

PROPERTY TAX EXEMPTION
GUIDELINES

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
OFFICE OF PROPERTY VALUATION

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FOREWORD

The Office of Property Valuation has prepared this manual to provide a source of information for all Property Valuation Administrators concerning property tax exemptions. Various state constitutional provisions, court decisions, office procedures, and departmental policies are cited in this manual. This is part of a continuing effort to give assistance to Property Valuation Administrators.

The administration of property tax laws is a complex task, and no manual could contain all the necessary information. This manual has been structured to provide the basic information which should be quickly accessible to those charged with the administration of property tax exemptions.

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SECTION I

PROPERTY TAX EXEMPTION BASIS

The Kentucky Constitution prohibits exemption of any property of persons except as provided by the Constitution itself.¹ Section 170 and a portion of Section 171 of the Constitution set forth the only exemptions permitted for property tax purposes. In administering property tax exemptions, the Property Valuation Administrator should keep in mind one basic principle: taxation is the rule and exemption is the exception and all doubts must be resolved against the exemption and in favor of the tax.²

Section 170 of the Constitution provides:

There shall be exempt from taxation public property used for public purposes; places of burial not held for private or corporate profit; real property owned and occupied by, and personal property both tangible and intangible owned by, institutions of religion; institutions of purely public charity, and institutions of education not used or employed for gain by any person or corporation, and the income of which is devoted solely to the cause of education, public libraries, their endowments, and the income of such property as is used exclusively for their maintenance; household goods of a person used in his home; crops grown in the year in which the assessment is made, and in the hands of the producer; and real property maintained as the permanent residence of the owner, who is sixty-five years of age or older, or is classified as totally disabled under a program authorized or administered by an agency of the United States government or by any retirement system either within or without the Commonwealth of Kentucky, provided the property owner received disability payments pursuant to such disability classification, has maintained such disability classification for the entirety of the particular taxation period, and has filed with the appropriate local assessor by December 31 of the taxation period, on forms provided therefor, a signed statement indicating continuing disability as provided herein made under penalty of perjury, up to the assessed valuation of sixty-five hundred dollars on said residence and contiguous real property, except for assessment for special benefits. The real property may be held by legal or equitable title, by the entireties, jointly, in common, as a condominium, or indirectly by the stock ownership

¹ Kentucky Constitution, Section 3

² *Mordecai F. Ham Evangelistic Association v. Matthews*, 300 Ky 402, 189 SW 2d 524, 168 ALR 1216 (1945).

or membership representing the owner's or member's proprietary interest in a corporation owning a fee or leasehold initially in excess of ninety-eight years. The exemptions shall apply only to the value of the real property assessable to the owner or, in case of ownership through stock or membership in a corporation, the value of the proportion which his membership bears to the assessed value of the property. The General Assembly may authorize any incorporated city or town to exempt manufacturing establishments from municipal taxation, for a period not exceeding five years, as an inducement to their location. Notwithstanding the provisions of Sections 3, 172, and 174 of this Constitution to the contrary, the General Assembly may provide by law an exemption for all or any portion of the property tax for any class of personal property.

Section 171 in pertinent part states:

". . . Bonds of the state and of counties, municipalities, taxing and school districts shall not be subject to taxation ..."

Thus, Section 170 of the Constitution exempts the following:

- (1) Publicly owned property as long as it is used for public purposes;
- (2) Tangible and intangible property owned by institutions of religion and real property owned and occupied by institutions of religion;
- (3) All property owned by institutions of purely public charities;
- (4) All property owned by institutions of education not used or employed for gain by any person or corporation, and the income of which is devoted solely to the cause of education;
- (5) Public libraries, their endowments, and the income of such property as is used exclusively for their maintenance;
- (6) Household goods of a person used in his home;
- (7) Places of burial;
- (8) Crops grown in the year in which the assessment is made, and in the hands of the producer; and
- (9) Homestead exemptions for age or disability.

Discussions of the foregoing exemptions are provided in Sections Two through Eleven of this manual.

Real property exempt from taxation by Section 170 of the Constitution must be listed in the same manner and at the same time as taxable real property, and the property valuation administrator must maintain an inventory of exempt real property, but such property is not to be placed on the tax rolls. Each property valuation administrator must, under the direction of the Office of Property Valuation, review annually all property listed with him and claimed to be exempt from taxation. All property not exempt shall be placed on the tax rolls.³

³ KRS 132.220(6) and (7).

Organizations exempt from federal income tax under Section 501(c) are not automatically exempt from Kentucky property tax and they must complete Form 62A023, Application for Exemption from Property Taxation, to determine if they meet all the qualifications to be exempt from Kentucky property tax. For example, if a church that is exempt as a 501(c) does not own the building where they hold services, they would not qualify for an exemption from property tax because they must own and occupy the building.

SECTION II

PUBLIC PROPERTY USED FOR PUBLIC PURPOSES

To qualify for exemption from property tax under this provision, the property must be:

1. Publicly owned, and
2. Used for a public purpose.

Ownership: The ownership requirement is met when the property is owned by the federal, state, municipal or county government or by an instrumentality or agent thereof.¹ However, property owned by a group of private citizens of a community, as trustees, which they have dedicated to the use of a community,² or property owned by a civic organization and used for the general public is taxable³ because it is not publicly owned.

Use: The property can be put to an endless variety of uses so long as it is a public use. The Court of Appeals adopted the following definition.

"A public purpose. . .has for its objectives the preservation of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants or residents within a given political division⁴

Public use includes, for example, providing low-rent public housing,⁵ water works,⁶ fire departments,⁷ and many others.

¹ Com. v. Newport & Covington Bridge Co., 32 KLR 196, 105 S.W. 378 (1907).

² Opinion, Attorney General, February 3, 1954.

³ Opinion, Attorney General, April 3, 1953.

⁴ Spahn v. Stewart, 268 Ky. 97, 103 S.W.2d 651 (1937).

⁵ Webster v. City of Frankfort Housing Commission, 293 Ky.114, 168 S.W.2d 344 (1943).

⁶ Ryan, et al. v. City of Louisville, et al., 133 Ky. 714, 118 S.W. 992 (1909).

⁷ City of Owensboro v. Com. ex rel. Stone, 105 Ky. 344, 49 S.W. 320 (1899).

Frequently, the statutes state that a particular project is for a public purpose and provides that such project and bonds issued therefore are exempt. The law specifically provides that the following are exempt:

- a. Airport revenue bonds⁸
- b. Bonds issued by Housing Commissions for housing projects⁹
- c. Road improvement bonds issued by public road districts in counties containing cities of the first class¹⁰
- d. Parks, and bonds issued therefore¹¹
- e. War Memorial buildings¹²
- f. School buildings and revenue bonds issued therefore¹³
- g. Bonds and property of a metropolitan sewer district¹⁴
- h. State Fair Board Bonds¹⁵
- i. State warrants¹⁶
- j. Teachers Retirement System funds¹⁷
- k. Turnpike property and bonds¹⁸
- l. Bridges built by an adjoining state or by the U.S. provided the adjoining state does not tax similar bridges built by the Commonwealth¹⁹
- m. All properties, both real and personal, acquired by a city or county and rented or leased to an industrial concern is considered as other public property used for public purposes²⁰

The Supreme Court of Kentucky has ruled that a lessee may have a taxable leasehold interest in real property leased from a government body or exempt institution.²¹ On the other hand, the Kentucky Supreme Court has ruled that publicly owned property, although used by private companies, where the income is used for public purposes, is exempt from taxation.

An industrial development authority, established by a governmental entity, is exempt under KRS 154.50-343. Industrial development authorities are different from private industrial corporations that are started by individuals. Private industrial corporations are taxable and are discussed more fully in the section on purely public charities.

⁸ KRS 183.650.

⁹ KRS 80.560.

¹⁰ KRS 184.260.

¹¹ KRS 97.160.

