**Updated Guidance Issued on the Valuation   
of Agricultural Property in Kentucky**

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Last summer, the Kentucky Department of Revenue (the “Department”) responded to a letter from Fayette County Property Valuation Administrator (“PVA”) David O’Neill seeking guidance on the statutory requirements for valuing agricultural property. Mr. O’Neill’s office recently updated its website to outline the revised guidelines implemented by the Department and the Fayette County PVA involving agricultural property assessments for tax years beginning January 1, 2017.

The Fayette County PVA will now request an application from property owners seeking an agricultural classification and will exercise best efforts to continually verify agricultural use. Prior to 2017, the PVA required only agricultural *capability* for non-commercial property of ten acres or more to receive an agricultural assessment. In response to Mr. O’Neill’s request for guidance, the Department clarified that actual agricultural *use*, not agricultural *capability*, is required for the property to receive an agricultural classification. The application required by the Fayette County PVA will allow property owners to outline the agricultural activity occurring on their property.

The Fayette County PVA will no longer automatically grant agricultural classification for properties transferred on or after January 1, 2013. New owners will be required to request agricultural classification through the application process.

As the Department stressed in its response to Mr. O’Neill’s letter, only properties with a minimum of ten acres *after* subtracting acreage used for personal pleasure, such as a residence, lawn, or swimming pool, are eligible for agricultural classification per KRS § 132.450(2)(a). The Fayette County PVA notes that the agricultural classification will be removed from properties failing to meet the ten acre threshold after subtracting acreage used for personal pleasure.

Mr. O’Neill’s letter last summer was prompted, at least in part, by public concern over his office’s decision to value property scheduled for commercial development according to the property’s “agricultural” value, which is significantly less than the “fair cash value” standard applicable to other property in the state. In an effort to increase transparency in this area, the Fayette County PVA intends to publish a list of properties slated for future development that continue to receive agricultural classification until the actual use of the property changes. This list will be published when the annual tax roll is published, or approximately April 15 of each year.

Pursuant to KRS § 132.450(2)(b), property scheduled for commercial development continues to receive agricultural classification until the use of the land actually changes. This occurs when (1) an approved final plat is recorded in the Clerk’s Office or (2) work begins at the development site. The Fayette County PVA notes that when the property’s use changes, it will remove the agricultural classification at the first legal opportunity, which is January 1 of each year.