

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| DON AND PATRICIA FULTON, |) | |
| |) | |
| Appellants, |) | APPEAL NO. 20-A-1006 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| BONNER COUNTY, |) | |
| |) | |
| Respondent. |) | |
| |) | |
| |) | |
| |) | |

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP56N03W154653A. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing September 22, 2020, before Hearing Officer Travis VanLith. Appellants Don and Patricia Fulton were self-represented. County Assessor Donna Gow 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 rural residential property.

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

FINDINGS OF FACT

The assessed land value is \$104,274, and the improvements' value is \$519,257, totaling \$623,531. Appellants agree with the value of the improvements, but contend the correct land value is \$33,596, for a total assessed value of \$552,853.

The subject property is an 11.93 acre rural tract located near Sagle, Idaho, on the water's edge of Morton Slough, next to the Ledges subdivision. Though the parcel enjoys frontage on the slough, the shallow water level prevents boat access. The property is improved

with a 2,796 square foot multi-level residence. The property is additionally improved with a detached garage, a large shop building, and several smaller outbuildings. Only the one (1) acre homesite is assessed at market value, with the remaining acreage assessed specially as forest land.

Overall, Appellants agreed with subject's assessment, with the exception of the value assigned to the homesite acre. In Appellants' view, the roughly \$100,000 value attributed to the homesite was excessive and not supported by recent sales. It was noted the market value of the entire acreage would be roughly \$168,000 without the forest land designation, which value Appellants conceded was appropriate for the whole parcel. Appellants' issue, however, was the allocation of approximately \$100,000¹ of the total market value to the homesite acre.

In support of reducing the assessed value of subject's homesite, Appellants cited three (3) vacant land sales offered by Respondent at the hearing before the county board of equalization. The first sale was a 7.36 acre parcel which sold for \$155,000, or \$21,060 per acre. Sale No. 2 concerned a 3.3 acre lot which sold for \$99,000, or \$30,000 per acre. Lastly, Sale No. 3 was a 5.04 acre parcel with a sale price of \$117,000, or \$23,214 per acre. After adjustments were applied, adjusted land rates were between approximately \$14,000 and \$24,000 per acre. Based on both the raw and adjusted sale prices, Appellants contended subject's homesite value was excessive and arbitrary.

Respondent explained land values for parcels in the neighborhood with subject's same land grade were trended upward by 30% for the 2020 assessment year. In similar fashion, improvement values were also adjusted upward by 10%. Without the special forest land

¹Subject's homesite is assessed at \$100,678, of which \$13,000 is attributable to onsite improvements, leaving \$87,678 for the raw acre.

valuation, it was noted subject's total assessed value would have been \$700,618, instead of the current valuation of \$623,531.

Focusing on subject's homesite valuation, Respondent offered information concerning three (3) smaller acreage vacant lot sales located within a few miles of the subject property. Sale No. 1 was a 1.06 acre lot which sold in July 2019 for \$77,500. Next, Sale No. 2 concerned a .60 acre lot with a May 2019 sale price of \$85,750. Sale No. 3 was a 1.10 acre parcel which sold for \$65,500 in September 2019. Though located near the river, none of the sale lots had any frontage on the water. Respondent made an upward adjustment of \$40,000 to each sale price for the lack of water frontage. Respondent additionally applied a downward adjustment of roughly \$30,000 to each sale price because the sale lots enjoyed superior land grades. After adjustments, Respondent reported adjusted sale prices of \$86,325, \$94,778, and \$73,614, respectively.

Respondent also provided some analysis of the same three (3) sales referenced by Appellants. The first two (2) were vacant parcels of 4.80 and 5.91 acres, with sale prices of \$149,900 and \$139,000, respectively. The third sale was an improved parcel which sold for \$390,000. After adjustments for land grade, size, and improvements, Respondent determined adjusted prices of \$194,154, \$167,519, and \$167,301 for the respective three (3) sales. Based on the analysis of the sales data, Respondent maintained subject's homesite value was reasonable.

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, 2020, 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 three (3) approaches for determining market value include the sales comparison approach, the cost approach, and the income approach. The sales comparison approach is commonly used in the valuation of a residential property. In general terms, the approach examines recent sales of similar property and considers differences in the property characteristics between subject and the sale properties.

Both parties provided sales information for the Board’s review, which efforts were appreciated. That being said, there were some concerns regarding the comparability of the sale properties to subject. The issue of comparability was highlighted by the notable adjustments Respondent made in its analysis. Net adjustments for the three (3) smaller acreage lots ranged from nearly 83% to 110%, and net adjustments for the three (3) larger parcels varied from roughly 78% to 101%. Such large adjustments suggest an appreciable level of dissimilarity and further serve to undermine the resulting value conclusion.

Respondent’s general approach was to determine the market value of the entire subject

parcel, then allocate a portion of that value to the homesite. While this approach represents sound appraisal practice with respect to estimating the market value of the entire parcel, the issue in this appeal is the value allocated to the homesite acre. It is well understood a parcel's first acre carries the most value, with each additional acre contributing value on a declining scale. Therefore, it would be inappropriate to simply calculate the price-per-acre of a sale and apply it evenly across the entire acreage, as advanced by Appellants. Instead, it is necessary to consider smaller acreage sales to identify how much value the local market places on a one (1) acre homesite. In this regard, there were three (3) lot sales roughly one (1) acre in size, with sale prices ranging from \$65,000 to \$85,750. The sale lots, however, were located in a superior neighborhood, according to Respondent. Though subject's area is considered somewhat inferior to the sale lots, subject does enjoy frontage on the slough, which in the Board's experience does contribute some additional value. In other words, there are some pluses and minuses between the neighborhoods of the subject property and the sale lots. In the final analysis, the Board found Respondent's sales data did not support subject's current homesite valuation.

Idaho Code § 63-511 places the burden on the Appellants to establish subject's valuation is erroneous by a preponderance of the evidence. Given the evidence presented in this matter, the Board finds the burden of proof satisfied, though did not find adequate support for the value petitioned by Appellants. Instead, the Board finds a homesite value of \$70,000 is reasonable based on the available information. As such, the decision of the Bonner County Board of Equalization is modified to reflect a decrease in subject's raw homesite value to \$70,000, plus \$13,000 for onsite improvements.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in subject's land value to \$86,596, with no change in the improvements' value of \$519,257, resulting in a total assessed value of \$605,853.

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 16th day of November, 2020.