



April 11, 2025

Leased Tangible Personal Property

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Leased Tangible Personal Property

Reference Number: CTAS-1557

Inventories of merchandise held by merchants and businesses for sale and exchange by persons taxable under the business tax (*Tennessee Code Annotated*, Title 67, Chapter 4, Part 7) are exempt from property taxation. This exemption includes tangible personal property held for lease or rental, but does not include such property in the possession of a lessee. Leased personal property in the possession of the lessee is subject to property taxation and is classified and assessed according to the lessee's use.¹

¹T.C.A. § 67-5-901. See also Op. Tenn. Atty. Gen. 89-89 (May 30, 1989) (finding that the statute excepting categories of leased personal property from the property tax exemption for leased property is constitutional); Op. Tenn. Atty. Gen. 91-94 (November 27, 1991) (finding that the ultimate user of the tangible personal property in a business or profession is liable for the property tax, whether the user is a lessee or sublessee, and the owner, lessee, or sublessee from whom the ultimate user, lessee or sublessee obtained the property is not liable for the property tax assessment).

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