¹² KRS 97.670

¹³ KRS 162.190 & 162.30

¹⁴ KRS 76.210.

¹⁵ KRS 247.180.

¹⁶ KRS 41.200.

¹⁷ KRS 161.700.

¹⁸ KRS 177.510.

¹⁹ KRS 132.205.

²⁰ KRS 103.285.

²¹ Kentucky Tax Commission, et al. v. Jefferson Motel, Inc., 387 S.W.2d 293 (1965). See also, Kentucky Department of Revenue v. Hobart Manufacturing Co., Ky. 549 S.W.2d 297 (1977).

The following is a summary of previous court cases and attorney general opinions regarding public property used for public purposes:

Property must be publicly owned to be exempt from taxation as public property used for a public purpose. The Inter-County Rural Electric Cooperative Corporation owned certain property which it sought to have exempted from taxation. The cooperative corporation was the owner and operator of an electric distribution system. Any person could become a member of this corporation provided he paid a membership fee, agreed to purchase electric energy from the corporation, and provided that he met with the approval of the Board of Directors or a majority of the membership. The court held the property subject to taxation pointing out that such property must be owned by a collective body of a state or community.²²

Leasehold in exempt property taxable: Jefferson Motel constructed a motel on property leased from the Jefferson County Air Board. Assessment was sought on the improvements constructed by Jefferson Motel but was overruled by the Court. However, the Court said when the lessor is exempt from ad valorem taxes, the nonexempt lessee's contract right is taxable if it has a fair cash value.²³

Several properties of the Commonwealth of Kentucky, Jefferson County and/or the Louisville and Jefferson County Air Board were leased to private enterprises. The property valuation administrator took the position that, while the property was publicly owned it was not being used for a public purpose as required by the Constitution. The Court held the property to be exempt because all income received by the government from such private use was used for a public purpose.

A municipally-owned water works is exempt. A water works, owned and operated by a city for the benefit of its inhabitants is used for public or governmental purposes, and is therefore exempt from taxation.²⁴ This is true even though the water works owned and operated by a city supplying its own inhabitants also supplies neighboring towns, cities and individuals when the income received is applied to a public purpose. The fact that a city furnishes water to neighboring towns does not affect its public character.²⁵

²² Inter-County Rural Electric Cooperative Corporation v. Reeves, 294 Ky. 458, 171 S.W.2d 978 (1943).

²³ Kentucky Tax Commission v. Jefferson Motel, 387 S.W.2d 293 (1965). Pike County Bd. of Assessment Appeals and Revenue Cabinet v. Friend, 932 S.W.2d 378 (Ky. App. 1996).

²⁴ Ryan et al. v. City of Louisville et al., 133 Ky. 714, 118 S.W. 992 (1909).

²⁵ District of Highlands v. City of Covington, Kentucky, 164 Ky. 815, 176 S.W. 192 (1915).

Realty acquired and bonds issued by the City of Frankfort Housing Commission are exempt from taxation. The Court refused the argument of the city that a housing project is not property used for a public purpose. The Court said that ridding a community of unsafe, unsanitary and crime festering habitations and supplying low-rent quarters, is to the benefit of the general public and therefore, such property is being used for a public purpose.²⁶

Municipally-owned property held by a city solely for resale is taxable. Property acquired by a city at a commissioner's sale to satisfy tax and improvement liens and held by the city solely for resale was not exempt from taxes under the constitutional provision exempting from taxation property held for a public purpose.²⁷

A market place and stalls owned and maintained by a city where gardeners and meat vendors sell their goods and pay to the city a small rental charge are exempt. The Court said that regulation and maintenance by the city of the area was for the protection of the public health and that the income received was used to help defray costs of maintaining the area and was not a revenue producing measure.²⁸

A municipal airport owned by the City of Ashland is exempt from ad valorem taxes even though the property is located in an adjoining county.²⁹

²⁶ Webster v. City of Frankfort Housing Commission, 293 Ky. 114, 168 S.W.2d 344 (1943).

²⁷ City of Paducah v. Commonwealth ex rel. Oates, 297 Ky. 107, 118 S.W.2d 982 (1944).

²⁸ City of Paducah v. Commonwealth, 136 Ky. 232, 124 S.W. 286 (1910).

²⁹ OAG, November 30, 1950.

SECTION III INSTITUTIONS OF RELIGION

Section 170 of the Constitution provides an exemption for

". . . real property owned and occupied by, and personal property both tangible and intangible owned by, institutions of religion; . . ."

An exemption can be granted for all personal property owned by a church, mosque, synagogue, or other religious institution. This includes all motor vehicles, equipment and investments that are held in the religious institution's name.

Tangible personal property leased by a religious institution is taxable to the owner (lessor); however, if the religious institution (lessee) is obligated to purchase the property at the expiration of the lease, the property would be exempt since it would be deemed to be owned by the religious institution.

Real property must be both owned and occupied by the religious institution in order to qualify for an exemption. Examples of what normally can be considered exempt include:

House of regularly scheduled worship service;

Buildings used for meetings and social events primarily aimed at religious institution members;

Parking lots or garages essential for the congregation's use to attend worship services, even if the garage is rented out during the week.

Land and improvements used for church camps; and

Outdoor recreational areas held for use by religious institution members.

Some commonly encountered situations where an exemption would not be granted include:

Vacant land held for future expansion (If no regularly scheduled activities are being held on the vacant property, it cannot be considered to be occupied by the religious institution);

Real property leased to or used by an individual or business for a non-religious purpose;

Acreage used as a farm, even if all the work is performed by members of the religious institution;

Residential housing that is not being used as a parsonage; and

Parking lots and garages that are used incidentally for religious institution purposes.

As can be seen from the various examples of both exempt and nonexempt real property, the key issue in determining whether or not a religious institution is occupying the real property is the use of the property. If the property is being used in any type of religious capacity, then the exemption shall be granted.

Although the majority of the time the property valuation administrator will be trying to determine if property owned by a religious institution is also occupied, there may be instances where religious functions are regularly held on property not owned by a religious institution. An exemption in this situation cannot be granted since the wording of the state constitution states the property must be owned by an institution of religion.

Another area where the question of ownership may arise occurs when a religious institution is purchasing a parcel on a land contract. It is the Department's position that when a religious institution purchases property in this manner, the property should be exempt from taxation as long as the occupancy requirement is met.

The most recent court decision involving religious institution property was Freeman v. St. Andrews Orthodox Church, Inc. It confirmed the Department's position regarding which real property should be taxable and which should be exempt. The Kentucky Supreme Court ruled that real property owned by the church but rented out to individuals or commercial enterprises is taxable despite the fact that the rental income is used to pay down the mortgage on the property. For this reason, two houses and their lots were ruled to be taxable while the remaining portions of the property were considered to be occupied by the church and could be exempted. The court went on to say

In keeping with this endeavor, we recognize that churches are unique. For the most part, they are never "occupied" in the conventional sense. A vast majority of properties owned by "institutions of religion" such as churches, mosques, tabernacles, temples and the like, are used for places of worship at specified times and may remain vacant for substantial periods during the week. We further recognize that adjacent facilities, such as activity buildings, gymnasiums, even shelters, may be owned by religious institutions but perhaps utilized irregularly on an as needed basis. School buildings owned by religious institutions may, in fact, sit idle for a great deal of time. This would not preclude these buildings from being "occupied" under Section 170 of Kentucky's Constitution."¹

¹ Freeman v. St. Andrews Orthodox Church, Inc., Ky. 294 S.W.3rd 425 (2009)

Whenever the property valuation administrator is unsure if an exemption should be granted to a religious institution, as many details as possible should be obtained and sent to the Office of Property Valuation. A review of the application and other documentation will be done to determine whether or not the property should be exempted. When a decision has been made, a letter of recommendation will be sent to your office.

