

BEFORE THE IDAHO BOARD OF TAX APPEALS

KELLY AND CINDY JENSEN,)	
)	
Appellants,)	APPEAL NO. 19-A-1302
)	
v.)	FINAL DECISION
)	AND ORDER
BANNOCK COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bannock County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPRCBR4000400. The appeal concerns the 2019 tax year.

This matter came on for hearing March 17, 2020 in Pocatello, Idaho before Board Members Leland Heinrich and David Kinghorn. Appellants Kelly and Cindy Jensen were self-represented. Appraiser Celeste Gunn represented Respondent.

Board Members David Kinghorn, Leland Heinrich and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Bannock County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$52,440, and the improvements' value is \$300,322, totaling \$352,762. Appellants contend the land value is \$48,000, and the improvements' value is \$232,866, totaling \$280,866.

The subject property is a .26 acre parcel located in the Briscoe subdivision in Chubbuck, Idaho. The parcel is improved with a 4,532 square foot residence constructed in 2007, with

2,171 square feet on the main level and 2,361 square feet in the basement, of which 1,317 square feet are finished. Attached to the residence is a three-car garage.

Appellants explained some of the background which led to this appeal. After receiving the assessment notice for the subject property, Appellants discovered an error in subject's property record concerning the amount of finished area in the basement. Respondent visited the property and re-measured the finished living area of the residence. Respondent determined roughly 900 square feet of finished living area needed to be removed from subject's property record. This resulted in a roughly \$5,000 decrease in subject's assessed value, which new value was accepted by the Bannock County Board of Equalization (BOE). Appellants appreciated the size correction, but questioned how the removal of approximately 900 finished square feet resulted in a value reduction of only \$5,000.

Appellants additionally contended subject was not assessed equitably compared to other properties whose assessments were appealed to the BOE. It was explained the BOE awarded a 10% adjustment in all appeals which were not afforded an in-person hearing. The subject property did not receive the same 10% blanket adjustment, instead only receiving a 2% adjustment as a result of the size correction. In Appellants' view, subject was treated inequitably by the BOE, and it was petitioned this Board adjust subject's assessed value by the same 10% rate the BOE applied to other appealed assessments.

Appellants also challenged subject's reported lot size and its valuation compared to other parcels in the immediate neighborhood. Appellants pointed out the back corner of the subject lot is partially cut off by an adjacent parcel, so it is not a square corner. Appellants questioned whether Respondent properly measured subject's oddly-shaped lot. Appellants

were also concerned subject's lot was not valued uniformly with other parcels in the neighborhood. Subject's lot was assessed at roughly \$4.65 per square foot, whereas several others in the area were assessed at \$1.00 per square foot less. Appellants contended land rates should be uniform and requested subject's land value be reduced accordingly.

Respondent explained subject's lot size was measured by the Bannock County Geographic Information System (GIS) Department, which is charged with ensuring accurate parcel measurements throughout the county. Respondent was confident the subject lot was accurately measured, including the cut off corner at the rear of the property. In response to Appellant's position regarding subject's land assessment compared to others in the neighborhood, Respondent pointed out the parcels referenced by Appellants were larger lots, and therefore had a lesser valuation rate per square foot, and further highlighted the referenced lots were assessed higher in terms of total dollars.

In terms of value evidence, Respondent provided an analysis of three (3) recent sales. With the exception of Sale No. 2, which was located .16 miles from subject, the sale properties were located a couple miles away. Though the sale residences shared the same quality rating, there were some variances in terms of size, which ranged between 3,552 and 4,073 square feet. Sale prices ranged between \$339,000 and \$388,500. Respondent applied time adjustments to each sale price to reflect pricing levels on the January 1, 2019 assessment date. Additional adjustments were then made to account for differences in property characteristics such as age, finished living area and location. The result was adjusted sale prices ranging between \$382,999 and \$404,546, or roughly \$110 to \$116 per square foot. In comparison, subject's assessed value is \$352,762, or roughly \$101, which Respondent argued

was well supported by the sales analysis.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2019 in this case. Market value is always estimated as of a precise point in time. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.* The sales comparison approach is commonly used to estimate the market value of residential property.

