Trustee Tip – June 2021

Kentucky Department for Libraries and Archives

Setting tax rates

As a library trustee, one of your most important tasks is securing funding for your library. In this tip, KDLA presents answers to frequently asked questions about the process of setting tax rates.

Where do our tax rates come from?

KDLA calculates tax rates for public libraries with taxing authority and distributes them to the libraries. These rates are based on the Certified Property Valuation provided to KDLA by the Kentucky Finance and Administration Cabinet. KDLA calculates these rates using a formula provided by the Department for Local Government.

Why do we get two rates?

Public libraries are provided the “compensating rate” to ensure a reliable income from year to year. The compensating rate, according to statute, should produce “an amount of revenue approximately equal to that produced in the preceding year from real property.” The “4% rate” is calculated to provide an additional 4% in revenue above that produced from the compensating rate.

Do we have to take one of the two rates?

While districts by law are furnished with these two rates, library districts have the ability to take other rates if they so choose. KDLA encourages library districts to carefully examine their revenue needs and then select a rate which meets those needs without placing undue burden on taxpayers. Libraries may request that KDLA provide up to nine alternative rates for consideration. For questions about setting tax rates, please contact your regional consultant or Terry Manuel (terry.manuel@ky.gov) at KDLA.

Legal requirements after you set the tax rate

If a rate is set that exceeds the compensating rate, the library must submit the rate in writing to the establishing entity within 7 days. The establishing entity has 30 days from the date of submission to:

- Approve or fail to act on the proposed rate, in which case the proposed rate may be implemented by the library;
- Approve a rate that is less than the proposed rate but greater than the compensating tax rate, in which case the approved rate may be implemented by the library;
- Disapprove the entire proposed rate by a majority vote of the governing body, in which case the library may levy a rate for the upcoming year that does not exceed the compensating tax rate.

If a rate is set that exceeds the compensating rate, additional requirements include a public hearing held immediately before a fiscal court meeting in the same building where the fiscal court meets. This public hearing must be advertised in the newspaper for 2 consecutive weeks following the requirements found in KRS 132.023. All citizens who wish to be heard will be allowed time for an oral testimony. The library may set reasonable time limits on these testimonies.

The establishing entity (usually the fiscal court) may impose reporting or submission requirements that are more stringent than those established in KRS 65A.110, such as a presentation at a meeting of the fiscal court.

The adopted tax rate must be set within 45 days of the Kentucky Revenue Cabinet’s certification and by September 15th at the latest. Certification of the adopted tax rate must be filed with the fiscal court, the county clerk, KDLA, and also be kept on file at the library.