SECTION IV

INSTITUTIONS OF PURELY PUBLIC CHARITY

In order to qualify as a “purely public charity” the institution must be:

- a. A public charity, as opposed to a private charity, and
- b. Operated as a nonprofit organization.

Purely Public Charity: has been defined as:

"Whatever is done or given gratuitously in relief of public burdens or for the advancement of the public good, is a public charity. Where the public is the beneficiary, the charity is public, and where no private or pecuniary return is reserved to the giver or to any particular person, but all the benefit resulting from the gift or act goes to the public, it is a purely public charity; the word 'purely' being equivalent to wholly."¹

Thus, an institution will not be considered one of purely public charity when its operations will result in private profit or gain.

The following factors should be considered when determining whether an organization is charitable:

- The stated purpose of the organization;
- The actual work performed;
- The extent to which the work performed benefits the community and the public in general;
- Whether a substantial and indefinite class of persons are benefited;
- Whether the charity is dispensed to all who need and apply for it;
- Whether a substantial portion of its services are donated or rendered gratuitously; or whether recipients of its services are required to pay;
- The amount of support provided by donations;
- Whether some burden of government is relieved;
- Whether the income received produces a profit;
- To whom assets would go upon dissolution; and
- Whether the charity provided is based on need.

The institution claiming the exemption must own the property in question in order to establish the right to exclusion from the levy of the ad valorem tax.

¹ Kentucky Female Orphan School v. City of Louisville, 100 Ky. 470, 36 S.W. 921 (1896).

Use: A variety of uses have been considered for the purely public charity exemption, some of which are summarized below.

Hospitals: A non-profit hospital is exempt even though it charges patients, if the object for which it was founded is the general public good.²

Fraternal or Benevolent Organizations: The Odd Fellows, Elks, and Masons are not purely public charities and are taxable.³ Their primary purpose is social and their charitable work, outside of that bestowed on themselves and their families, is incidental only.⁴ However, where a lodge maintains a home for widows and orphans of deceased members of the lodge, and funds have been irrevocably dedicated to the use of such homes and cannot be used for the local lodge itself, such funds and real property irrevocably dedicated to the home is exempt, even though it is limited to widows and orphans of its members.⁵

Veterans' Service Organizations (VSOs): Reviews of these organizations should be done on an individual basis, based upon their application and supporting documents. In 1958, the Court of Appeals of Kentucky found an American Legion post in Jefferson County to be taxable, saying

From the record in this case it cannot be said the Post sought out objects of charity beyond its own membership, and we believe it was in the charitable field only in the same way that any kindhearted person might come in contact with need and suffering and hasten to relieve it. In the final analysis, we conclude the Post's principal activities centered around promoting the interests and gratifying the wishes of its own membership. The dispensing of charity appears to be an incidental portion of its program.⁶

Some individual chapters or posts of VSOs may be exempted if their work is truly charitable. In 2013, the Kentucky Board of Tax Appeals (KBTA) ruled a post of the American Legion was exempt based upon the activities of its members. After listing the activities of the post, the Board noted that, "rather than be an incidental part of the ...Post's program, the dispensing of charity is the central purpose of this small Post's program and that Post members spend most of their time carrying out charitable work on behalf of the Post."⁷

² City of Dayton v. Trustees of Speers Hospital, 165 Ky. 56, 176 S.W. 361 (1915).

³ City of Newport v. Masonic Temple Association, 108 Ky. 333, 56 S.W. 405 (1900); Merrick Lodge No. 31, IOOF v. City of Lexington, 175 Ky. 275, 194 S.W. 92 (1917); Benevolent Association of Elks v. Wintersmith, 204 Ky. 263 S.W. 670 (1924).

⁴ Pleasure Valley Lions Club v. Jefferson County Property Valuation Administrator, KBTA K13-S-125 (2014).

⁵ Widows' and Orphans' Home of Odd Fellows v. Com., 126 Ky. 386, 103 S.W. 354 (1907); Trustees of Widows' and Orphans' Fund of Beattyville, Lodge No. 304 IOOF v. Blount, 222 Ky. 717, 2 S.W.2d 394 (1928).

⁶ Iroquois Post No. 229 American Legion Department of Kentucky v. City of Louisville, 309 SW 2d 353 (1958).

⁷ Cleveland Frost Post No. 50 v. Madison County Property Valuation Administrator, KBTA K12-S-01 (2013).

Boy Scouts and Girl Scouts organizations are tax exempt as a charity.⁸

Country clubs whose purpose is social and not charitable are not tax exempt.⁹

Income producing property of a purely public charitable institution is exempt when there is no private gain and when it is used solely for charitable purposes in this state.¹⁰

A foundation whose activities were all of a charitable nature was an institution of purely public charity though its activities, which included a park, nature center and nature museum, did not fulfill basic human needs such as alleviation of hunger and providing clothing, shelter and medical care to the poor.¹¹

A nonprofit medical laboratory corporation performing services for nonprofit tax exempt hospitals is a purely public charity.¹²

A nonprofit corporation providing housing to low and moderate income families of elderly or handicapped persons is an institution of purely public charity.¹³

The following is a summary of court cases and attorney general opinions regarding Institutions of Purely Public Charity, defined as

Whatever is done or given gratuitously in relief of public burdens or for the advancement of the public good, is a public charity. Where the public is the beneficiary, the charity is public, and where no private or pecuniary return is reserved to the giver or to any particular person, but all the benefit resulting from the gift or act goes to the public, it is a purely public charity; the word "purely" being equivalent to wholly.¹⁴

Most benevolent associations, such as Odd Fellows, Elks, Masons, are not institutions of purely public charity. They are private charities since their primary purpose is social instead of charitable, their charitable work being only incidental.¹⁵ However, each application should be carefully reviewed to determine the extent of the charitable activities and how the association is organized.

In Commonwealth of Kentucky, ex rel. James Lockett v. Grand Lodge of Kentucky Ancient Order of Free and Accepted Masons, the Kentucky Court of Appeals ruled that the administrative headquarters building containing offices and space for

⁸ Opinion, Attorney General, October 7, 1969 (OAG 69-526).

⁹ Opinion, Attorney General, March 22, 1951.

¹⁰ Mason Co v. Hayswood Hospital of Maysville, 167 KY 17, 179 SW 1050 (1915)

¹¹ Commonwealth ex rel. Lockett v. I.W. Bernheim Foundation, Ky 505 SW 2d 762 (1974)

¹² Department of Revenue v. Central Medical Laboratory, Inc., 555 S.W.2d 632 (Ky. App. 1977).

¹³ Banahan v. Presbyterian Housing Corp., 553 S.W.2d 48 (Ky. 1977).

¹⁴ Kentucky Female Orphan School v. City of Louisville, 100 Ky. 470, 36 S.W. 921 (1896).

¹⁵ City of Newport v. Masonic Temple Association, 108 Ky. 333, 56 S.W. 405 (1900); Merrick Lodge No. 31, IOOF v. City of Lexington, 175 Ky. 275, 194 S.W. 92, (1917); Benevolent Association of Elks v. Wintersmith, 204 Ky. 20, 263 S.W. 670 (1924).

soliciting funds for charitable homes was exempt from ad valorem taxes.¹⁶ This does not change the status of local lodges, which are still considered as taxable.

