



STEVEN L. BESHEAR
Governor

FINANCE AND ADMINISTRATION CABINET
DEPARTMENT OF REVENUE
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JONATHAN MILLER
Secretary

THOMAS B. MILLER
Commissioner

In the matter of:

[REDACTED] ESTATE

Contact: [REDACTED] Estate
Attn: [REDACTED] Exec.

FINAL RULING NO. 2009-51
November 19, 2009

Oil Ad Valorem Tax Assessments
As of January 1, 2009

FINAL RULING

The Kentucky Department of Revenue ("DOR") currently has outstanding oil ad valorem tax assessments issued to the [REDACTED] Estate ("the Taxpayer") totaling \$ [REDACTED] for 2009. Below are the values reflected by the assessments, pursuant to KRS 132.820.

2009 Assessment Lease Number	Lease Name	Interest Holder	Value of Interest Per DOR
[REDACTED]	[REDACTED]	[REDACTED] Estate	\$ [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED] Estate	\$ [REDACTED]
Total			\$ [REDACTED]

At issue is whether DOR correctly assessed the fair cash value of the oil properties in question. The Taxpayer has protested the assessed amounts, but has not provided values that it claims to be the true fair cash value of the properties.

The Taxpayer proposes an alternative method of assessing the oil properties in question. The DOR maintains that its current methodology, developed in cooperation with the Kentucky Oil and Gas Association, is the most accurate assessment method.

Oil reserves are assessed by DOR pursuant to KRS 132.820, which states, in part:

- (1) The department shall value and assess unmined coal, oil, and gas reserves, and any other mineral or energy resources which are owned, leased, or otherwise controlled separately from the surface real property at no more than fair market value in place, considering all relevant circumstances...

The Taxpayer maintains that due to the decrease in the market value of oil, the DOR's assessments exceed the properties' fair cash value. This argument is without merit because property is assessed at its fair cash value for ad valorem tax purposes as of January 1. See KRS 132.220 (1). The Taxpayer has not submitted sufficient evidence that would indicate that the assessments do not represent the fair cash value of the properties in question as of the January 1, 2009 assessment date.

DOR's position is that the oil properties in question have been properly valued at the fair cash value as required by law. See KRS 132.820(1); Kentucky Constitution, Section 172. The assessments in question are presumed to be valid and it is the taxpayer's burden to prove otherwise. Revenue Cabinet v. Gillig, 957 S.W.2d 206 (Ky. 1997); Walter G. Houglund & Sons v. McCracken County Board of Supervisors, 306 Ky. 234, 206 S.W.2d 951 (1947).

Therefore, the oil ad valorem tax assessments are correct and should not be reduced.

This letter is the final ruling of the Kentucky Department of Revenue.

APPEAL

You may appeal this final ruling to the Kentucky Board of Tax Appeals pursuant to the provisions of KRS 131.110, KRS 131.340-131.365, 103 KAR 1:010 and 802 KAR 1:010. If you decide to appeal this final ruling, your petition of appeal must be filed at the principal office of the Kentucky Board of Tax Appeals, 128 Brighton Park Boulevard, Frankfort, Kentucky 40602-2120, within thirty (30) days from the date of this final ruling. The rules of the Kentucky Board of Tax Appeals, which are set forth in 802 KAR 1:010, require that the petition of appeal must:

1. Be filed in quintuplicate;
2. Contain a brief statement of the law and facts in issue;
3. Contain the petitioner's or appellant's position as to the law and facts; and
4. Include a copy of this final ruling with each copy of the petition of appeal.

The petition of appeal must be in writing and signed by the petitioner or appellant. Filings by facsimile or other electronic means shall not be accepted.

Proceedings before the Kentucky Board of Tax Appeals are conducted in accordance with 103 KAR 1:010, 802 KAR 1:010 and KRS 131.340-131.365 and KRS Chapter 13B. Formal hearings are held by the Board concerning the tax appeals before it, with all testimony and proceedings officially reported. Legal representation of parties to appeals before the Board is governed by the following rules set forth in Section 2 (3) of 802 KAR 1:010:

1. An individual may represent himself in hearings before the Board;
2. An individual who is not an attorney may not represent any other individual, corporation, trust, estate, or partnership before the Board; and
3. An attorney who is not licensed to practice in Kentucky may practice before the Board if he complies with Rule 3.030(2) of the Rules of the Kentucky Supreme Court.

You will be notified by the Clerk of the Board of the date and time set for any hearing.

Sincerely,
FINANCE AND ADMINISTRATION CABINET



E. Jeffrey Mosley
Interim Executive Director
Office of Legal Services for Revenue

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

cc: ██████████ Law Firm

Attn: ██████████
██████████