

132.191 Valid valuation methods -- Minimum applicable appraisal standards.

- (1) The General Assembly recognizes that Section 172 of the Constitution of Kentucky requires all property, not exempted from taxation by the Constitution, to be assessed at one hundred percent (100%) of the fair cash value, estimated at the price the property would bring at a fair voluntary sale, and that it is the responsibility of the property valuation administrator to value property in accordance with the Constitution.
- (2) The General Assembly further recognizes that property valuation may be determined using a variety of valid valuation methods, including but not limited to:
 - (a) 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;
 - (b) 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;
 - (c) 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
 - (d) A subdivision development approach, which is a method of appraisal of raw land:
 1. When subdivision and development are the highest and best use of the parcel of raw land being appraised; and
 2. When all direct and indirect costs and entrepreneurial incentives are deducted from the estimated anticipated gross sales price of the finished lots, and the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period.
- (3) The valuation of a residential, commercial, or industrial tract development shall meet the minimum applicable appraisal standards established by:
 - (a) The Kentucky Department of Revenue, as stated in its Guidelines for Assessment of Vacant Lots, dated March 26, 2008; or
 - (b) The International Association of Assessing Officers.
- (4) To be appraised using the subdivision development approach, a subdivision development shall consist of five (5) or more units. The appraisal of the development shall reflect deductions and discounts for:
 - (a) Holding costs, including interest and maintenance;
 - (b) Marketing costs, including commissions and advertising; and
 - (c) Entrepreneurial profit.

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