Property of a fund irrevocably dedicated by local lodge to a home for widows and orphans of members is exempt. The Independent Order of Odd Fellows maintains a home for the widows and orphans of deceased members of the order. The local lodge accumulated a fund for the benefit of the institution, and this fund is dedicated solely to the support and maintenance of the home. It was not used in any way for the local lodge. but it was irrevocably dedicated to the home. Part of the fund was used to purchase a lot upon which a garage was built. A small income was received, and it was applied solely to the charity. No private gain was derived from use of the property. The city sought to tax the lot, and the trustee of the fund claimed exemption. Held: exempt. The Court pointed out that it was not the origin of ownership of property, but the use to which it is put that determines immunity from taxation. Therefore, the property of the fund irrevocably dedicated to a home for widows and orphans is exempt even though the recipients of the charity are limited to widows and orphans of deceased members of the lodge.¹⁷

A corporation whose sole object is to provide a suitable home for widows and orphans of deceased members of a fraternal organization is exempt. The Widows and Orphans Home of Odd Fellows of Kentucky was incorporated for the sole purpose of providing a suitable home for the destitute widows and orphans of members of Odd Fellows. It owned certain real estate in Fayette County and a note for \$4,000 which it sought to have declared exempt on the ground that it was an institution of purely public charity. Held: exempt.¹⁸

Society for the Prevention of Cruelty to Animals held exempt from ad valorem tax where the property is used solely for the purpose of promoting the interest of the society.¹⁹

Income-producing property of a hospital is exempt. Invested funds of a hospital, incorporated as a charitable corporation, the income of which is used solely for hospital expenses, are exempt from taxation when no private gain is derived by an individual or corporation and when the hospital provides free care for indigent patients.²⁰

A wildlife sanctuary is an institution of charity. Property of Isaac W. Bernheim Foundation, financing the development and maintenance of Bernheim Forest Park as a place of recreation, free to all, and providing a wildlife sanctuary is not subject to ad valorem tax, it being an institution of charity. The Court said, "Charity is broader than relief to the needy and includes activities which reasonably better the conditions of mankind."²¹

¹⁶ Commonwealth v. Grand Lodge of Kentucky, 459 S.W.2d 601 (1970)

¹⁷ Trustees of Widows' and Orphans' Fund of Beattyville Lodge No. 304, I.O.O.F. v. Blount, 222 Ky. 717, 2 S.W.2d 394 (1928).

¹⁸ Widows' and Orphans' Home of Odd Fellows v. Commonwealth, 126 Ky. 386, 103 S.W. 354 (1907)

¹⁹ Attorney General opinion, August 9, 1951

²⁰ Mason County v. Hayswood Hospital of Maysville, 167 Ky. 17, 179 S.W. 1050 (1915)

²¹ Commonwealth of Kentucky, Department of Revenue v. Isaac W. Bernheim Foundation, Inc., Ky. 505 S.W.2d 762 (1974).

A nonprofit corporation providing housing to low and moderate income families of elderly or handicapped people is an institution of purely public charity. Property owned by the Presbyterian Housing Corporation and Emerson Center, Inc., and whose income was used solely to continue the operation of the projects and low cost housing programs of the nonprofit corporation was held to be exempt from ad valorem taxes.²²

Central Medical Laboratory, a nonprofit medical laboratory corporation, organized as a testing facility for three nonprofit tax exempt hospitals performed services previously provided by the hospitals. The Court of Appeals held the corporation to be a purely public charity.²³

Assessment of improvements to the lessee under fifty-year lease. In 1922, the Louisville Garage Corporation leased from the Protestant Episcopal Orphans Asylum, for a term of fifty years, a lot on Fifth Street, between Chestnut and Broadway in Louisville. The Orphans Asylum was a charitable organization. The contract of lease provided for the payment of rent in monthly installments. The lessee agreed to raze the existing improvements located on the lot, and to commence, within a year, to complete new improvements on the property at a cost of not less than \$75,000. The lessee obligated itself to take out fire and tornado insurance in the full value of the improvements. In the event of destruction or damage by fire or tornado, the proceeds of the insurance must be used to reconstruct the improvements on the property. The lease provided that the improvements on said property were to belong to the lessor at the expiration of this lease without cost. The lessee erected a two story brick sales and service garage at a cost of more than \$75,000. Sometime after the completion of the building, the Louisville Garage Corporation leased the land and improvements to Louisville Motors, Inc. The City of Louisville assessed the improvements at \$45,000 and the land at \$18,600 and issued tax bills on the improvements in the name of the Louisville Garage Corporation. The Louisville Garage Corporation claimed immunity from taxation on the theory that the ownership of the improvements was not in it, but was in a charitable institution, and the property, therefore, was exempt from taxation under Section 170 of the Constitution. The lower Court held that the land leased by the charitable institution was exempt, but that the improvements during the term of the lease belonged to the lessee and were, therefore, taxable. The Court of Appeals said that the general rule is that in the absence of an agreement to the contrary, the owner of real estate is the owner of improvements erected thereon by another. The Court, however, recognized severance of ownership of land from the improvements thereon, and held that the Louisville Garage Corporation, for the purpose of taxation, was the owner of the improvements and, therefore, liable for the tax.²⁴

Lessee's interest in improvements valued according to deprivation clause contained in twenty-year lease. The City of Louisville sought to collect taxes assessed against a building on land leased for a term of twenty years to Steiden Stores by the Children's

²² Banahan v. Presbyterian Housing Corp., 553 S.W.2d 48 (Ky. 1977).

²³ Central Medical Laboratory, Inc., 555 S.W.2d 632.

²⁴ Louisville Garage Corporation v. City of Louisville, et al., 303 Ky. 553, 198 S.W.2d 40 (1949).

Free Hospital, an exempt institution. Steiden Stores leased a valuable lot on Fourth Street in Louisville and a large store building located thereon, the building having, prior to April 1, 1936, and prior to any conveyance of the property to the Children's Free Hospital, been erected on this lot by Steiden Stores at a cost of about \$20,000. The lot, which was owned by the charity, had an assessed valuation of \$137,600, while the building had an assessed valuation of \$20,000. The lease provided that, in the event of a loss of the property through condemnation proceedings, Steiden Stores was to be paid out of the resulting condemnation award stated amounts which decreased yearly, e.g., \$20,000 if possession was lost by Steiden during 1936, \$19,167 if possession was lost by Steiden during 1937, \$1,500 if possession was lost by Steiden during 1950. The lease further provided that Steiden would have no part of any condemnation award if it lost possession through condemnation proceedings after the year 1950; that the building must be insured to the extent of \$20,000, but the insurance premiums must be paid by Steiden; that any payable insurance must be paid to the hospital and, that the hospital must make such collective funds available to Steidens for immediate restoration of the building following its damage or destruction. It further provided that the hospital may, at its own election, after January 1, 1940, cancel the lease, provided the hospital had a valid opportunity to sell the property; and further provided that in the event of a loss of the property through such cancellation by sale, Steiden Stores should be compensated for the years 1940 through 1950 on the same basis as the ones set out in the deprivation schedule mentioned before, but that Steiden would have no deprivation compensation if it lost, through cancellation by sale, possession after the year 1950. Steiden was to pay all expenses of maintenance and repairs, and had the full right to assign or to sublet the property during the term of the lease without the hospital's consent. The lease specified that the improvements would become the property of the hospital upon termination of the lease by lapse of time or by other means; that the hospital would have a lien on Steiden's interest under the lease as security for fulfillment of the lessee's obligation; that Steiden and the hospital would share jointly and equally the expense of any construction, such as sidewalks and sewers required by a governmental authority; and that Steiden could further improve or alter the leased store building only upon the written consent of the hospital.

The Court recognized the differences between this case and earlier cases in which the Court had decided that the improvements, for tax purposes, were owned and thus taxable to the lessee. They pointed out that the Steiden lease was a mere 20-year contract, that the building was erected before the lease was executed, rather than subsequent thereto, and that the condemnation provision under consideration provided that any compensation after 1936 would be paid to the lessee in partial and varying amounts which amounts diminished with the diminishing tenure of the lease. The Court held that Steiden, as lessee, was liable for the tax to the extent of value fixed in the deprivation clause, but pointed out that deprivation schedules of some leases might not necessarily furnish accurate indexes of the true ownership of the improvements on such leases and that each lease must necessarily be construed individually.

