

BEFORE THE IDAHO BOARD OF TAX APPEALS

JESSIE ARNOLD AND AMOS ARNOLD,)	
)	
Appellant,)	APPEAL NOS. 21-A-1120,
)	21-A-1121, 21-A-1122,
v.)	and 21-A-1123
)	
BANNOCK COUNTY,)	FINAL DECISION AND ORDER
)	
Respondent.)	
)	
_____)	

RESIDENTIALS PROPERTY APPEALS

These appeals are taken from four (4) decisions of the Bannock County Board of Equalization modifying appeals of the valuation for taxing purposes on properties described by Parcel Nos. RPRPQT1000600, RPRPQTH001200, RPRPQT1000700, and RPRPQTH001100. The appeals concern the 2021 tax year.

These matters came on for telephonic hearing December 8, 2021, before Board Member Kenneth Nuhn. Jessie Arnold represented Appellants. Bannock County Assessor Sheri Davies represented Respondent.

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

The issues on appeal concern the market values of four (4) residential properties.

The decisions of the Bannock County Board of Equalization are affirmed and modified.

FINDINGS OF FACT

Parcel No. RPRPQT1000600 (Appeal 21-A-1120)

The assessed land value is \$33,120, and the improvements' value is \$169,750, totaling \$202,870. Appellants contend the correct total value is \$149,875.

Parcel No. RPRPQTH001200 (Appeal 21-A-1121)

The assessed land value is \$42,000, and the improvements' value is \$135,330, totaling \$177,330. Appellants contend the correct total value is \$149,875.

Parcel No. RPRPQT1000700 (Appeal No. 21-A-1122)

The assessed land value is \$33,120, and the improvements' value is \$169,750, totaling \$202,870. Appellants contend the correct total value is \$149,875.

Parcel No. RPRPQTH001100 (Appeal No. 21-A-1123)

The assessed land value is \$42,000, and the improvements' value is \$135,330, totaling \$177,330. Appellants contend the correct total value is \$149,875.

The subject properties are two (2) twin homes situated on adjacent parcels in the Quinn Road Townhouses subdivision in Pocatello, Idaho. Each twin home is comprised of two (2) separate parcel numbers, with Appellants each owning one-half ($\frac{1}{2}$) of both twin homes. The twin homes are identical in floor plan, with 800 square feet on the main level, 800 square feet in the basement, and an attached 480 square foot garage. The only difference is one (1) of the twin home buildings was constructed in 2007, and the other twin home building was constructed in 2019. For purposes of this decision, the twin homes constructed in 2007 will be referred to as Twin Home #1, and the twin homes constructed in 2019 will be referred to as Twin Home #2. To be clear, there are two (2) parcels associated with Twin Home #1 and two (2) parcels with Twin Home #2, for a total of four (4) real property parcels.

Appellants were primarily concerned with the different percentage increases in the assessed values of the respective subject properties. For Twin Home #1, the assessed value of one (1) of the parcels increased 44% over the prior year, whereas the other

adjoining parcel increased by 57%. The story was similar with respect to Twin Home #2, with one (1) side of the structure receiving a 60% increase in assessed value and the other a 65% increase. Appellants appealed all four (4) assessments to the Bannock County Board of Equalization (BOE), which determined adjustments were needed. The BOE reduced the values of each unit in Twin Home #1 to \$177,330, which represented increases of 30% and 41% over the prior year. It was explained the difference in the percentage increase was because the Board of Tax Appeals reduced the value of the parcel with the 41% increase two (2) years ago, which ordered value had “expired” for the 2021 assessment year. So, because that parcel started at a lower value, it received a larger increase to bring it up to the same level as the other unit in Twin Home #1. With respect to Twin Home #2, the BOE reduced the value of both parcels to \$202,870, representing a 48% increase over the 2020 valuations. In Appellants’ view, as Twin Home #1 and Twin Home #2 are virtually identical, with only a .01 acre difference in the respective lot sizes, the valuations should be the same.

Appellants also provided information concerning four (4) sales sourced from a fee appraisal report prepared by an independent appraiser for a separate property not under appeal here. Details were scant, with Appellants providing only the dates of sale, street addresses, and purchase prices of the sale properties. Sale prices ranged from \$146,198 to \$166,250. Appellants argued subjects’ assessed values should more closely approximate the sale price data.

Respondent challenged the comparability of three (3) of the sale properties referenced by Appellants. Respondent pointed out that in addition to being constructed in 1912 and not being a twin home property, the residence connected with Sale No. 1 had

only 580 square feet on the main floor and 432 square feet in the basement. Sale No. 2 was likewise noted to be a single-family residence, not a twin home. This residence was constructed in 1925 and was comprised of 768 square feet on the main level with no basement. The square footage of Sale No. 3 was not shared, but Respondent noted it was a single-family residence constructed in 1920. In short, Respondent did not regard any of the three (3) sale residences as comparable to the subject twin homes.

