

How does the PVA inspect my property?

To do an inspection of real property, a PVA or deputy may physically measure the exterior of the property to determine the square footage and, if possible, talk with the property owner to obtain other valuable property characteristic information. Interior inspections are made before construction is finished.

The PVA office maintains a current photo and property characteristic information on all real property in the county. They update these records as changes are made.

What authority does the PVA have to inspect my property?

A 1983 Attorney General's opinion (OAG 83-11) states that the PVA has authority to inspect all real property in the county in order to fulfill the requirements of KRS 132.450 (location, identification and assessment) and KRS 132.690 (physical examination). The opinion stated that the PVA may inspect property, including the exterior of buildings, even if the owner is not home. This also includes the right to measure the outside dimensions of buildings to obtain information needed for property valuation. Such entry onto the property does not constitute trespass.

However, if the PVA wishes to inspect the interior of the building when the owner is not present or refuses entry, he must secure an administrative search warrant from a judge. The interior of residential property is only inspected when it is new construction or the property owner makes a request. Interiors of commercial properties may be inspected at other times.

What other duties are performed by the PVA?

The PVA is responsible for listing and assessing all tangible personal property as of January 1 of each year. Tangible property consists of: boats, planes, automobiles, office furniture, office machines, store fixtures, professional trade and business fixtures, leasehold equipment, machinery and equipment (both manufacturing and nonmanufacturing), freestanding signs, raw materials, inventories of all kinds and many other personal items that may have value and utility.

Tangible Property Tax Returns must be filed annually by May 15th (there is no extension for Tangible property returns). Forms are available from the PVA office website.

The Revenue Cabinet provides standard values for all automobiles, recreational vehicles, aircraft, watercraft, etc. for property tax purposes, but the PVA has the authority to make necessary changes in values.

Keeping track of ownership changes, maintaining tax maps, updating building characteristics, and administering proper exemptions for real property are ongoing duties of the PVA office.

What the PVA does not do!

The PVA does not make laws that affect property owners. The laws that govern the operation of the PVA office are enacted by the Kentucky State Legislature or by constitutional Amendments voted on by the citizens of the Commonwealth. Guidelines and regulations are imposed by the Revenue Cabinet. The PVA, in short, follows procedures established by others and is not a policy-making position.

The PVA DOES NOT SET TAX RATES nor does the PVA determine the total amount of property taxes to be raised. Tax rates are set by the fiscal court, state legislature, and local school boards. The collection of the property tax is the responsibility of the Sheriff and County Clerk. Delinquent property taxes are turned over for collection to the County Attorney's office.

In determining who qualifies for certain exemptions, again, the PVA must follow state laws, court cases, or Revenue Cabinet policy.

What property is exempt?

The Homestead Exemption is for all homeowners who will be 65 or over anytime during the current tax year, who live in their home and claim it as their primary residence. Applications may be submitted via the PVA Office website. The Disability Exemption is for homeowners who receive benefits for total disability from a Civil Service agency. This exemption must be applied for by December 31 for the year in which they wish to receive the exemption. A person cannot receive both the homestead and disability exemption at the same time.

The Agricultural Use-Value Exemption applies to qualifying farms with at least 10 contiguous acres devoted to agricultural pursuits. Applications may be made through the PVA office website.

Other properties owned by religious or charitable organizations, non-profit hospitals, educational institutions, and others may qualify for tax exempt status. Visit the PVA website for further information.

How is my tax bill determined?

The taxable value of your property, as of January 1st of each year, multiplied by the tax rate totals the amount of taxes owed on your real estate. For example, if your home is assessed at \$75,000 and the tax rate is \$1.536 per \$100 of taxable value, then the tax is \$1152.00.

$$\frac{75,000}{100} \times 1.536 = \$1152.00$$

THE TOTAL AMOUNT OF YOUR TAX BILL IS DETERMINED BY THE TAX RATE SET BY OTHER GOVERNMENT AGENCIES. THE ASSESSED VALUE IS DETERMINED BY THE PVA FOR EACH PROPERTY, WITHOUT REGARD TO TAX RATES SET BY OTHER ENTITIES.

