes a conflicting penalty provision for distilled spirits tax;
Synchronizes dates on which unlisted tangible personal property becomes omitted;

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REGIONAL MEETING REMINDER

The Department has scheduled regional meetings to discuss legislation enacted by the 2002 session of the General Assembly as well as other pertinent issues. All Property Valuation Administrators should attend (or send a deputy to) one of the five meetings listed below:

April 18th Natural Bridge State Park
April 19th Pine Mountain State Park
April 23rd Lake Barkley State Park
April 24th Barren River State Park
April 30th Frankfort, 200 Fair Oaks

The meetings will begin at 10:00 a.m. local time.



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FROM THE PRESIDENT

*Karen Bushart
PVA Association President*

The Kentucky PVA Association has been very active through this legislative session. Phone lines and emails have been busy throughout the state! Visits were made to Frankfort. The PVA's have lobbied for and have lobbied against bills concerning PVA's, office duties, and other bills directly relating to property taxes. Successfully passed is HB 120, which is a training incentive bill for PVA's that mirrors training for other locally elected officials. Being treated equally with other officials has been our cry and it has been answered twice now...once with HB 538 (which was a pay bill) and now with HB 120. We are very proud of our efforts and proud to be on an even playing field with other officials.

This session, as with most sessions, our major issue is and will continue to be funding, less deputy hire, and adequate staffing. We have worked and are working as this is written...to increase our general assembly budget appropriation. We must maintain the funding that we have in order to survive and we **NEED** to be thinking toward the future in ways to improve our operating funds.

As we all know this has been a very tough budget...the worst in immediate history. We have basically survived, which is a feat in itself. We owe a great part of our success to all of the PVA's who have contacted legislators, democrat and republican. I am very proud of the actions by the PVA's, contacting not only their Senators and Representatives but contacting other Senators and Representatives known through mutual acquaintances. We made an impact... have made them more knowledgeable to our situation...and we **MUST** remain in contact with our Legislators for our future.

We would also like to thank the Kentucky Revenue Cabinet for their support in our efforts. Working together, we strive to do what is best for property tax throughout the state.

CONGRATULATIONS TO PVAs!
Keep up the good work!



**FROM THE
COMMISSIONER'S DESK**

Vince Lang, Commissioner

Weaknesses in the U.S. economy accelerated by the tragic events of September 11 have led to enormous budget shortfalls in states across the country and have specifically resulted in a budget shortfall in our Commonwealth in excess of \$500 million. Due to this record budget deficit, state agencies were asked by the Governor's Office for Policy and Management to trim current year budgets and to prepare budgets for 2003 and 2004 with zero growth using this reduced base.

Agencies were asked in August to reduce this year's budget by 3.27% and were asked again in October to further cut their budgets by 2%. The PVA budget suffered the 3.27% cut but was spared the 2% cut. In addition, the Revenue Cabinet committed \$250,000 to the PVA budget to help ensure that deputies would not be laid off this year. PVA offices have worked diligently to cut costs and have abided by the hiring freezes and other measures requested by the budget committee.

Due to these agency funding cuts, the Cabinet has been forced to make many changes. We consolidated our Lexington Taxpayer Service Center with our Frankfort operation, cancelled hardware and software contracts, restricted travel, and limited reclassifications and promotions. We have reduced the number of cellular phones, pagers, and vehicles used by our staff. Purchases of office

supplies, equipment, and furniture have been greatly reduced. We have saved money by implementing flexible work schedules and by sending information on-line instead of by mail.

Because of the serious budget crisis the office of the State Budget Director scrutinized all cabinets' budgets and identified unbudgeted agency funds and applied these funds in meeting the budget needs of state government. Included in these unbudgeted funds was \$780,000 from 71 PVA offices. As of this writing, 68 of the 71 counties have sent their money to Frankfort. This is a tremendous sacrifice from your counties. Thank you for your efforts!