The Court further said, "However, there is one fundamental rule of construction which must, we believe, be followed in all cases of this kind. That fundamental rule is that any lease involving the possibility of a tax exemption must be construed so strictly as to defeat such a possibility if this can be done and still leave the Court in the position of an interpreter instead of a maker of the contract."²⁶

Private Industrial Corporations are taxable. In 2012, the Kentucky Supreme Court ruled that private industrial corporations are not purely public charities and are taxable. A group of businessmen in Floyd County who formed the Prestonsburg Industrial Corporation in 1968 sought an exemption as a purely public charity. The court stated:

Although a design to achieve goals beneficial to the community is common to all charitable purposes, it does not follow that all such designs constitute a "purely public charity" as defined under section 170 and our case law. Our predecessor Court has previously stated that a resulting increase in commercial activity is no more than an incidental benefit to the public, and an enterprise incidentally benefitting the public would not entitle that enterprise to a tax exemption as performing a public purposes.... Moreover, the Court has determined that an organization fails to qualify as a "purely public charity" for the purpose of tax exemption when the charitable outcome is merely incidental and the organization's principal activities center around promoting the interests and gratifying the wishes of its own membership....

Although "charity" is broader than activities that merely "fulfill basic human needs," it is clear by the evidence of record that PIC's activities are inconsistent with a "purely public charity" as its activities are not... "wholly altruistic in the end to be attained... [so] that no private or selfish interest should be fostered under the guise of charity." Simply stated, commercial and economic development are the promotion of business interests and not, therefore, indicative of actions of a purely public charity.²⁷

²⁶ Steiden Stores v. City of Louisville, 303 Ky. 637, 198 S.W.2d 983 (1947).

²⁷ Hancock v. Prestonsburg Indus. Corp., 365 S.W.3d 199 (Ky. 2012).

SECTION V

EDUCATIONAL INSTITUTIONS

Section 170 of the Constitution allows an exemption for:

“...institutions of education not used or employed for gain by any person or corporation, and the income of which is devoted solely to the cause of education”

An "institution of education" has been defined by the Court of Appeals as:

“...a place where systematic instruction in any and all useful branches of learning is given by methods common in schools and institutions of learning.”¹

Schools for the teaching of driving, riding or other special accomplishments are not schools or institutions of education as used in the ordinary sense of the word, and are, therefore, not exempt.²

The income producing property of a nonprofit educational institution is exempt, provided the income received is used exclusively for educational purposes. For example, the property can be a laundry, waterworks, printing department, cooperative store, hotel,³ or farm.⁴ However, if property is leased by a tax exempt educational or charitable institution in a way so that the lessee has domination and control over the property, the court has recognized separation of ownership of soil from the improvements thereon, and has denied exemption despite the fact that the lease provided that the improvements built by the tenant would become the property of the tax exempt owner at the expiration of the lease.⁵

¹ Kesselring, et al. v. Bonnycastle Club, Inc., 299 Ky. 585, 186 S.W.2d 402 (1945).

² Id.

³ Commonwealth v. Berea College, 149 Ky. 95, 147 S.W. 929 (1912).

⁴ Opinion, Attorney General, August 20, 1956.

⁵ Broadway and Fourth Avenue Realty Co. v. City of Louisville, 303 Ky. 202, 197 S.W.2d 238 (1946).

The following is a summary of court cases and attorney general opinions regarding educational institutions.

An "institution of education" means a place where systematic instruction in any or all useful branches of learning is given by methods common in schools and institutions of learning. Thus, schools for teaching dancing, riding and other special accomplishments are not schools or institutions of education in the ordinary sense of the word. A non-stock corporation organized to promote educational, social and athletic advantages, owning real estate on which they maintained two tennis courts, wading pool, etc., maintained principally for members, in which members of the club, and perhaps others, played athletic games, instructed occasionally by instructors furnished by the city, was denied exemption from ad valorem tax, as not being an institution of education.⁶

A gymnastic association is not an institution of education. A gymnastic association, where regular gymnastic exercises are taught and a teacher in physical culture is constantly employed, is not an institution of education within the meaning of the Constitution, and its property is therefore taxable.⁷

Income-producing property of an educational institution is exempt when the income is used solely for education. Income-producing realty of charitable or educational institutions consisting of office buildings, store buildings, restaurants, rooming houses, parking lots, etc., is exempt from taxation under the Constitutional provision exempting from taxation institutions of purely public charity and institutions of education not used for gain when the income from such property is used solely for education or charity.⁸

Income-producing property of Berea College is exempt. Berea College, maintaining a laundry, waterworks system, printing department, cooperative store, hotel, the profit in each instance going to Berea College, is exempt from ad valorem tax, it being an institution of education.⁹

⁶ Kesselring, 185 S.W.2d at 402.

⁷ German Gymnastic Association of Louisville v. City of Louisville, 306 Ky. 810, 209 S.W.2d 75 (1948).
overruling German Gymnastic Association of Louisville, 117 Ky. 958, 80 S.W. 201 (1904).

⁸ City of Louisville v. Presbyterian Orphans' Home Society of Louisville, 299 Ky. 566, 186 S.W.2d 194 Ky. App.(1945).

⁹ Comm. v. Berea College, 147 S.W. 929.

The educational institution must provide a service which the state would or should otherwise have to perform. The granting of tax exemption to charitable and educational institutions is a policy founded on the fundamental ground of benefit to the public by such organizations and recognition of the fact that they perform a service which the State would or should otherwise have to perform, so there is a consequent relief of tax burden of others.¹⁰

Property of an educational institution is exempt when used solely for education even though it is a church school. A building with title in the Bishop of a diocese, the lower floor being rented to storekeepers, the upper floor being a denominational school, charging tuition to those who can pay it, but the whole income of the building being used solely for school purposes, is exempt from taxation.¹¹

¹⁰ Kesselring at 402.

¹¹ Church of the Good Shepherd v. Commonwealth, 180 Ky. 465, 202 S.W. 894 Ky. App. (1918).

SECTION VI

PUBLIC LIBRARIES

The Constitution allows the exemption to,

“...public libraries, their endowments, and the income of such property as is used exclusively for their maintenance...”

The exemption is not limited to publicly owned libraries since a publicly owned library would be exempt as "public property used for public purposes."¹ The library must be nonprofit, and the exemption is further limited by the provision that endowments and income are exempt only to the extent they are used for maintenance of the library.

A library owned by a nonprofit corporation is exempt where it is open to and used by the general public. Where a nonprofit membership corporation maintains a library and museum which is open to the public and has lectures to which the public is invited, the library is a public library even though the stated purpose in the articles of incorporation was the collection and preservation of historic matter and cultivation of a taste for historic inquiry and study generally, but especially among its members. Kentucky's highest court said that the declaration of purpose was not controlling where its use was primarily for the public.²

¹ City of Louisville, et al. v. The Filson Club, 295 S.W.2d 340 (Ky. 1956).

² Id.

SECTION VII

HOUSEHOLD GOODS OF A PERSON USED IN HIS HOME

Section 170 of the Constitution allows the exemption to:

“...household goods of a person used in his home...”

The term "household goods" was defined by Kentucky's highest court in 1933:

"... 'household goods' ... does not include all personal effects that may be kept in the home, but is restricted to those articles that are necessary for the enjoyment of the home, and are more valuable to the owner than the price at which they could be sold."¹

Since many items used in modern homes were not in existence in 1933 (such as television sets), it is possible that the court would broaden its definition if it is again called upon to define it. Until such time, the policy of the department is to allow exemptions to those items which are normally considered household items.

Notice, however, that the exemption is allowed only to household goods of a person used in his home. “While household goods of a person used in his home is exempt from taxation, under § 170 of the Kentucky Constitution, the personal property of the taxpayer used in his business or profession is not exempt.”² For example, furniture and appliances used in furnished apartments or hotels/motels is not exempt from taxation, nor is rental property of a business that may be used by the renters in their homes.

¹ Union Light, Heat and Power Co. v. Heving, 250 Ky. 223, 62 S.W.2d 789 (1933).

² OAG 79-140.