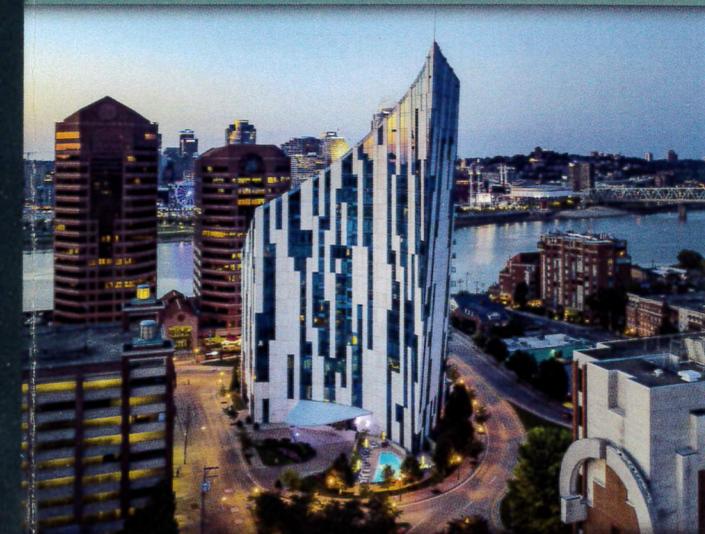
What if I do not agree with my assessment?

Visit our website for information on the appeal process if you feel that the value placed on your property is too high. There is an annual, 13-day statutory inspection period, which is usually held beginning the 1st Monday in May. We will be glad to discuss how your assessment was determined. If we still cannot agree on your assessment, then you have the right to file an appeal, in writing, with the County Clerk, stating your reasons for appealing. You may only appeal to the County Clerk during the tax roll inspection period, which is advertised in the local paper of the largest circulation. At that time you will receive an appointment to meet with the Local Board of Assessment Appeals. You should bring evidence in support of your opinion of value, such as recent sales of similar properties, recent appraisals, up-to-date photos, etc. to your hearing.

However, if you agree with the PVA's estimate of Fair Cash Value, but feel the amount of taxes are too high, then you should protest the tax rates with the fiscal court, state legislature, or local school board. Again, the PVA DOES NOT SET TAX RATES.

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**For the Property Owner
who would like to know
What the PVA does ...**

What is a PVA?

PVA is the acronym for Property Valuation Administrator. It is a fancy name for the old title of "county tax commissioner", or what most people call the tax assessor. The name was changed to more accurately reflect what a PVA does.

The function of the office is to administrate "ad valorem" taxes. Ad valorem is Latin for "according to value". The concept embraced by our Kentucky forefathers based taxes on the value of the property owned. It follows that the more property owned, the more taxes due. The Kentucky Constitution thus describes property tax as a tax on wealth rather than a tax on the individual, such as income tax.

Section 172 of the Kentucky Constitution requires the PVA to assess all property at 100% Fair Cash Value as of January 1 of each year. That may sound easy enough, but the PVA must estimate the Fair Cash Value for all property in the county, in accordance with the property's size, shape, location, use and condition.

What is Fair Cash Value?

The Kentucky Constitution and the statutes define the fair cash value of a property as "the estimated price it would bring at a fair voluntary sale; . . ."

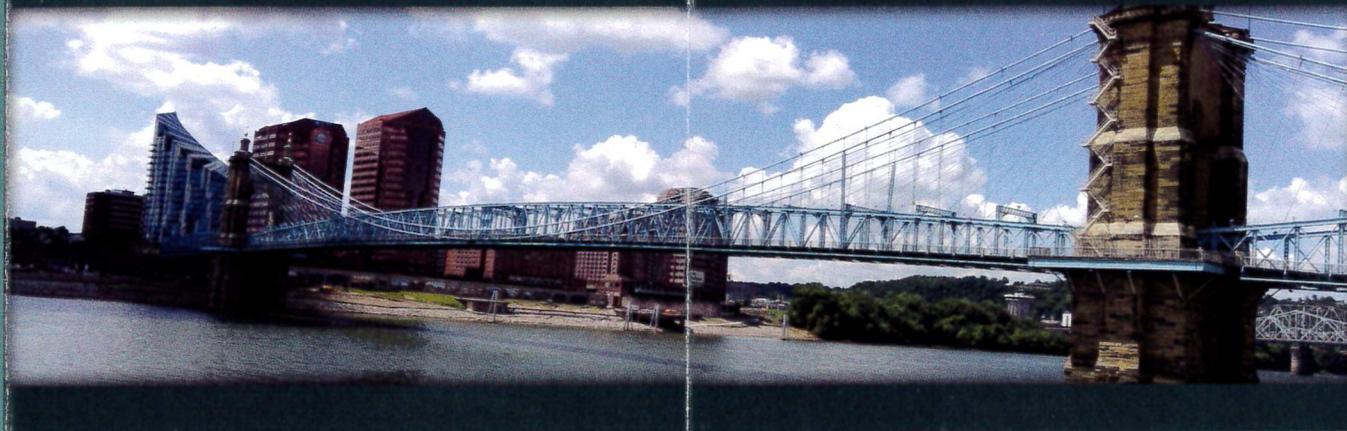
In the valuation of real property for ad valorem tax purposes, the PVA is guided by court decisions and constitutional and statutory laws.

How does the PVA determine Fair Cash Value?