Although the budget crunch has put a strain on your offices and our cabinet, we will all strive to manage more efficiently. The established partnership between the PVA Association and the Cabinet is vital during this time and I promise to make every effort to work with you to maximize your dollars. Together, we will successfully continue to serve the public.

Congratulations to all PVAs who are without opposition this election year and best of luck to all those with political challenges.



**BARNES RESIGNS FROM
PROPERTY VALUATION**

Deborah Dunaway Barnes has resigned her position as a program coordinator in the Personal Property Branch, Division of State Valuation, to run for Property Valuation Administrator in Estill County. She is currently working as a deputy in the Estill County office, a position she held before joining the Department in 1990. Her knowledge in all phases of property valuation, including her experience as a deputy, should serve her well in her new quest.



2002 GENERAL ASSEMBLY

(Continued from page 1)

Extends the protest period for omitted personal property from thirty to forty-five days;

Allows interest to accrue on omitted property tax bills to the date the bill is paid.

HB 483 specifies that if a fire department collects membership charges or subscriber fees, a fiscal court may adopt an ordinance to add these charges or fees to the property tax bill. It requires the county clerk to add that due or fee amount to the tax bills of the affected property owners, and requires sheriffs to collect the dues or fees in the same manner as other taxes on the bill. Unpaid fees or dues will bear the same penalty as general state and county taxes, and will result in liens being placed on property for nonpayment. Obviously, property tax billing and collection systems and tax bill forms will need to be redesigned in order to accommodate this development.

HB 614, passed on the 60th and final legislative day (April 15), creates a tax amnesty program that applies to omitted personal property taxes and public service company property taxes (and various other state taxes). The amnesty period would be for tax returns due from December 1, 1987 through December 1, 2001. Since tangible personal property was not centrally assessed at the time of the last amnesty program in the 1980s, it was not included. Consequently, this will be the first opportunity for tangible property taxpayers to take advantage of this program. Real property, locally collected personal property and motor vehicle property taxes are not eligible for this amnesty program.

HB 715 clarifies the General Assembly's intent to reserve foreign trade zone benefits for businesses that bring foreign commerce through Kentucky. It should prevent the abuse of the foreign trade zone provisions by companies that are not engaged in foreign commerce but are merely located within the delineated

boundaries of a foreign trade zone project site. The Revenue Cabinet has consistently held the position of limiting the extremely favorable foreign trade zone tax treatment to businesses that are actually involved in foreign trade, and have been activated by the U.S. Customs Service.

HB 812 clarifies the ownership of a motor vehicle for property tax purposes. Legal challenges have been made to the property tax imposed on vehicles by taxpayers claiming that they haven't taken legal ownership of the vehicle on the assessment date even though they have possession of the vehicle. Taxpayers who purchase a vehicle near the end of the calendar year, sign a legal contract to assume ownership of the vehicle, and take physical possession of the vehicle, but fail to have the proper paperwork done in the county clerk's office to transfer title of that vehicle until after the January 1 assessment date, have contested their liability. Ownership of vehicles in this situation has been denied by both the seller and the buyer. The cabinet's interpretation has always held that the buyer in possession of the vehicle on January 1 is the legal owner for tax purposes, even if the title hasn't been "officially" transferred. This bill would eliminate the ambiguity currently allowed by the statutes.

HCR 13 requires the Legislative Research Commission (LRC) to initiate a study to determine the effect of tax policies on forest management practices. LRC is directed to study state and federal inheritance, property, and income tax policies for the purpose of identifying policies that discourage good forest management practices. This bill also requires that LRC have the Interim Joint Committee on Appropriations and Revenue conduct a study of the Kentucky Enterprise Zone Program. The enterprise zone program as originally mandated has a 20 year life, with the first zones due to expire in 2003. Several attempts were made to extend their lives beyond the 20 year sunset in this session, but all failed. Enterprise zones allow counties and

cities to extend favorable property tax rates of 1/10¢ per \$100 to qualified properties.

SB 179 expands the definition of agricultural land to include any parcel of at least five acres used for aquaculture (similar to the five acre horticultural qualification). House Bill 44 provisions will prevent local taxing districts from experiencing any revenue loss due to this bill.