Appellants did not provide sales or other market data for the Board's consideration, but did point out some potential issues which may not have been adequately considered in subject's assessment. The first of these issues concerned the sizes of subject's lot and residence, which Appellants claimed were both overstated in subject's property record. Though the Board appreciates Appellants' size concerns, the county's records are presumed correct and the burden lies with Appellants to prove error. With respect to subject's lot measurement,

Appellants offered nothing to rebut the measurement reflected in Respondent's records.

As for the size of the subject residence, the parties agreed there was an error in the amount of finished living area. Following a visit to the subject property, Respondent discovered there were roughly 900 fewer finished square feet than reflected in the property record. Using the updated size measurement, Respondent's new recommended value, which was accepted by the BOE, resulted in a value reduction of approximately \$5,000. Appellants questioned how the removal of 900 square feet of finished living area could result in an adjustment of only \$5,000. The Board also questions what appears to be a rather modest adjustment for a notable change in the size measurement. The adjustment equates to roughly \$5.50 per square foot, which appears questionable, particularly when, in its own adjustment analysis, Respondent made a roughly \$52,000, or \$89 per square foot, adjustment for a 585 square foot difference in finished living area between the subject residence and Sale No. 3. The Board would have preferred more information on how Respondent calculated subject's revised value using the new size measurement; however, the record was not well developed in this area. From the evidence presented, though, it is apparent to the Board some further consideration needs to be given to this issue.

Appellants also questioned why the valuation rate applied to subject's lot was higher than the rate applied to several others in the neighborhood. In Appellants' view, the land value rate should be uniform in a particular neighborhood, regardless of lot size. We disagree. It is a well-established principle in appraisal that typically as parcel size increases, the rate per square foot (or acre) decreases. This is commonly referred to as economies of scale, and in basic terms the principle states the value of each additional unit (i.e. square foot) does not

contribute value at a uniform rate. Rather, it is a sliding scale in which the contributory value decreases per unit as the size increases. The primary value in a residential lot is the area upon which the residence sits. Each additional square foot certainly adds some value, but not at the same rate as the land supporting the residence. It should also be noted the larger lots referenced by Appellants were assessed at a higher value, so their larger sizes did result in higher assessments. In all, Appellants did not convince the Board subject's land was assessed inequitably compared to nearby parcels.

We turn next to Appellants' claim of inequity resulting from the BOE's decision to grant a 10% value adjustment to property owners who appealed but were not afforded an opportunity to present their cases before the BOE, and failure to extend the same 10% adjustment to subject's assessed value. Appellants' concerns regarding the apparent disparate application of the 10% adjustment is certainly understandable. That being said, the issue before this Board is restricted solely to the question of subject's current market value. The Board has no equalization function, so cannot simply apply an arbitrary adjustment rate because such rate was applied by the BOE to other property assessments. Subject's assessed value may indeed need to be adjusted; however, the basis for any potential adjustment must be supported by available market data, not an unsupported blanket adjustment factor.

Respondent did offer some sales data and analysis for the Board's consideration. While these efforts were appreciated, there were some concerns with aspects of the analysis. Of primary concern was the amount of adjustments applied to the respective sale prices. Questions of comparability were apparent with respect to Sale Nos. 2 and 3, with gross adjustments of 33% and 28%, respectively, which does not include the time adjustments of

roughly \$50,000 and \$70,000. In addition to some of the notable adjustments, it was not clear to the Board how the adjusted price range, from \$382,999 to \$404,546, correlated to subject's assessed value of roughly \$350,000. The analysis does not appear to match the conclusion.

Pursuant to Idaho Code § 63-511, the Appellants bear the burden of proving error in subject's assessed value by a preponderance of the evidence. Given the record in this matter, the Board finds the burden of proof satisfied; however, we did not find adequate support for the value petitioned by Appellants. There were too many questions concerning some of the adjustments made in Respondent's sales analysis, as well as how the analysis correlated to subject's current assessed value, for the Board to rely too heavily on the value conclusion reached therein. Other factors in the record supported the conclusion subject's assessed value needs to be reduced.

Based on the above, the decision of the Bannock County Board of Equalization is modified to reflect a decrease in subject's assessed value to \$317,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to reflect a decrease in value to \$317,000, with \$47,000 attributable to the land, and \$270,000 to the improvements.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellants.

Idaho Code § 63-3813 provides under certain circumstances that the above ordered

value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 17th day of April, 2020.

IDAHO BOARD OF TAX APPEALS
