

INDIANA BOARD OF TAX REVIEW

Final Determination Findings and Conclusions On Rehearing Lake County

Petitions: 45-001-02-1-5-00745
45-001-02-1-5-00749
45-001-02-1-5-00750

Petitioner: Gary Skish

Respondent: The Department of Local Government Finance

Parcels: 001-25-45-0260-0007
001-25-45-0260-0009
001-25-45-0260-0010

Assessment Year: 2002

The Indiana Board of Tax Review (the Board) issues this determination in the above matter, and finds and concludes as follows:

Procedural History

1. The informal hearing as described in Ind. Code § 6-1.1-4-33 was held on February 25, 2004. The Department of Local Government Finance (the DLGF) determined that the property tax assessments for the subject properties are \$7,400 each and notified the Petitioner on March 31, 2004.
2. The Petitioner filed a Form 139L for each parcel on April 28, 2004.
3. The Board issued a notice of hearing to the parties dated February 1, 2005.
4. Special Master Kathy J. Clark held the hearing in Crown Point on March 4, 2005.
5. The Board originally issued a determination regarding this matter on August 30, 2005. The Board granted rehearing on September 15, 2005.

Facts

6. The subject properties are located at 917, 909, and 905 N. Vanderburg Street, Gary. The location is in Calumet Township.
7. The subject properties consist of three 25' x 121' lots with no improvements.

8. The Special Master did not conduct an on-site inspection of the properties.
9. Assessed values as determined by the DLGF are \$7,400 for each parcel (land only).
10. Petitioner requested the total assessed value be changed to \$1,000 for each parcel.
11. The persons sworn as witnesses at the hearing were Gary Skish and John Toumey.

Issues

12. Summary of Petitioner's contentions in support of errors in the assessments:
 - a. It would be very costly to develop these lots because trees would have to be removed and dunes leveled; if this could even be done. *Petitioner Exhibit 5; Skish testimony.*
 - b. The property record card incorrectly indicates that all utilities are available on these parcels. There are no sewer services available to the subject lots. *Skish testimony.*
 - c. According to the City of Gary Building Ordinances, a minimum of 50' of frontage is required before you can build on a lot. The subject lots each have only 25' of frontage and are therefore unbuildable. *Skish testimony.*
 - d. The Petitioner bought the subject properties at a tax sale for \$1,699.36 each on March 31, 2001. *Petitioner Exhibit 1 at 6; Skish testimony.* The one lot is contiguous to the property where the Petitioner's home is located. Between that lot and the other two there is a lot that the Petitioner does not own. *Skish testimony.*
 - e. A review of all sales in the Multiple Listing Service (MLS) was performed for the period from January 1, 1998, through December 31, 2003. There were no land sales in 1998 and only three sales in each year from 1999 to 2002. Only four of those sales were for lots with no sewer and the average sale price of those four lots equals \$0.64 per square foot. All four were buildable lots under the City of Gary Building Ordinance, unlike the subject. *Petitioner Exhibits 6, 7; Skish testimony.*
 - f. In comparison to the MLS sales, from October 2001 through December 2003 there were 27 tax sale and commissioner's sale properties, all with no sewer available. Available data shows that all of the sales that occurred in 2002 were for non-buildable lots like the subject. *Petitioner Exhibits 7-9; Skish testimony.*
 - g. The MLS and tax/commissioner sales data indicates that an overwhelming 77% of sales of vacant parcels with no sewer available in the subjects' submarket were conveyed through tax/commissioner sales. *Petitioner Exhibits 7-9; Skish testimony.*
 - h. It is also important to note that the purchase of the subjects took place two years after the date of assessment and that they would have been expected to sell for a lower price at that time. *Petitioner Exhibit 2; Skish testimony.*

13. Summary of Respondent's contentions in support of the assessments:
- a. The subject parcels were purchased at a tax sale. It does not reflect market value. The DLGF does not recognize tax or commissioner sales as arms-length transactions. *Toumey testimony.*
 - b. The lots are valued as residential lots. Each one has a negative 20% influence factor because of being unimproved or having no utilities. *Respondent Exhibit 2; Toumey testimony.*
 - c. The lot at 917 N. Vanderburg is contiguous to lots 3, 4, 5, and 6, which contain the Petitioner's dwelling. This lot could be combined with those lots, which would eliminate the size issue. *Respondent Exhibit 3; Toumey testimony.*
 - d. The other two parcels under appeal (lots 9 and 10) are contiguous to each other, providing a total of 50' of frontage if combined. *Respondent Exhibit 3; Toumey testimony.*