PRISON GIS PROJECT CONTINUES TO BE A HUGE SUCCESS

By Patti Hall

In January 2001, the Kentucky Revenue Cabinet started a pilot project with Kentucky Correctional Industries (KCI). In this project, inmates at a local prison were trained to digitize parcels from the PVA property tax maps. The completed parcel file is then checked by KRC employees, and CDs are delivered to the PVA office. These files work with both ArcView and GeoSync GIS software.

The project has now been going on for over a year. The results – a huge success! Twelve counties have been completed and the quality is fantastic. A number of people in the GIS business have remarked that while they were at first skeptical, when they see the completed parcels they are very impressed with the quality. And the price continues to be the best – .25 cents a parcel for property under an acre and .40 cents a parcel over an acre. One PVA saved over \$100,000 by using inmate labor instead of a private contractor to digitize the parcels. And, of course, there is the continual savings that comes from converting to GIS—you never have to have a new aerial photo flight done (a major expense). New flights are arranged by the Office of Geographic Information. Their goal is to never have photography older

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GIS PROJECT A HUGE SUCCESS

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than five years. When completed, the Revenue Cabinet will send out CDs with the new photography.

Now for the really good news. Edie Azbell, the new KCI manager of the GIS inmates, has agreed to maintain the current price for any additional counties that want to sign up for this service. And a number of counties have done just that. If you would like more info about this project, or to sign up, contact Patti Hall or Ron Johnson at (502) 564-8334.

NEWS FROM THE PVA ADMINISTRATIVE SUPPORT BRANCH

By Cyndi Abrams

We would like to toot our own horns and let you know that two of our projects are off and running well. Currently 21 counties, representing 232 employees, are entering their time and attendance into the payroll time and labor (PTL) system. Counties wishing to participate in this effort must first be connected to the MOTAX - TRIM system and have a security form on file with our office and state personnel. For more information, contact the PVA Administrative Support Branch at (502) 564-5620.

The other project we are proud of is our new PVA database system that allows us to generate Request for Personnel Actions (RPA) for:

- Increments;
- CPI raises for the PVAs;
- Separation payments pursuant to KRS 132.590, as amended by House Bill 824 during the 2000 Regular Session (annual leave termination pays); and
- Governor's Wage Equity Plan.

This system will also be used during budget time to process reports. We are still learning and coming up with new uses for this system to help us better serve the PVAs and their staff.

REMINDERS:

- * The hiring freeze is still in effect. If a deputy leaves, the PVA cannot hire anyone for 60 days.
- * All new deputies must be hired at the same grade or lower than the deputy he/she is replacing in accordance with the August 1, 2001 salary schedule.
- * Counties must maintain staffing at the lower of the "calculated" or "budgeted" deputies.
- * A request for personnel action must be submitted no later than one day after the departure of a deputy. Please notify the PVA Administrative Support Branch in advance when someone is leaving the PVA office and then follow-up with a signed RPA by mail.

CORRECTIONS AND UPDATES TO PVA WEBSITE LIST

The website for Jefferson County was listed incorrectly in the last issue of *Property Tax News*. It is www.pvalouky.org, not www.pvalouky.com.

Two more counties have recently established websites: Boyd County now has a website, the address is www.boydpva.com. Anderson County also has a website under construction, the address is www.andersonpva.com.

These sites can also be accessed via the Revenue Cabinet website: <http://revenue.state.ky.us>.

CLAY COUNTY HAS NEW ADDRESS

The Clay County PVA office has a new address. It is 122 Town Square, Manchester, KY 40962.

RAILROAD REVITALIZATION AND REGULATORY REFORM RATE SET

The Railroad Revitalization and Regulatory Reform (4-R) rate for intrastate railroad, railroad carline, airline and apportioned vehicle property has been set for 2001 at 23.14 cents per \$100 of valuation.

The local multiplier for intrastate railroads and airlines is 52 percent for 2001.

