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TIME: 1:16 pm  
JUL 13 2021  
Emily B Caudill  
REGULATIONS COMPILER

1 FINANCE AND ADMINISTRATION CABINET

2 Department of Revenue

3 (Amendment)

4 103 KAR 8:090. Classification of property; public service corporations.

5 RELATES TO: KRS 136.120, 136.130

6 STATUTORY AUTHORITY: KRS 131.130[Chapter 13A]

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the  
8 Department of Revenue to promulgate administrative regulations for the administration and  
9 enforcement of all tax laws of this state. KRS 136.130 requires all public service corporations  
10 performing any public service in Kentucky to report certain facts prescribed by the department  
11 annually for purposes of the ad valorem tax on public service corporations imposed by KRS  
12 136.120. KRS 136.120(2) states that the property of all taxpayers shall be classified as operating  
13 property, nonoperating tangible property and nonoperating intangible property. This  
14 administrative regulation specifies the classification of certain operating property commonly held  
15 by public service corporations[classifies certain property] as real estate, personalty and  
16 manufacturing machinery.[The property involved has been the subject of some confusion in the  
17 past. This information is helpful to public service companies in classifying new property.]

18 Section 1. Definitions (1) “Base Gas” means the volume of gas, including native gas, needed  
19 as a permanent inventory in a storage reservoir to maintain adequate pressure and deliverability  
20 rates throughout the withdrawal season.

21 (2) “Gathering line” means:

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1 (a) Any pipeline that is installed or used for the purpose of transporting crude oil or natural gas  
2 from a well or production facility to the point of interconnection with another gathering line, an  
3 existing storage facility, or a transmission or main line, including all lines between  
4 interconnections, except those lines or portions subject to the exclusive jurisdiction of the United  
5 States Department of Transportation under 49 C.F.R. Parts 191, 192, 194 and 195;

6 (b) For hazardous liquids, a pipeline 219.1 mm (8 5/8 in) or less in nominal outside diameter  
7 that transports petroleum products from a production facility; and

8 (c) For natural gas, a pipeline that transports gas from a current production facility to a  
9 transmission pipeline or main as determined using an industry standard determined pursuant to 49  
10 CFR 192.8, including a pipeline 219.1 mm (8 5/8 in) or less in nominal outside diameter and less  
11 than fifty (50) miles in length that transports natural gas or natural gas liquids acted upon by a  
12 manufacturing process between two (2) manufacturing facilities.

13 (3) "Transmission pipeline" means any pipeline that is subject to the exclusive jurisdiction of  
14 the United States Department of Transportation under 49 C.F.R. Parts 191, 192, 194 and 195,  
15 including all crude oil trunk lines subject to the reporting requirements of the Interstate Commerce  
16 Act, Sections 20 and 18 CFR Parts 357.2 and 357.4.

17 (4) "Working Gas" means the volume of gas in the reservoir above the designated level of base  
18 gas.

19 Section 2. Classification of Public Service Company Property. The department [The Revenue  
20 Cabinet] prescribes the following classification of property to be used by public service  
21 corporations in reporting under KRS 136.120 et seq. This list is not intended to be complete and  
22 comprehends only those items of property whose proper classification has been subject to some  
23 confusion in the past.

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Type of Property	Classification
Unmined Coal	Real Estate
Undeveloped Oil & Gas Reserves	Real Estate
Leasehold	Real Estate
Oil & Gas Wells	Real Estate
Transmission Pipelines (Oil, Gas & Water)	Real Estate
Conduits	Real Estate
Base & Nonrecoverable Gas Stored	Real Estate
Working Gas Stored	Tangible Personal
Other Gas Stored	Tangible Personal
Gas Compressors	Tangible Personal
Oil Lifting Units	Tangible Personal
Oil Storage Tanks (over 30,000 Gallons)	Real Estate
Oil Storage Tanks (under 30,000 Gallons)	Tangible Personal
Oil Inventory	Tangible Personal
Television Cable	Tangible Personal
Oil & Gas Gathering Lines	Tangible Personal
Electric Transmission Lines	Tangible Personal
Electric Distribution Lines	Tangible Personal
Meters & Regulators	Tangible Personal
Underground Cables	Tangible Personal
Telephone Lines	Tangible Personal
Wire in Underground Conduits	Tangible Personal
Towers, Structures & Supports	Tangible Personal
Electric Substations/ Transformers	Manufacturing Machinery
Machinery & Equipment used in the Manufacture of Gas	Manufacturing Machinery
Solar Energy Panels	Manufacturing Machinery
Wind Energy Turbines	Manufacturing Machinery

