State of Kentucky Property Tax Assessments Statutes

Basis for Property Tax Assessments – Market Value

The basis of tax is fair cash value on January 1, estimated at the price the property would bring at a fair voluntary sale (Sec. 172, Kentucky Const.). Valuation methods: Kentucky property tax valuation administrators may use a variety of identified valuation methods to determine fair cash value of property, including, but not limited to (KRS 132.191):— a cost approach, which is a method of appraisal in which the estimated value of the land is combined with the current depreciated reproduction or replacement cost of improvements on the land;— an income approach, which is a method of appraisal based on estimating the present value of future benefits arising from the ownership of the property;— a sales comparison approach, which is a method of appraisal based on a comparison of the property with similar properties sold in the recent past; and— a subdivision development approach, which is a method of appraisal of raw land. The subdivision development approach is used when subdivision and development are the highest and best use of the parcel of raw land being appraised and must meet the minimum applicable appraisal standards established by the Kentucky Department of Revenue and the International Association of Assessing Officers (KRS 132.191(3)).

Real Property Defined

Real property is defined as all lands within Kentucky and improvements thereon (Sec. 132.010, KRS). Real property is the sum of the tangible and intangible qualities of land and improvements (Property Assessment Administration Manual, Department of Revenue (2015)). The term real property refers to the interest, benefits, and rights inherent in the ownership of physical real estate.

Personal Property Defined

Personal property includes every species and character of property, tangible and intangible, other than real property. In general, tangible personal property is physical property that is not real property, is usually movable, and that has intrinsic value and utility. In determining whether an item is real property or tangible personal property, the following aspects must be considered: (1) annexation—the manner in which the item is fixed or attached to the real estate; (2) adaptation—whether the item adapted or applied to the use

or purpose of the part of the realty to which it is connected or annexed has been devoted; (3) intention—of the party who attached the item, whether to leave it permanently or to remove it at some future time. Generally, items remain personal property if they can be removed without serious damage to the real estate or to the item itself. Machinery bolted to the floor to prevent movement while in operation would remain personal property. If the machinery were built into the building in such a manner that its removal would produce considerable damage to the building, it would be part of the real estate. (Property Assessment Administration Manual, Department of Revenue (2015)).

Intangible Property Taxes

Exempt, except that assessed under KRS 132.030 (Financial Institution Deposit Tax) or KRS Ch. 136 (Corporation and Public Utility Taxes).