



Commonwealth of Kentucky
Finance and Administration Cabinet
Department of Revenue

OFFICE OF PROPERTY VALUATION

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MEMORANDUM

TO: All Property Valuation Administrators

FROM: Cathy Thompson, Division Director
Office of Property Valuation, Division of State Valuation

DATE: November 05, 2020

SUBJECT: Taxation of Horse Trailers with Living Quarters

Horse trailers with living quarters that are owned by or leased to a person actually engaged in farming and used in his farm operation are entitled to the exemption from local taxation under KRS 132.200(1) for “farm implements and farm machinery owned by or leased to a person actually engaged in farming and used in his farm operation.” If a horse trailer with living quarters is not owned by or leased to a person actually engaged in farming, or if the trailer is used exclusively for a purpose or purposes other than a farm operation, it would be considered a recreational vehicle. Pursuant to KRS 132.010(17), “recreational vehicle” is defined as “a vehicular type unit primarily designed as temporary living quarters for recreational, camping, or travel use, which either has its own motive power or is mounted on or drawn by another vehicle.” If the horse trailer with living quarters is a recreational vehicle, then it is subject the state tax rate in KRS 132.020(1)(h) and the property must be assessed in accordance with KRS 132.487.

To claim depreciation on property, the IRS requires the use of the property in the business or income-producing activity. A farm business cannot depreciate property that is used solely for personal activities. Taxpayers who want to claim exemption from local taxation under KRS 132.200(1) can provide a copy of one of the following:

- Filed Kentucky Form 740 (for an individual reporting income from farming), with attached federal IRS Schedule F (reporting farm income and expenses) and IRS Form 4562 (listing the horse trailer with living quarters as a depreciable asset); or
- Filed Kentucky Form 720 (for a corporate farm business), with attached federal IRS Form 4562 (listing the horse trailer with living quarters as a depreciable asset); or

The PVA offices can accept the documents listed above in support of a local tax exemption and should attach the supporting documentation to completed Form 62A044. Form 62A044 has been updated to reflect this guidance. In addition, taxpayers claiming and approved for local exemption(s) under KRS 132.200 should list all property used in its farming operation including livestock, farm equipment and horse trailers with living quarters on Form 62A500.