SECTION VIII

PLACES OF BURIAL

Section 170 states

"...places of burial not held for private or corporate profit..."

shall be exempt.

Places of burial are exempt if there is no corporate or private gain. In Commonwealth v. Lexington Cemetery Co., 114 Ky. 165, 70 S.W. 280 (1902) Kentucky's highest court held that a nonprofit cemetery would not be exempt under the Kentucky Constitution as a purely public charity and therefore, the notes, bond and cash of the cemetery were taxable. The Court refused the contention of the cemetery company that it was a purely public charity.¹

Land held for burial places or being used for burial places is exempt so long as there is no corporate or private gain, but money and notes or other investments owned by a nonprofit cemetery company are taxable, even though the money is devoted to the maintenance of burial graves. The exemption applies only to *places* of burial.

However, a city-owned cemetery that spends the money realized from the sale of lots and from rentals on maintenance of their cemetery is exempt from taxation.²

An applicant seeking an exemption for a private family cemetery should be requested to place the cemetery in a separate deed or trust. Putting the cemetery into a deed or trust will allow the PVA to know how much acreage to show as exempt.

¹ Commonwealth v. Lexington Cemetery Company, 114 Ky. 165, 70 S.W. 280 (1902).

² City of Paducah v. Commonwealth, 136 Ky. 232, 124 S.W. 286 (1910).

SECTION IX

CROPS GROWN IN YEAR ASSESSMENT MADE AND IN HAND OF PRODUCER

Section 170 of the Constitution allows exemption of,

“ . . . crops grown in the year in which the assessment is made, and in the hands of the producer; ...”

"Grown" is *synonymous* with "*raised*" and "*year*" means "*calendar year*".¹ Therefore, tobacco grown in one year and in the hands of the producer may be assessed at any assessing date during the following year.

City of Paducah v. Commonwealth, 136 Ky. 232, 124 S.W. 286 (1910).

208 Ky. 270, 270 S.W. 749, (1925).

SECTION X

HOMESTEAD EXEMPTION

Section 170 of the Constitution provides that there shall be exempt from taxation:

"... real property maintained as the permanent residence of the owner, who is sixty-five years of age or older, or is classified as totally disabled under a program authorized or administered by an agency of the United States government or by any retirement system either within or without the Commonwealth of Kentucky, provided the property owner received disability payments pursuant to such disability classification, has maintained such disability classification for the entirety of the particular taxation period, and has filed with the appropriate local assessor by December 31 of the taxation period, on forms provided therefor, a signed statement indicating continuing disability as provided herein made under penalty or perjury, up to the assessed valuation of sixty-five hundred dollars on said residence and contiguous real property, except for special benefits. The real property may be held by legal or equitable title, by the entireties, jointly, in common, as a condominium, or indirectly by the stock ownership or membership representing the owner's or member's proprietary interest in a corporation owning a fee or a leasehold initially in excess of ninety-eight years. The exemptions shall apply only to the value of the real property assessable to the owner or, in case of ownership through stock or membership in a corporation, the value of the proportion which interest in the corporation bears to the assessed value of the property...."

NOTE: The sixty-five hundred (6,500) dollar exemption has been defined by the legislature as being in terms of 1972 purchasing power. In accordance with KRS 132.810(2)(e), the exemption amount is recalculated every two (2) years to adjust for inflation. For the years 2013 and 2014, the exemption amount was \$36,000. For 2015 and 2016 assessment years, the exemption amount was \$36,900. For 2017 and 2018 the exemption amount is \$37,600.

A separate manual prepared by the Office of Property Valuation provides guidance on the various administrative duties involved with the Homestead Exemption.

SECTION XI

BONDS OF STATE, COUNTY, MUNICIPALITY, OTHER TAXING SCHOOL DISTRICT (OF KENTUCKY)

This exemption is in Section 171 of the Constitution and is intended to make bonds of this state or its political subdivision more saleable. Thus, bonds and notes of another state or its political subdivisions are not exempt.

Bonds of a private educational institution do not come within this provision exempting "school districts."¹

¹ See Attorney General Opinions, August 10, 1956, and August 3, 1956.

SECTION XII

ADMINISTRATIVE PROCEDURES

A request for exemption from property taxes under Section 170 of the Kentucky Constitution is submitted to the local Property Valuation Administrator (PVA). Applicants are required to complete Form 62A023, "Application for Exemption from Property Taxation", to describe the organization's purpose, major activities, benefits and services to the public, financial sources, etc. This information will assist the PVA in determining whether or not to grant the exemption. The Office of Property Valuation (OPV) also provides Form 62A350 "Application for Exemption under the Homestead/Disability Amendment" for individuals eligible for an exemption on their residence.

The PVA may do one of three things in processing a request for exemption. First, he or she may approve the request and record the exemption in his or her files. The PVA is required by KRS 132.220(6) and (7) to maintain an inventory record of tax-exempt property and to review his or her inventory annually to determine if the property should still be considered exempt. Second, the PVA may deny the request and inform the applicant of the reason for the denial. Third, the applicant may request a review from OPV. The request for review should be made through the PVA who will then send the request to OPV. In some instances, the PVA may elect to forward the request directly to the Department for guidance. In either of the latter two cases, the Department will solicit the advice and comments of the PVA prior to providing guidance as to the eligibility of the applicant.

Form 62A023 must be completed and have sufficient documentation necessary to support the action. The Department will study the facts and provide guidance to the local PVA on the applicant's eligibility based on various court decisions and interpretations of Section 170 of the Kentucky Constitution.

KRS 133.120 grants a person denied an exemption by the PVA the right to appeal the denial to the local County Board of Assessment Appeals. KRS 133.123

states the County Board of Assessment Appeals shall obtain and follow the advice of the Department relative to the taxability of the property in question.

KRS 133.120 Appeal Procedure

- (1)(a) Any taxpayer desiring to appeal an assessment on real property made by the property valuation administrator shall first request a conference with the property valuation administrator or his or her designated deputy. ...
- (2)(a) Any taxpayer still aggrieved by an assessment on real property made by the property valuation administrator after complying with the provisions of subsection (1) of this section may appeal to the board of assessment appeals.

KRS 133.123 Department advice - Responsibility for determination of fair cash value.

When an appeal is taken from an assessment by the property valuation administrator, of property which the owner does not consider to be subject to taxation, it shall be the duty of the county board of assessment appeals to obtain and follow advice from the Department of Revenue relative to the taxability of such property; however, the board shall have full power and responsibility to make a determination of the fair cash value of such property.

Real Estate Exemption List/Annual Review/Recap

The "Real Estate Exemption List" must be submitted annually within thirty (30) days of close of the listing period.¹ The listing period runs from January 1 through March 1 for real property.² The report is based on an assessment date of January 1 and a tax period of January 1 through December 31.

This list may be submitted on forms supplied by the Office of Property Valuation or a computer printout. Exempt real property must be classified as one of the following:

- (1) federal
- (2) state
- (3) county
- (4) city or municipality
- (5) educational
- (6) religious
- (7) homestead or
- (8) other (specify)

In the case of joint ownership, such as a city-county landfill, the report should reflect the divided shares owned by each entity.

It is important to remember that copies of this report are forwarded to the Governor and the Legislative Research Commission. The Real Estate Exemption list must be complete and contain all exempt property in the Property Valuation Administrator's county.

¹ KRS 132.220(6).

² KRS 132.220(1)(b).

SITUATIONS INVOLVING PROPERTY TAX EXEMPTIONS

Situation 1

Circumstance

If an organization is recognized as a 501(c) by the IRS, does that automatically make them exempt for property tax purposes?

Decision and Discussion

No. Even if an organization has been granted 501(c) status, or given an exemption from sales tax, it does not mean the organization automatically qualifies for the exemption from property tax. The organization still must complete an application for either the PVA or Office of Property Valuation to review for determination of exempt status relating to property tax. The burden of proof rests upon the person claiming the exemption to establish that he or she is entitled to the exemption and satisfies all of its requirements.

