March 7, 2022

Kentucky House of Representatives
Appropriations & Revenue Committee

VIA EMAIL

Re: COST Opposes H.B. 260 – Harmful Property Tax Valuation & Expert Representative Restrictions

Dear Chair Petrie, Vice-Chair Reed, and Members of the Committee:

On behalf of the Council On State Taxation (COST), we respectfully submit these comments in opposition to House Bill 260 (H.B. 260), which would unfairly restrict the sales comparison valuation approach and impose undue restrictions on appraisals, both on appraisal standards and the use of experts. The use of the International Association of Assessing Officers (IAAO) appraisal standards is biased; if any appraisal standard is used, it should follow the Uniform Standards of Professional Appraisal Practice (USPAP) standards. The bill also inequitably prevents an out-of-state property valuation expert from representing a Commonwealth’s property owner before a property tax conference or before the Board of Assessment Appeals.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business, many of which have property in Kentucky. COST’s objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

Fair and Equitable Property Tax System

The COST Board of Directors has adopted the following formal policy statement on Fair and Equitable Property Tax Systems:¹

State and local property tax systems must be fairly administered, and tax burdens equitably distributed among taxpayers. A property tax system that is inefficient or that disproportionately falls upon business is not equitable and will negatively impact a state’s business tax climate.

¹ COST’s Policy Statements are available at: https://www.cost.org/state-tax-resources/cost-policy-positions/.
Specifically related to valuation methodology, the policy statement provides as follows:

>A statewide valuation methodology that is conducted in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) and updated on a regular basis to factor in changes in value, including depreciation and all forms of obsolescence, should be utilized.

**Sales Comparison Valuation Approach Modification Concerns**

This legislative proposal would unwisely alter Kentucky’s property tax law by placing restrictions on the use of the sales comparison valuation approach by excluding comparable properties that have deed restrictions and not allowing vacant property to be compared to occupied property. Restricting the use of the sales comparison valuation method, a restriction which is not contemplated in the USPAP guidelines, is inappropriate. COST encourages the Legislature to continue to allow all appraisers to follow USPAP guidelines and not restrict the use of the sales comparison approach. Appraisers representing both the assessors and property owners can point out issues with their appraisals, there is no need for a state law limiting the use of the sales comparison approach. This is important given that many commercial property values nationally have been adversely impacted by COVID-19. It is especially true for retail sales facilities hurt by growing Internet retail competition and the COVID-19 pandemic restrictions, with customers increasingly purchasing goods on the Internet rather than at brick-and-mortar stores.

**Biased Appraisal Standards Provision**

H.B. 260 specifies that the appraisal of real property shall meet the minimal applicable standards under the IAAO. The IAAO appraisal standards are biased because they do not fairly reflect the views of an independent association, with equal representation from both government appraisers and private sector appraisers. The IAAO is an association that represents government assessors, with limited input from the public. Any appraisal standards required by Kentucky should follow USPAP standards issued by the Appraisal Foundation,² which is an independent association providing guidance to all valuation professionals. The Appraisal Foundation’s valuation standards apply to all professional appraisers.

**Inequitable Valuation Expert Restrictions**

COST members operate in multiple states and limiting property tax valuation expert restrictions to those experts licensed in Kentucky is inequitable. We understand that valuation experts must value property in accordance with each state’s property tax laws; however, limiting experts only to those licensed in the Commonwealth is protectionist and unnecessarily increases businesses’

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² The Appraisal Foundation is the nation’s foremost authority on the valuation profession. The organization sets Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring that appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).
cost to operate in the State. The Commonwealth already has overly restrictive provisions for experts, and those provisions should not be expanded; instead, this Committee should seek to reduce some of the existing restrictions.

**Conclusion**

COST opposes the sales comparison valuation, IAAO appraisal standard, and valuation expert restrictions in H.B. 260. Respectfully, COST request this Committee to not support this harmful property tax bill. Please let us know if we can further assist you in this matter.

Sincerely,

Fred Nicely

Patrick J. Reynolds

CC: David Osborne, Speaker of the Kentucky House of Representatives
    David Meade, Speaker *Pro Tempore* of the Kentucky House of Representatives
    Steven Rudy, Majority Floor Leader, Kentucky House of Representatives
    Joni Jenkins, Minority Floor Leader, Kentucky House of Representatives
    COST Board of Directors
    Douglas Lindholm, COST President & Executive Director