Record

14. The official record for this matter is made up of the following:
- a. The Petitions,
 - b. The tape recording of the hearing labeled Lake County 1235,
 - c. Petitioner Exhibit 1: Form 139L Petitions,
Petitioner Exhibit 2: Summary of Petitioner's arguments,
Petitioner Exhibit 3: Outline of Evidence,
Petitioner Exhibit 4: Plat map,
Petitioner Exhibit 5: Photographs of parcels,
Petitioner Exhibit 6: Market overview,
Petitioner Exhibit 7: MLS sales 1/1/98 through 12/31/03,
Petitioner Exhibit 8: Tax and commissioner sales 10/1/01 through 12/31/03,
Petitioner Exhibit 9: Pie charts illustrating sale type market shares,
Petitioner Exhibit 10: Notices of Final Assessment for subject parcels,
Petitioner Exhibit 11: Written appeal from 2/25/04 informal hearing,
Respondent Exhibit 1: Form 139L Petitions,
Respondent Exhibit 2: Subject property record cards,
Respondent Exhibit 3: Plat map,
Board Exhibit A: Form 139L Petitions,
Board Exhibit B: Notices of Hearing,
Board Exhibit C: Hearing Sign In Sheet,
 - d. These Findings and Conclusions.

Analysis

15. The most applicable governing cases are:
 - a. A Petitioner seeking review of a determination of an assessing official has the burden to establish a prima facie case proving that the current assessment is incorrect and specifically what the correct assessment would be. *See Meridian Towers East & West v. Washington Twp. Assessor*, 805 N.E.2d 475, 478 (Ind. Tax Ct. 2003); *see also, Clark v. State Bd. of Tax Comm'rs*, 694 N.E.2d 1230 (Ind. Tax Ct. 1998).
 - b. In making its case, the taxpayer must explain how each piece of evidence is relevant to the requested assessment. *See Indianapolis Racquet Club, Inc. v. Washington Twp. Assessor*, 802 N.E.2d 1018, 1022 (Ind. Tax Ct. 2004) (“[I]t is the taxpayer's duty to walk the Indiana Board . . . through every element of the analysis”).
 - c. Once the Petitioner establishes a prima facie case, the burden shifts to the assessing official to rebut the Petitioner’s evidence. *See American United Life Ins. Co. v. Maley*, 803 N.E.2d 276 (Ind. Tax Ct. 2004). The assessing official must offer evidence that impeaches or rebuts the Petitioner’s evidence. *Id.*; *Meridian Towers*, 805 N.E.2d at 479.
16. The Petitioner provided sufficient evidence to establish a prima facie case. The Respondent failed to rebut the Petitioner’s evidence. This conclusion was arrived at because:
 - a. Real property is assessed based on its "true tax value," which does not mean fair market value. It means "the market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property." Ind. Code § 6-1.1-31-6(c); 2002 REAL PROPERTY ASSESSMENT MANUAL (hereafter Manual) at 2 (incorporated by reference at 50 IAC 2.3-1-2). There are three generally accepted techniques to calculate market value-in-use: the cost approach, the sales comparison approach, and the income approach. The primary method for assessing officials to determine market value-in-use is the cost approach. *Id.* at 3. To that end, Indiana promulgated a series of guidelines that explain the application of the cost approach. *See REAL PROPERTY ASSESSMENT GUIDELINES FOR 2002 — VERSION A* (hereafter Guidelines). The value established by use of the Guidelines, while presumed to be accurate, is merely a starting point. A taxpayer may offer evidence relevant to market value-in-use to rebut that presumption. That evidence may include actual construction costs, sales information regarding the subject or comparable properties, appraisals, and any other information compiled in accordance with generally accepted appraisal principles. MANUAL at 5.
 - b. For the 2002 reassessment, an assessment is to reflect value of the property as of January 1, 1999. MANUAL at 4. Should a Petitioner present any evidence of value relating to a different time, the Petitioner is required to provide some explanation how those values demonstrate, or are relevant to, the subject property’s value as of January

