

MEMORANDUM

TO: All County Assessors

FROM: Gregory B. Cade, Acting Division Administrator

DATE: November 9, 2001

SUBJECT: Assessment and Taxation of Common Areas

This memorandum is a response to several questions relating to the assessment and taxation of common areas. It clarifies and supersedes all previous correspondence from the State Tax Commission on the issue of appraisal, assessment, or taxation of common areas. Common areas are subject to appraisal, assessment, and taxation. Under section 63-203, Idaho Code, all property within the jurisdiction of this state is subject to appraisal, assessment, and taxation unless the property is expressly exempt under a separate law. Since no law specifically exempts common areas, common areas are subject to appraisal, assessment, and taxation. Since common areas are not exempt, the question becomes the procedures for appraisal and assessment.

Many deeds, conveying ownership in lots, also convey an interest in common areas. When a deed conveys ownership in one or more lots and also an interest in the common area of the subdivision, the proper assessment practice is generally to assess the owner of the lot or lots and interest in the common area for what that owner owns based on the sales price of that property and similar properties. When the ownership of each lot in the subdivision includes an interest in the common area resulting in the entire value of the common area being divided among all of the owners of the lots, no additional assessment of the common area is required. The value of the common area(s) is (are) imbedded in the purchase prices of all of the lots in the subdivision.

Please complete the abstract by reporting the value as part of the value in the category for the lots and only report the acreage in the category for common areas. Do not report the common areas in category 81 as being exempt.

Sometimes deeds do not convey an interest in the common area with the transfer of ownership in any lot in the subdivision. Sometimes the developer retains ownership and sometimes the ownership is conveyed to an association of the owners of the lots. You will need to analyze the sales data to decide if the value of the common area is embedded in the sales prices of the lots. If you decide it is embedded, you have no remaining value to assess to the common area. However, if you decide it is not embedded, you need to assess the value of the common area to the owner of the common area.

Always base the decision to assess any value to common areas on an analysis of the sales prices within subdivisions. If you have any questions, you may call me at (208) 334-7733 or e-mail me at gcade@tax.state.id.us.

cc: Commission Larry Watson
All County Support Division Managers
All Consulting Appraisers