

BEFORE THE IDAHO BOARD OF TAX APPEALS

CLELL BENNETT, JR.,)	
)	
Appellant,)	APPEAL NO. 20-A-1081
)	
v.)	FINAL DECISION
)	AND ORDER
GEM COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Gem County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RP06N01W059017. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing October 27, 2020, before Board Member Leland Heinrich. Appellant Clell Bennett, Jr. was self-represented. Assessor Hollie Strang 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 unimproved residential parcel.

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

FINDINGS OF FACT

The assessed land value is \$99,214. Appellant contends the correct land value is \$77,500.

The subject property is a 1.63 acre rural residential parcel located outside Emmett, Idaho.

Appellant purchased the subject parcel in March 2019 for \$77,500. Though it was unclear how long the subject property was listed on the open market, Appellant reported the

asking price at the time of purchase was \$85,000. The property has since been improved with a residence, though only the land assessment for 2020 is at issue in this appeal. There is an active irrigation ditch running through the middle of the subject property. At the time of purchase, the irrigation ditch was open; however, Appellant buried a pipe and covered the ditch sometime after purchase. Appellant explained, due to the shallow depth of the buried pipe, heavy equipment cannot drive over it without risking damage to the pipe. The irrigation company retains an access easement over the area consumed by the pipe for maintenance purposes.

In addition to the covered irrigation ditch, there is another abandoned ditch running across the northeastern corner of the subject parcel which prevents vehicle access to roughly .25 acres of the property. This particular corner of the parcel is several feet lower in elevation than the rest of the lot and fills with as much as five (5) inches of water throughout the summer months. Appellant characterized the corner area of the parcel as unuseable ground and contended subject's current valuation failed to consider the unuseable status of the corner piece. Respondent argued this corner piece of the lot could be filled, which would then make it useable, and therefore no adjustment was warranted.

Respondent noted subject's roughly \$99,000 assessed value includes \$18,000 for onsite improvements. It was explained the \$18,000 value for onsite improvements is a standard rate applied to all rural residential properties in the county improved with a well, septic, and electricity. The \$18,000 figure breaks down as follows: \$8,000 for a well, \$5,000 for a septic system, and \$5,000 for electrical hookup. Appellant challenged the assessed values for the well and septic, stating the contractor who constructed the subject residence and

installed the onsite improvements told Appellant the cost of subject's well was \$5,000 and the septic system was \$8,000. Appellant was unaware of the cost to install subject's electrical service.

In support of subject's current valuation, Respondent provided information concerning six (6) vacant rural land sales. Four (4) of the sales transpired during 2019, and two (2) closed in 2020. The 2019 land sales ranged in size from 1.75 to 5.12 acres. Only Sale No. 3 was identified as having an active irrigation ditch running through the property, though the others were noted to border irrigation ditches or canals. Sale prices ranged from \$70,000 to \$170,000. The sales from 2020 concerned a one (1) acre lot and a 3.12 acre parcel. The former sold in June 2020 for \$88,000, and the latter closed in January 2020 for \$179,900. In Respondent's view, subject's current valuation was reasonable given the available sales data.

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 sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The market value of residential property is commonly estimated using the sales comparison approach, which in basic terms examines recent sales of similar property and considers appraisal adjustments for differences in property characteristics compared to the subject property.

Neither party developed a traditional sales comparison approach model in which recent sales were directly compared to the subject parcel. Instead, Appellant's primary concern centered on a roughly .25 acre corner area of the subject lot which is several feet lower in elevation than the rest of the parcel and annually fills with water, thus rendering the area unuseable. Respondent argued no consideration was warranted for the low area because it could be filled and made level with the remainder of the parcel. While the Board understands Respondent's position, it runs contrary to the mandate that when appraising property for the purpose of assessment, ". . . the actual and functional use *shall be a major consideration*" Idaho Code § 63-208 (emphasis added). That it may be possible at some future date to remedy the elevation issue on the northeastern corner of the subject parcel is immaterial for purposes of the assessed value on January 1, 2020, because, as of the assessment date, the corner portion was unuseable, which should be reflected in the assessed value.

Respondent did provide some sales information in support of subject's current valuation, which efforts were appreciated by the Board. Two (2) of the sales occurred during 2020, which information is untimely for purposes of establishing subject's assessed value as of January 1,

2020, and was therefore not considered. The remaining sales data was timely and did factor in the Board's consideration of subject's current valuation. The concern from the Board's perspective, however, was only Sale No. 3 was noted to have an active irrigation ditch running through the property, and none of the sale properties were identified as having low-lying unuseable areas. It is a well-established appraisal principle that a property's utility greatly impacts its market value. Generally, the more utility a property has, the more desirable it is in the marketplace. Subject's utility is somewhat diminished with respect to the lower elevation of the northeastern corner, which should have been considered in the current assessment.

As none of Respondent's sale properties included unuseable areas, the Board found the best evidence of subject's value in this particular instance was the purchase price in March 2019 of \$77,500, which reflects consideration by Appellant for subject's unique characteristics. The purchase price, however, is just the starting point, because onsite improvements were installed prior to January 1, 2020, the contributory value of which must be also be included in the 2020 valuation. Respondent testified its standard practice is to assign a flat \$18,000 value to onsite improvements throughout the county, where applicable. In the Board's experience, such is common practice throughout Idaho, though the standard onsite improvement rate does vary by county. Respondent's standard onsite improvements' rate includes \$5,000 for electrical, \$5,000 for a septic system, and \$8,000 for a well. Appellant was unsure of the cost incurred to install subject's electrical service, but did report a cost of \$5,000 for the well and \$8,000 for the septic. Using Respondent's standard rate of \$5,000 for electrical, the total cost of subject's onsite improvements, using Appellant's cost numbers, is \$18,000, which matches the standard onsite rate Respondent utilizes throughout the county. In short, the Board did not

find the \$18,000 value assigned to subject's onsite improvements unreasonable or in need of adjustment.

Idaho Code § 63-511 places the burden on the Appellant to demonstrate error in subject's assessed value by a preponderance of the evidence. Given the record in this matter, the Board did find the burden of proof satisfied, though did not find sufficient support for the value petitioned by Appellant. Due to subject's unique characteristics, subject's purchase price was judged as the best indicator of market value; however, as onsite improvements were installed on the property prior to the assessment date, the contributory value of those improvements needs to be included in the valuation. Adding \$18,000 for subject's onsite improvements results in a total value of \$95,500, which the Board finds appropriate in this instance.

Based on the above, the decision of the Gem County Board of Equalization is modified to reflect a total value for the subject property of \$95,500.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Gem County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in assessed value to \$95,500, with \$77,500 attributable to the land and \$18,000 for the onsite 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 Appellant.

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 9th day of February, 2021.