Situation 2

Circumstance

An organization purchased a piece of property in July, would the property be exempt in the current year?

Decision and Discussion

No. Per KRS 132.220 Assessment dates -- Listing -- Owner -- Liability -- Exemptions, listing, annual review.

(1)(a) All taxable property and all interests in taxable property, unless otherwise specifically provided by law, shall be listed, assessed, and valued as of January 1 of each year.

The property would be taxable to the January 1 owner.

Situation 3

Circumstance

A church has several ministers and each one resides in a house owned by the church. Would each house or parsonage be exempt?

Decision and Discussion

It is possible for a church to be granted exemptions for multiple parsonages. The homes must be used by bona fide ministers of the church as a residence for each minister.

Situation 4

Circumstance

Are motor vehicles owned by a religious organization exempt?

Decision and Discussion

Yes, as long as they are registered in the name of the church.

Situation 5

Circumstance

If a church owns a property, but rents it out to a business, is the property exempt?

Decision and Discussion

Income producing property belonging to a religious institution or church is taxable. Where part of the religious organization's property is used as a place of religious worship, and part is rented to an income producing business, that part which is income producing is taxable because it is not occupied by the church. This is true even though income may be applied toward payment on a new church facility, toward retirement of a loan on a new church building to be used solely for religious worship, or when it is made a part of the general fund of the church.

Situation 6

Circumstance

If a religious function is held on property not owned by the religious organization, is the property eligible for exemption?

Decision and Discussion

No. In this case an exemption may **not** be granted since the Constitution states that the property must be owned by an institution of religion.

Situation 7

Circumstance

Are cemeteries exempt?

Decision and Discussion

Land held for burial places or being used for burial places is exempt as long as there is no corporate or private gain. Income producing places of burial are taxable.

Section 170 of the Constitution states: “...*places of burial not held for private or corporate profit...*” shall be exempt.

Situation 8

Circumstance

If a building is occupied by a doctor’s group, for example: St. Joseph Hospital Doctors Office Park, would the property be exempt?

Decision and Discussion

If the property is owned by an exempt charitable hospital, it would qualify for the purely public charity exemption. If the property consists of condominium units, a decision on exempt status must be made on a per unit basis. Only those units owned by the hospital would qualify.

Situation 9

Circumstance

Would property owned by either a Peewee Football or Little League Organization be eligible for a property tax exemption?

Decision and Discussion

These would be exempt as a purely public charity as provided in Section 170 of the Kentucky Constitution if they are organized as a non-profit corporation, are open to the public, and in fact, do not operate for private profit or gain.

Situation 10

Circumstance

A Masonic Lodge owns property. Would it be eligible for exemption?

Decision & Discussion

Fraternal or benevolent organizations such as The Odd Fellows, Elks, Masons, American Legion, and VFW have been considered **not** to be purely public charities and are not exempt from taxation because the Kentucky courts held in 1958 that their activities are not purely charitable, as their primary purpose is social and their charitable work, outside of that bestowed on themselves and their families, is incidental only. However, in 2013 the Kentucky Board of Tax Appeals issued an order exempting an American Legion post based upon the activities of that particular post. All civic organizations and veterans' organizations should now be reviewed individually and a decision made based upon the activities of the local organization.

Appendix

- Application for Exemption from Property Taxation
- Application for Exemption Under the Homestead/Disability Amendment



**APPLICATION FOR EXEMPTION
FROM PROPERTY TAXATION**

Office of Property Valuation
Phone: 502-564-8338
Fax: 502-564-8368

This application is to be used by organizations seeking property tax exemption pursuant to Section 170 of the Kentucky Constitution. Answer all questions as fully as possible and return the application and all attachments to the Office of Property Valuation, 501 High Street, Frankfort, Kentucky 40620 or the local Property Valuation Administrator.

Name <i>(Print)</i>	() _____ () _____ Enter Exact Legal Name of Organization Daytime Office & Cell Phone Numbers	
Property Location <i>(Print)</i>	_____ Number and Street City County State ZIP Code	
Mailing Address <i>(If Different from Above)</i> <i>(Print)</i>	_____ P.O. Box or Number and Street City County State ZIP Code	
E-mail Address	_____	Web Site: _____
Purpose of the Organization and Major Activity of Applicant	_____ _____ _____	
State of Incorporation	_____ State <input type="checkbox"/> Nonprofit <input type="checkbox"/> LLC <input type="checkbox"/> Other _____	
County(ies) in Which Property is Located	_____ _____	
Type of Exemption (check)	<input type="checkbox"/> Public Property <input type="checkbox"/> Institution of Education <input type="checkbox"/> Religious <input type="checkbox"/> Place of Burial <input type="checkbox"/> Institution of Purely Public Charity	
Applicant Authorization and Signature	For this property tax exemption application, I authorize the Department of Revenue (DOR) or its representative(s) to visit and inspect the property to be exempted now and in the future, to ensure the property is being used for tax-exempt purposes. I hereby certify that the statements and information contained herein are correct to the best of my knowledge and belief and that I am authorized to sign this application. Signed _____ Title _____ Print _____ Cell Phone Number _____ Date _____	
To be Completed by the Property Valuation Administrator	Recommendation _____ _____ _____ Signed _____ Date _____ Print _____	

1. Who is the legal owner of the property? (Include all owners of an interest in the property and describe their interest.)
2. When was the property acquired?
3. (a). How was the property acquired?
(b). **Provide a copy of the deed and a copy of the property record card (if available).**
(c). **Provide a picture of the property and buildings: "Exterior and Interior"**
4. (a). Has this organization previously been granted any tax exemption by the Commonwealth of Kentucky?
 Yes No (If yes, describe.)
(b). Has this organization previously been granted any tax exemption under Section 501 of the Internal Revenue Code? Yes No (If yes, attach a copy of the authorization letter.)
5. **Attach a statement detailing compensation, if any, to the following organization members:**
 - A. Officers
 - B. Directors
 - C. Trustees
 - D. Five Highest Paid Professional Service Employees
 - E. Five Highest Paid Employees
6. List the names and salaries of any family members serving in any capacity in the organization.
7. List types of employees performing activities of the organization and their qualifications. Indicate which, if any, of these persons receive compensation for their activities.
8. (a). Is any course of instruction offered on the property? Yes No (If yes, describe the instruction.)
(b). Is it open to the public? Yes No Is there any charge or fee required for attendance? Yes No (If yes, how is the money utilized by the organization?)
9. **Attach a resume of past activities in which the organization has participated in, present activities and future plans of the organization.**
10. Describe the current use of the property.
11. Does or will this organization limit its benefits, services or products to specific classes of persons?
 Yes No (If yes, explain.)

12. Does the organization require the recipients or will they be required to pay a fee or other charge for the organization benefits, services or products? Yes No (If yes, explain.)
13. Does the property produce income? Yes No (If yes, explain how the income is used.)
14. (a). Does the organization operate a commercial establishment? Yes No (If yes, indicate the names, addresses and a description of the property.)
- (b). List Kentucky Sales and Use Tax Permit Account Number for each business that sells tangible personal property.
- (c). Describe the items of all real or tangible property. (General description only.) Include the location of any real property, or describe the tangible personal property.
15. Is this organization financially supported, operated or controlled by any other organization? Yes No (If yes, list other organizations.)
16. Describe the applicant organization's fund-raising program and explain to what extent it has been put into effect.
17. List all grants received during taxable years the organization has been in existence. (Show name of contributor, date, amount of grant and brief description of the nature of the grant.)
18. Attach detailed financial statements, including both balance sheets and income and expense statements, for the two most recent accounting periods.
19. Attach copies of the Articles of Incorporation, bylaws and any amendments to the Articles or bylaws as well as any other information you wish to provide to help the Office of Property Valuation issue a ruling.