To arrive at fair cash value for a particular property, the PVA must know what similar properties are selling for, how much it would cost for a replacement, the rent that it could earn, and other factors that influence value like location, supply and demand, etc.

With these facts, the PVA uses one or more of three methods to arrive at the property's value.

The first method, the COMPARABLE SALES APPROACH, involves comparing your property to similar properties that have recently sold. These sales must be analyzed carefully. Motivations of buyers and sellers may have been unusual, causing the selling price to be above or below Fair Cash Value. The different features of the sold properties must be compared to your property and its features, like the number of bedrooms and baths, square footage, lot size, garage structure, amenities, location, condition, quality, and others.



The second method used to value your property, referred to as the COST APPROACH, is based on how much money it would take, at current material and labor costs, to replace your property with a similar structure. If your property is not new, the PVA must estimate how much your property has depreciated. Then, the value of the land is added to the depreciated building value.

The third method is often called the INCOME APPROACH. This method takes into consideration what your property would produce in rental income. The PVA must estimate all the operating expenses (based on the market), such as insurance, repairs and maintenance costs, and the expected return most people desire on the particular type of property. This method is not normally used in evaluating single-family homes, but it is appropriate for use in assessing income-producing property such as apartments, commercial and industrial buildings, or income-producing farms.

Why does the PVA reassess property?

The Kentucky Constitution states that all property is to be assessed at 100% Fair Cash Value (FCV) unless specifically exempted. A 1965 Kentucky Supreme Court case, *Russman v Luckett*, required all PVAs to use the 100% FCV standard on all real property assessments. Kentucky law provides for direct supervision of all PVAs by the Kentucky Revenue Cabinet. Each year, the Revenue Cabinet performs studies on sales that occur in each county. The PVA's tax roll must meet certain assessment levels to adhere to certain standards of equity before the PVA's tax roll is accepted, and before tax rates may be set or tax bills can be printed. In addition, the Revenue Cabinet performs biennial appraisal studies on all 120 PVA offices, again to check assessment levels and equity.

The 1990 General Assembly further dictated that all real property is to be assessed at 100% FCV as part of the Education Reform package. Other legislation enacted gives the Secretary of the Revenue Cabinet the authority to remove a PVA from office for not meeting certain standards.

Another reason the reassessment involves the US Supreme Court was due to a case from Webster County, West Virginia. The court ruled that the practice of reassessing only those properties which were recently sold, while leaving in place the assessed valuation of similar properties not recently sold, is a violation of the equal protection clause of the Fourteenth Amendment of the U.S. Constitution.

But the most compelling reason for frequent reassessments is to ensure a fair and equitable property tax system, where each person pays only their fair share.

Why does assessed value change?

Property owners do not need to make improvements to their property for their assessment to change. Since the assessed value is to reflect Fair Cash Value, as real estate values rise or fall, the assessed value will follow. All properties do not change by the same percentage. Factors in the market like supply, demand, and amenities determine the value of your property.

Other reasons for a change in assessed value include additions to your property or permanent damage to your property. Property owners have a responsibility to report any changes made to their property that could affect value to the PVA.

Remember, the PVA DOES NOT CREATE VALUE. It is the PVA's legal responsibility to discover and estimate the worth of all property. People create value through transactions in the marketplace.

What about property transfers?

In the Kentucky Supreme Court case *Evans v. Novake*, the court said that a sale price at or near the assessment date is the best indication of value. All deeds are reviewed by the PVA office and the sale price typically becomes the new assessment.

The 1990 General Assembly enacted new requirements for all deeds prepared on or after July 13, 1990. These deeds must include the mailing address of the grantor (seller) and the grantee (buyer); a statement of the full consideration (sale price); and a sworn, notarized certificate signed by the grantor and grantee (or their agents) attesting to the accuracy of the stated consideration. If the transfer is a gift, this certificate must declare the estimated fair cash value of the property.

In the case of an inheritance where no deed is filed, the personal representative of the estate, prior to closing out the estate, shall file an affidavit with the county clerk which states the names and addresses of the persons receiving each property passing by will and the estimated fair cash value of the property. Or, a statement that no value has been estimated or established.

The penalty for falsifying the sale price of a property in a deed is a Class D felony, subject to one to five years imprisonment and fines up to \$10,000.

How often does the PVA review my property?

The 1998 General Assembly enacted legislation requiring that every parcel of real property be physically inspected at least once every four years. A quadrennial plan must be submitted to the Revenue Cabinet outlining how the PVA plans to accomplish the inspections. Revenue Cabinet employees will conduct field audits to determine if PVAs have followed their written plan. The current assessed value is to be reviewed during physical inspection.

This means that each real property parcel will be reassessed at least once every four years. This does not mean the value will be raised every four years. The PVA must react to the conditions in the real estate market. The assessment could remain the same, go up, or go down.