The aggregate state and local rate for railroad carlines and apportioned vehicles is 67.14 cents per \$100 of assessed value. Taxes on railroad carlines and apportioned vehicles are paid to the Revenue Cabinet and local money is then distributed to the taxing jurisdictions.

Questions concerning the 4-R rate should be directed to the Public Service Branch at (502) 564-8175.

Property Tax News is a quarterly publication of the Revenue Cabinet's Department of Property Valuation 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.

Printing costs paid from state funds.



CONFERENCE UPDATES

The GIS Conference has been rescheduled for August 12-15 at the Drawbridge Inn in Ft. Mitchell. The theme of this year's conference is "GIS: Securing the Future of the Tri-State". For registration information, go to the OGIS website at <http://ogis.state.ky.us>. For anyone interested in participating in the conference as a presenter, the Call for Presentations is also on the website. Bruce Oswald, Assistant Director of Statewide Initiatives in the New York State Office for Technology, is the keynote speaker.

“Assessing an Ever Changing World” is the theme of this year’s IAAO

conference, October 13-16 at the Westin Bonaventure Hotel and Suites in Los Angeles, California. Check out the IAAO website: www.iaao.org for a registration form and more details about the conference.

A tentative agenda has been set for the 2002 Fall Conference. The agenda includes eight workshop sessions, roundtable sessions and a general session. A continental breakfast will also be available all three mornings and lunch will be provided on Tuesday and Wednesday. Don't forget pictures for the 2003 PVA directory will be taken Tuesday and Wednesday, so wear your best smile!

The Division of Technical Support will also be scanning maps again this year. PVAs who are interested in having their maps scanned should contact the Division at (502) 564-8334 to make arrangements.



IMPORTANT EDUCATION UPDATE

Kentucky Courses being held in Frankfort have all been moved to the Training Rooms at 200 Fair Oaks. Rooms are still blocked at the hotels where the classes were originally scheduled. If you have any questions regarding the schedule, please call the Education and Research Branch at (502) 564-8340.

Education and Professional Designation Program Revised 2002 Course Schedule

<i>Course</i>	<i>Date</i>	<i>Facility</i>	<i>Location</i>
KY 80: Residential Real Property Appraisal	June 17-20	Rough River State Park	Falls of Rough
KY 60: Mapping System Maintenance	June 24-27	200 Fair Oaks	Frankfort
KY 44: Practical Math for Assessment Officials	June 24-27	200 Fair Oaks	Frankfort
KY 50: Basic Personal Property	July 8-11	200 Fair Oaks	Frankfort
KY 71: Commercial Appraisal/Cost Approach	July 22-25	200 Fair Oaks	Frankfort
KY 80: Residential Real Property Appraisal	July 29-Aug. 1	200 Fair Oaks	Frankfort
KY 10: The Kentucky Property Tax System	Aug. 5-8	200 Fair Oaks	Frankfort
IAAO 600: Cadastral Mapping	Aug. 5-9	Best Western	Frankfort
KY 62: Precision Data Collection	Aug. 19-22	Rough River State Park	Falls of Rough
KY 60: Mapping System Maintenance	Aug. 26-29	Blue Licks State Park	Mt. Olivet
KY 40: Property Tax Assessment Administration	Aug. 26-29	200 Fair Oaks	Frankfort
KY 10: The Kentucky Property Tax System	Sept. 9-12	Barren River State Park	Lucas
IAAO 500: Assessment of Personal Property	Sept. 9-13	Best Western	Frankfort
KY 90: Farm Real Property Appraisal	Sept. 16-19	200 Fair Oaks	Frankfort
KY 49: PVA Office Management	Sept. 16-19	Rough River State Park	Falls of Rough
KY 44: Practical Math for Assessment Officials	Sept. 16-19	Barren River State Park	Lucas
KY 50: Basic Personal Property	Sept. 30-Oct. 3	Executive Inn Rivermont	Owensboro
IAAO 400: Assessment Administration	Oct. 28-Nov. 1	Best Western	Frankfort

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