Applicants seeking an exemption as a religious organization answer the following additional questions regarding the parcels for which an exemption is desired.

20. List all acreage and improvements owned by the applicant for which an exemption is desired. Include the number of acres for land and a general description of all improvements.

21. If multiple parcels, give a complete description of how each parcel in question 20 is being used. Examples of uses to note include: religious worship services, minister occupied parsonage, held for future development, parking, fellowship hall, leased to another entity, etc.

22. (a). If any of the property described in question 21 is a separate parking lot or garage, is the lot or garage rented out during the week? Yes No (If yes, give details.)

(b). Is the lot or garage essential for members to attend worship services? Yes No (If no, give details.)

CONSTITUTION OF KENTUCKY
REVENUE AND TAXATION

§170. Property exempt from taxation—Cities may exempt factories for five years.—There shall be exempted from taxation public property used for public purposes; places of burial not held for private or corporate profit, real property owned and occupied by, and personal property both tangible and intangible owned by, institutions of religion; institutions of purely public charity, and institutions of education not used or employed for gain by any person or corporation, and the income of which is devoted solely to the cause of education, public libraries, their endowments, and the income of such property as is used exclusively for their maintenance; household goods of a person used in his home; crops grown in the year in which the assessment is made, and in the hands of the producer; and real property maintained as the permanent residence of the owner, who is sixty-five years of age or older, or is classified as totally disabled under a program authorized or administered by an agency of the United States government or by any retirement system either within or without the Commonwealth of Kentucky, provided the property owner received disability payments pursuant to such disability classification, has maintained such disability classification for the entirety of the particular taxation period, and has filed with the appropriate local assessor by December 31 of the taxation period, on forms provided therefor, a signed statement indicating continuing disability as provided herein made under penalty of perjury, up to the assessed valuation of sixty-five hundred dollars on said residence and contiguous real property, except for assessment for special benefits. The real property may be held by legal or equitable title, by the entireties, jointly, in common, as a condominium, or indirectly by the stock ownership or membership representing the owner's or member's proprietary interest in a corporation owning a fee or a leasehold initially, in excess of ninety-eight years. The exemptions shall apply only to the value of the real property assessable to the owner or, in case of ownership through stock or membership in a corporation, the value of the proportion which his interest in the corporation bears to the assessed value of the property. The general assembly may authorize any incorporated city or town to exempt manufacturing establishments from municipal taxation, for a period not exceeding five years, as an inducement to their location. Notwithstanding the provisions of Sections 3, 172, and 174 of this Constitution to the contrary, the General Assembly may provide by law an exemption for all or any portion of the property tax for any class of personal property. (Amendment, proposed Acts 1954, ch.111, §1, approved November, 1955; amendment, proposed Acts 1970, ch.186, §1, approved November, 1971; amendment, proposed Acts 1974, ch.105, §1, approved November, 1975; amendment, proposed Acts 1980, ch.113, §1, approved November, 1981; amendment, proposed Acts 1990, ch.151, §1, approved November, 1990; amendment, proposed Acts 1998, ch. 227, §1, ratified November, 1998.)

**APPLICATION FOR EXEMPTION
UNDER THE HOMESTEAD/DISABILITY AMENDMENT**



Please print or type all requested information.

County _____ Date Submitted _____

Application is hereby made for the homestead exemption provided by Section 170 of the Kentucky Constitution.

1. Name(s) of owner-applicant(s) in whose name(s) title is vested: _____

2. Name of applicant(s)	Date of birth	Age	Sex	Relationship to other occupants
_____	_____	_____	_____	<input type="checkbox"/> Husband <input type="checkbox"/> Wife <input type="checkbox"/> Other _____
_____	_____	_____	_____	<input type="checkbox"/> Husband <input type="checkbox"/> Wife <input type="checkbox"/> Other _____
_____	_____	_____	_____	<input type="checkbox"/> Husband <input type="checkbox"/> Wife <input type="checkbox"/> Other _____

3. Address of personal residence _____
City _____ State _____ Zip Code _____

Description _____

Mailing address (if different from above) _____

Phone Number _____ Date of Ownership _____

4. Have you applied for, or are you receiving, the homestead exemption in a different location, county, or state?
 yes no If "yes", where? _____

5. Type of residential unit: single family residence duplex apartment building mobile home condominium
 other (describe) _____

6. Type of ownership: fee simple equitable title jointly with survivorship jointly in common by stock ownership or membership representing the owner's or member's proprietary interest in a multi-family structure

Note: Amount of exemption: If ownership is fee simple, equitable title, jointly with survivorship or jointly in common, applicant receives full exemption or up to the assessed value of his interest in the property, whichever is less. If ownership is by stock ownership or membership, the amount of exemption is full exemption or the percentage that the applicant's ownership bears to the total value of the property. (Example: Total value of the structure = \$50,000; applicant's stock ownership = 10%; exemption limit = \$5,000.)

AFFIDAVIT AND OATH

I, _____, hereby swear (affirm) under penalty of perjury that I (we) am (are) the owner(s) of the property for which this assessment exemption is sought and that I (we) do not or will not claim an exemption for any other property in this Commonwealth or another state. I further swear (affirm) that I (we) maintain this residential unit as my (our) primary residence; that I (we) am (are) 65 years of age or over, or totally disabled; and that all information contained in this application is true and correct.

Signature of Applicant

Date

Signature of Spouse

Date

RESERVED FOR OFFICIAL USE

This application is approved disapproved.

Map Number _____

Account Number _____

Property Valuation Administrator

Date

(See Explanation on Reverse)

EXPLANATION

1. This application-affidavit must be submitted during the year in which exemption is sought to the property valuation administrator of the county in which the residential unit is located, or by December 31 if applying for disability. Most everyone filing for the homestead exemption who is totally disabled and less than 65 years of age must apply for the homestead exemption on an annual basis. (See the exception listed in Section 5D below.) In addition, the applicant must own, occupy and maintain the subject property as a taxable interest as of January 1 during the tax year for which the exemption is sought (in accordance with KRS 132.220(1)).

2. What does *homestead exemption* mean?

Under the provisions of the Homestead Amendment, a person or persons must be 65 years of age or older or totally disabled during the year for which application is made, and must own, occupy and maintain a residential unit for such exemption.

3. Age Requirement

A person or persons owning, living in and maintaining a residential unit must meet the 65 years of age requirement. If only one spouse is 65, the age requirement is met.

4. Verification of Age

Date of birth of the applicant(s) must be established by a substantiating document, such as:

1. Birth certificate* or birth registration*
2. Confirmation or baptismal records
3. Driver's License* or state issued photo ID*
4. Medical Assistance Card carrying an A or J prefix to Social Security Number
5. Passport*
6. Red, White and Blue Medicare Card issued by Social Security
7. School records

* primary documentation

5. Disability Requirements

A person must be classified as totally disabled under a program authorized or administered by an agency of the US Government or by any retirement system either within or without the Commonwealth. In addition, the following provisions must be met:

- A. The applicant must have maintained the disability classification for the entire year.
- B. The applicant must have received disability payments under this classification.
- C. Verification documentation must be submitted to the property valuation administrator before December 31 of each year to show continuing eligibility.
- D. Disabled United States veterans who qualify for the exemption will apply one time only (KRS 132.810 (2)(d)), and must produce documentation of their disability and veteran status.

6. KRS 132.810(2)(h) provides, "When title to property which is exempted, either in whole or in part, under the homestead exemption is transferred, the owner, administrator, executor, trustee, guardian, conservator, curator or agent shall report such transfer to the property valuation administrator."

7. Fraudulent Misrepresentations

Under the provisions of KRS 132.990(1), "Any person who willfully fails to supply the property valuation administrator or the Department of Revenue with a complete list of his property and such facts with regard thereto as may be required or who violates any of the provisions of KRS 132.570 shall be fined not more than five hundred dollars (\$500)."