IAAO Outlines Position on Fee Simple Terminology

The International Association of Assessing Officers has approved a position that the term fee simple is a property rights concept that does not mean vacant or unencumbered by a lease and it is not a value concept to be used interchangeably with market value. The release follows a review of the definition of fee simple by the IAAO in its paper “Setting the Record Straight on Fee Simple.”

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“As it says in our paper, once the definition of fee simple absolute is clarified, it is evident that fee simple is a property rights concept that does not mean vacant or unencumbered by a lease and is not a value concept to be used interchangeably with market value,” said IAAO President Tim Boncoskey. “It is important to understand these distinctions so that the appraiser or assessor can properly define the appraisal problem.”

Ongoing controversy regarding appraising the fee simple estate in real property has prompted the need for further discussion, and the paper, on this topic. Specific issues raised from the term fee simple absolute include whether a property should be valued as if vacant, whether the term assumes any encumbrances on the property, and whether fee simple implies market rent.

The paper states that “fee simple estate is the foundation of what assessors in many jurisdictions are asked to examine, and clarifying this concept will assist assessors, appraisers, the courts, and others in the appraisal community in maintaining consistency, credibility, and uniformity in assessment and appraisal practices.”

The paper is available for download at http://www.iaao.org/feesimple and on September 10th 2019, an educational session will be held on the paper at the 85th IAAO Annual Conference and Exposition in Niagara Falls, Ontario, Canada.

Background
IAAO is the leading nonprofit, educational and research association for individuals in the assessment profession and others with an interest in property valuation and taxation. IAAO's mission is to promote innovation and excellence in property appraisal, assessment administration and property tax policy through professional development, education, research, and technical assistance. IAAO currently serves more than 8,000 members worldwide.
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