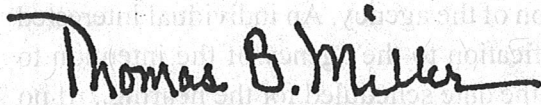
Inverters; Converters; Transformers; Substations; Mounting Systems; Trackers; and Direct Current (DC) Meters, Regulators, Batteries, Cables, Conduits, Connectors, Junction Boxes, Combiner Boxes, Fuses, Circuit Breakers, and Switches for Solar & Wind Energy Systems	Manufacturing Machinery
Water Treatment Equipment	Manufacturing Machinery
Personal Property Certified Under KRS 224.1-300	Pollution Control

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Class of Property	Classification by Revenue Cabinet
Leasehold	Real Estate
Oil wells	Real Estate
Gas wells	Real Estate
Gathering lines	Personalty
Pipe lines (transmission)	Real Estate
Electric transmission lines	Personalty
Electric distribution lines	Personalty
Telephone lines	Personalty
Underground cables	Personalty
Electric substations and transformers	Manufacturing Machinery
Machinery & equipment used in manufacture of gas	Machinery
Conduits	Real Estate
Wire contained in underground conduits	Personalty

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APPROVED:



**THOMAS MILLER, COMMISSIONER**  
Department of Revenue  
Finance and Administration Cabinet

07/13/2021

**DATE APPROVED BY AGENCY**

## PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held on September 22, 2021, at 10:00 a.m. in Room 11A, State Office Building, 501 High Street, Frankfort, KY 40601. The hearing may be conducted by video teleconference at the discretion of the agency. An individual interested in being heard at this hearing shall provide written notification to the agency of the intention to attend the hearing at least five (5) business days prior to the date scheduled for the hearing. If no notification of intent to attend the hearing is received by that date, the hearing will be cancelled. The hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through September 30, 2021. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Gary Morris, Executive Director, Office of Tax Policy and Regulation, Department of Revenue, 501 High Street, Station 1, Frankfort, Kentucky, 40601, (502) 564-0424 (telephone), (502) 564-3875(fax) [Gary.Morris@ky.gov](mailto:Gary.Morris@ky.gov) (email).

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation Number: 103 KAR 8:090

Contact Person: Gary Morris

Phone Number: (502) 564-0424

Email: Gary.Morris@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation amends 103 KAR 8:090 to provide updated classifications of certain commonly held properties of public service corporations (PSC's) pursuant to KRS 136.130(1) .

(b) The necessity of this administrative regulation: To comply with statutory requirements; add new utility technology; and remove outdated guidance.

(c) How this administrative regulation conforms to the content of the authorizing statutes: The proposed regulatory language conforms with KRS 13A, KRS 131.130, KRS 132.020, KRS 132.200, and KRS 136.130.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation outlines the administrative process for the classification of property owned by PSC's and provides them with a list of assets and classifications as guidance, creating uniformity in how they classify their property for tax purposes.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This amendment updates department guidance relating to property classification to include new technology and administration standards.

(b) The necessity of the amendment to this administrative regulation: see 1(b)

(c) How the amendment conforms to the content of the authorizing statutes: see 1(c)

(d) How the amendment will assist in the effective administration of the statutes: see 1(d)

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Approximately 251 public service corporations across the Commonwealth will be able to utilize the guidance contained herein.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: None that the Department of Revenue is aware of other than updating their reporting pursuant to KRS 136.120.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There are no costs known to the Department.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): They will have a greater understanding of the requirements for filing, and experience more efficient and timely tax filings with the Department of Revenue.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: Current department staff and resources will be used to absorb the implementation costs of this administrative regulation.

(b) On a continuing basis: None, until amendments are made in the future.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Currently budgeted agency funding.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change, if it is an amendment: No increase in fees or funding will be necessary to implement this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: There are no fees established or increased in this amendment.

(9) TIERING: Is tiering applied? Tiering is not applied because all PSC's using the classification and guidance contained in this administrative regulation will be treated equally.



FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation Number: 103 KAR 8:090

Contact Person: Gary Morris  
Phone Number: (502) 564-0424  
Email: Gary.Morris@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? Only the Finance and Administration Cabinet, Department of Revenue will be impacted.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS Chapter 13A and 131.130.

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. There will be no effect on expenditures and revenues for government agencies as a result of amending this administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? None.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? None.

(c) How much will it cost to administer this program for the first year? None.

(d) How much will it cost to administer this program for subsequent years? None.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation:

