

Appellant purchased the subject property in August 2018 for \$440,000. It was noted the property was listed on the open market beginning in May 2018 with an asking price of \$487,000. Appellant offered \$440,000, which was accepted with no counter-offers. The property went under contract on June 28, 2018, after roughly seven (7) weeks on the market, and closed August 2, 2018. The transaction was characterized by Appellant as arm's-length in nature between a willing buyer and a willing seller. In Appellant's view, subject's current assessed value should match the \$440,000 purchase price.

In addition to subject's purchase details, Appellant offered an independent fee appraisal report commissioned by the lender in connection with the purchase of the subject property. The appraisal analyzed four (4) sales from 2018 and two (2) active listings. The sale properties were generally similar to subject in terms of age, quality, condition, amenities, and rural location. Sale prices ranged from \$374,000 to \$560,000. After adjustments for differences in property characteristics compared to subject, the appraisal determined adjusted prices from \$366,680 to \$497,060. After reconciling the value indicators, the appraisal report concluded a value of \$450,000 as of July 20, 2018 for the subject property.

Respondent did not include subject's sale in its analysis, relying instead on ten (10) rural sales located between approximately five (5) miles and forty (40) miles from the subject property. Of the ten (10) sales on the list, three (3) were selected for direct comparison with subject. Sale No. 1 was a 3,532 square foot multi-level residence constructed in 1984. The 2.7 acre parcel sold in March 2018 for \$390,000. Sale No. 2 concerned a twelve (12) year old 4,665 square foot multi-level residence situated on a 3 acre parcel, which sold in May 2018 for \$560,000. Lastly, Sale No. 3 was a 5.3 acre parcel improved with a 3,031 square foot

residence constructed in 2008. The property sold in April 2018 for \$379,100. Respondent first applied time adjustments to each sale price to reflect estimated pricing levels on the January 1, 2019 assessment date. Further adjustments were then applied to account for differences in the sale properties compared to subject, such as quality, lot size, outbuildings, age, and finished living area. Respondent calculated adjusted prices for the respective sales of \$644,183, \$592,721, and \$775,144. Based on this analysis, Respondent maintained subject's current assessed 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, 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 County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is often valued using the sales comparison

approach, which in basic terms seeks to compare recent sales of similar property to the subject property in an attempt to estimate current market value.

Both parties provided analyses based on multiple sales, which efforts were appreciated by the Board. Though Respondent's basic model and approach were generally appropriate in the Board's view, the adjustment analysis itself yielded some curious results. Excluding time adjustments, gross adjustments were 66% for Sale No. 1, and 70% and 89% for Sale Nos. 2 and 3, respectively. Admittedly, it is common to see higher adjustments for rural properties which are typically diverse in characteristics and amenities; however, adjustments in the range of those applied by Respondent render the value conclusion unreliable. Such sizeable adjustments suggest a high level of dissimilarity with the subject property. In all, the Board was reluctant to place much emphasis on Respondent's analysis under the circumstances.

Better received by the Board was the July 2018 independent fee appraisal report of the subject property. Similar to Respondent's analysis, the appraisal made various adjustments for differences in property characteristics. The key difference between the respective analyses, however, was gross adjustment rates in the appraisal ranged from 12.91% to 34.73%, which was a more moderate range of adjustments than reflected in Respondent's model. In short, the Board found the fee appraisal a reliable indicator of subject's current market value.

In addition to the appraisal report, subject's actual purchase in August 2018 suggests the assessed value is overstated. The subject property was listed on the open market for roughly seven (7) weeks at nearly \$490,000, with no sale. Appellant offered \$440,000, which was promptly accepted. The recent arm's-length sale of the very property being valued is typically considered strong evidence of that particular property's market value. It is difficult for

the Board to accept Respondent's position that subject's "true" market value is roughly \$100,000 more than the arm's-length sale of the property four (4) months before the controlling date of valuation. The evidence simply does not support such a conclusion.

In appeals to this Board, the Appellant bears the burden of proving error in subject's assessed value by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board finds the burden of proof satisfied. The Board found subject's recent purchase the best indicator of value in this case, which was further supported by the appraisal conducted on behalf of the lending institution. However, the market did continue to appreciate through the end of 2018, and as such subject's purchase price does need to be adjusted to reflect pricing levels on January 1, 2019.

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 \$460,000.

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 subject's assessed value to \$460,000, with \$64,017 attributable to the land, and \$395,983 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 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 11th day of May, 2020.