

**132.195 Assessment of possessory interest in tax-exempt real or personal property -
- Exemptions -- Lessee's liability. (Effective January 1, 2027)**

- (1) When any real or personal property which is exempt from taxation is leased or possession is otherwise transferred to a natural person, association, partnership, or corporation in connection with a business conducted for profit, the leasehold or other interest in the property shall be subject to state and local taxation at the rate applicable to real or personal property levied by each taxing jurisdiction.
- (2) Subsection (1) of this section shall not apply to interests in:
 - (a) Industrial buildings, as defined under KRS 103.200, owned and financed by a tax-exempt governmental unit or tax-exempt statutory authority under the provisions of KRS Chapter 103, the taxation of which is provided for under the provisions of KRS 132.020 and 132.200;
 - (b) Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be lawfully assessed;
 - (c) Property of any state-supported educational institution;
 - (d) Vending stand locations and facilities operated by blind persons under the auspices of the Division of Kentucky Business Enterprise, regardless of whether the property is owned by the federal, state, or a local government;
 - (e) Property of any free public library;
 - (f) Property in Fayette County, Kentucky, administered by the Department of Military Affairs, Bluegrass Station Division;
 - (g) All privately owned leasehold interests in residential property when the residential property is owned in fee simple by a purely public charity as of July 1, 2020:
 1. When the real property includes a residential property unit that is:
 - a. Leased by the purely public charity for a period of at least one (1) year to an individual person who is fifty-five (55) years of age or older;
 - b. Maintained as the individual person's permanent residence under a lease agreement that:
 - i. Prohibits the lessee from subleasing the unit; and
 - ii. Provides that the lessee's possessory interest in the unit is terminable by the lessor upon the death of the lessee, the physical or mental inability of the lessee to continue to reside in the unit, or the lessee's relocation to a nursing home or similar assisted living facility; and
 - c. Constructed on or before July 1, 2020, or constructed after July 1, 2020, on land that was privately owned in fee simple by the purely public charity on or before July 1, 2020;
 2. If the fee simple ownership is transferred by the purely public charity after July 1, 2020, it shall be transferred to another purely public charity and the requirements established for the residential property unit in subparagraph 1. of this paragraph shall be maintained; and

3. The taxation of which is provided for under KRS 132.020 and 132.200;
 - (h) All privately owned leasehold interests in residential property owned in fee simple by a purely public charity, which is exempt from ad valorem taxation under Kentucky Constitution Section 170, when the residential property unit is leased by the purely public charity to an individual person who is:
 1. Receiving medical or educational supportive services from the purely public charity; and
 2.
 - a. A postsecondary educational participant;
 - b. A minor;
 - c. Sick, disabled, or impoverished; or
 - d. Over the age of sixty-five (65);
 - (i) Public-private partnership projects or property developed, acquired, or leased in accordance with KRS 45A.077 or 65.028; or
 - (j) Real property owned by the Kentucky Housing Corporation under KRS Chapter 198A:
 1. That is acquired and leased in connection with an activity, including new construction, that would result in an increase of forty-eight (48) units or more to the stock of residential multifamily housing;
 2. Subject to an extended use agreement in favor of the Kentucky Housing Corporation; and
 3. The county judge/executive and the mayor of the applicable political subdivisions have provided written consent of the acquisition and lease.
- (3) Taxes shall be assessed to lessees of exempt real or personal property and collected in the same manner as taxes assessed to owners of other real or personal property, except that taxes due under this section shall not become a lien against the property. When due, such taxes shall constitute a debt due from the lessee to the state, county, school district, special district, or urban-county government for which the taxes were assessed and if unpaid shall be recoverable by the state as provided in KRS Chapter 134.

Effective: January 1, 2027

History: Amended 2026 Ky. Acts ch. 161, sec. 117, effective January 1, 2027. -- Amended 2020 Ky. Acts ch. 91, sec. 60, effective April 15, 2020. -- Amended 2019 Ky. Acts ch. 146, sec. 8, effective June 27, 2019. -- Amended 2013 Ky. Acts ch. 32, sec. 159, effective March 19, 2013. -- Amended 2009 Ky. Acts ch. 10, sec. 35, effective January 1, 2010. -- Amended 2006 Ky. Acts ch. 211, sec. 17, effective July 12, 2006. -- Amended 1990 Ky. Acts ch. 415, sec. 1, effective July 13, 1990; and ch. 476, Pt. V, sec. 322, effective July 13, 1990. -- Created 1988 Ky. Acts ch. 146, sec. 2, effective July 15, 1988.

Legislative Research Commission Note (4/15/2020). 2020 Ky. Acts ch. 91, sec. 79 provides that the changes made to this statute in Section 60 of that Act apply to privately owned leasehold interests in residential property assessed on or after January 1, 2021.

Legislative Research Commission Note. (7/13/90) The Act amending this section prevails over the repeal and reenactment in House Bill 940, Acts Ch. 476, pursuant to Section 653(1) of Acts Ch. 476.