- 1, 1999. See *Long v. Wayne Township Assessor*, 821 N.E.2d 466, 471 (Ind. Tax Ct. 2005).
- c. The Petitioner bought the subject properties at a tax sale for \$1,699.36 each on March 31, 2001. This evidence lacks weight and relevance unless there is something that establishes how the price relates to value as of January 1, 1999.
 - d. The Petitioner also presented sales data from the Multiple Listing Service (MLS) sales, tax sales, and commissioners' sales in the area. In this area, the topography, lack of utilities, and requirement for a septic leach field increase the site preparation costs dramatically.¹
 - e. There have been very few MLS sales of comparable property. The MLS sales data shows 22 sales between 1999 and 2003 in the same area as the subject. Eight of those sales were vacant lots that had no sewer available. Those eight lots were bigger than each of the Petitioner's lots, but the sale price per square foot provides a basis for comparison. The one such sale in 1999 had a price of \$1.09 per square foot. The one sale in 2000 had a price of \$0.48 per square foot. The one sale in 2001 had a price of \$0.50 per square foot. The one sale in 2002 had a price of \$0.47 per square foot. In 2003 there were four such sales with an average price of \$0.75 per square foot. Over this four-year period the average MLS sale price for comparable lots without sewer available was \$0.70 and most of the MLS sales involved purchases by an adjacent property owner. Furthermore, testimony established that during this same period there were 67 owners who attempted to sell through the MLS, but they were unable to do so. These facts indicated a very limited market for such properties.
 - f. In this case, there is substantial, un rebutted evidence that tax and commissioners' sales primarily establish the market. Tax and commissioners' sales are the most common method of conveyance of a comparable vacant parcel without sewers. In this area, such sales constituted approximately 77% of the sales for comparable properties. The Petitioner presented sales data of 27 vacant properties in the area that sold by tax and commissioners' sales between 2001 and 2003. These 27 properties also had no sewers available. Although the sizes of the lots also differ, these sales establish a price range between \$0.20 and \$1.02 per square foot. The price the Petitioner paid for the subject property, \$0.53 per square foot, is well within that range. Nothing in the record indicates that the Petitioner did not pay market value for these parcels.
 - g. The Respondent failed to offer probative evidence or substantial explanation to support the conclusory testimony that the Petitioner's purchase was not an arms-length transaction. Such conclusory opinions do not qualify as probative evidence. *Lacy Diversified Indus. v. Dep't of Local Gov't Fin.*, 799 N.E.2d 1215, 1221 (Ind. Tax Ct. 2003); *Whitley Prods. v. State Bd. of Tax Comm'rs*, 704 N.E.2d 1113, 1119 (Ind.

¹ The undisputed evidence establishes that these parcels lack sewers. The property record cards should be corrected regarding this information.

Tax Ct. 1998). Similarly, the Respondent offered only conclusory statements that the current land values were justified because the Petitioner could combine one lot with the property where his house is located and the other two lots could be combined to create a buildable lot. Again, such conclusory opinions do not qualify as probative evidence. *Id.*

- h. The Petitioner failed to provide probative evidence to support his claim that the market value as of January 1, 1999, was anything less than what he paid. *Id.*
- i. The actual purchase price for these parcels provides substantial support for the claim that the market value was \$1,699.36 when the Petitioner bought the parcels. Furthermore, the comparable sales establish that the market did not change significantly between 1999 and 2001. Therefore, the assessed value should be changed to \$1,700 for each parcel.

Conclusion

- 17. The Petitioner made a prima facie case. The Respondent failed to present probative evidence to rebut or impeach that case. The Board finds for the Petitioner.

Final Determination

In accordance with the above findings and conclusions the Indiana Board of Tax Review now determines that the assessments should be changed to \$1,700 for each parcel and the property record cards should be corrected to indicate lack of sewer.

ISSUED: _____

Commissioner,
Indiana Board of Tax Review

IMPORTANT NOTICE

- APPEAL RIGHTS -

You may petition for judicial review of this final determination pursuant to the provisions of Indiana Code § 6-1.1-15-5. The action shall be taken to the Indiana Tax Court under Indiana Code § 4-21.5-5. To initiate a proceeding for judicial review you must take the action required within forty-five (45) days of the date of this notice. You must name in the petition and in the petition's caption the persons who were parties to any proceeding that led to the agency action under Indiana Tax Court Rule 4(B)(2), Indiana Trial Rule 10(A), and Indiana Code § 4-21.5-5-7(b)(4), § 6-1.1-15-5(b). The Tax Court Rules provide a sample petition for judicial review. The Indiana Tax Court Rules are available on the Internet at <http://www.in.gov/judiciary/rules/tax/index.html>, The Indiana Trial Rules are available on the Internet at http://www.in.gov/judiciary/rules/trial_proc/index.html. The Indiana Code is available on the Internet at <http://www.in.gov/legislative/ic/code>.