Respondent did, however, favorably view Appellant's Sale No. 4, particularly with respect to subject Twin Home #1. Respondent highlighted the similarity in design, age, and finished living area between Twin Home #1 and the sale property. The sale property involved a twin home constructed in 2004, with 864 square feet on the main level and 864 square feet in the basement, as well as an attached garage. The property sold in March 2020 for \$166,250. To bring the sale price forward to the January 1, 2021, assessment date, Respondent applied an upward time adjustment of 1.5% per month to the sale price, resulting in a time-adjusted price of \$190,900. Respondent argued this sale supported the current valuation of \$177,330 for each of the two (2) units/parcels included in Twin Home #1.

In addition to Appellants' Sale No. 4 above, Respondent offered information on three (3) more sales in support of the valuation of Twin Home #1. All three (3) sale properties were located within one-half ($\frac{1}{2}$) mile of the subject parcels, and all were improved with twin homes. All the twin homes were similar in age to Twin Home #1, having been constructed in 2007 and 2008, though all were single-level designs with no basements. Sale No. 1 concerned a .15 acre lot improved with a 1,209 square foot twin home which sold in October 2020 for \$203,000. Sale No. 2 was a .16 acre parcel with a

1,550 square foot twin home which sold in October 2020 for \$230,000. Sale No. 3, with a July 2020 sale price of \$231,800, concerned a 1,566 square foot twin home situated on a .12 acre lot. Respondent applied the same 1.5% per month time adjustment referenced earlier and calculated time-adjusted sale prices of \$212,135, \$240,350, and \$252,662 for the respective sale properties. In Respondent's view, the current valuation of Twin Home #1 was well-supported by the sales information.

With respect to Twin Home #2, Respondent likewise provided details on three (3) twin home sales from subject's area. Sale No. 1 was a repeat of the first sale in Respondent's above sales list. Sale No. 2 involved a .12 acre parcel improved with a 1,346 square foot single-level twin home constructed in 2020. This property sold in September 2020 for \$212,500. Lastly, Sale No. 3 concerned a 1,284 square foot twin home with no basement constructed in 2019 situated on a .15 acre lot. This property sold in March 2020 for \$220,000. After adjusting for time, Respondent reported respective adjusted sale prices of \$212,135, \$225,250, and \$253,000. The subject parcels comprising Twin Home #2 are each currently assessed at \$202,870, which Respondent maintained was reasonable given the recent 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, 2021, 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 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 timely sales information for the Board’s consideration, which efforts were appreciated. The Board found there were concerns regarding the comparability of some Appellants’ sale properties to the subject properties. Specifically, Sale Nos. 1, 2, and 3 were not particularly comparable to subjects, as each involved single-family residences constructed roughly 100 years ago located in different neighborhoods several miles from the subject properties. These sales did not factor into the Board’s final consideration of subjects’ valuations.

Better received by the Board was Appellant’s Sale No. 4, as well as the five (5) additional sales offered by Respondent. Each of the sale properties were improved with twin homes similar in age to the respective subject twin home structures, though all had

less total finished living area than the subject twin homes, with the exception of Appellant's Sale No. 4, which was 128 total square feet larger. The primary difference between the sale twin homes and the subject twin homes was the single-level design of the sale twin homes. In the Board's experience, a single-level residential structure typically commands a higher price in the marketplace due to the higher costs associated with developing the larger building footprint compared to a multi-level residence which can accommodate the same amount of finished living space but on an appreciably smaller footprint. This proposition was supported by the purchase prices of Respondent's single-level twin home sale properties, which stretched from \$203,000 to \$231,800, and in time-adjusted price from \$212,135 to \$253,000. The assessed value of each subject property is less than both the unadjusted and the adjusted sale prices, which is not unexpected given the subject twin homes are multi-level designs.

Appellants questioned the validity of the time-adjusted sale prices calculated by Respondent. Appellants argued the adjusted sale prices were "made-up sales" and not real. The Board disagrees. A market value appraisal is an estimate of a property's value as of a specific point in time. The marketplace, however, is in a constant state of change, driving sale prices upward or downward as the particular market conditions dictate. A proper appraisal includes a keen consideration of market conditions leading up to the date of appraisal. In recent years, Bannock County, as well as most of Idaho, has experienced a rapidly appreciating real estate market. What this means from an appraisal perspective is pricing levels earlier in the year were lower than toward the end of the year. So, in using sales which occurred throughout the course of 2020 to determine subjects' current assessed values, it was necessary for Respondent to adjust the respective sale

prices for date of sale to reflect pricing levels on the January 1, 2021, date of assessment, which in the current appreciating market required the sale prices be adjusted upward. Respondent's application of a time-adjustment to the sale prices was consistent with proper appraisal practice, and the time-adjusted sale prices were not "made-up sales," but rather a recognition of how the local real estate market performed over the course of the prior year. The Board found no error with Respondent's use of time-adjusted sale prices in its analysis.

While Respondent's sales data was supportive of subjects' respective valuations, Appellants' Sale No. 4 was found by the Board to share the most similarities with the subject properties, particularly Twin Home #1. The Sale No. 4 twin home, constructed in 2004, had 864 square feet on the main floor and 864 square feet in the basement, and also included an attached garage. The property sold in March 2020 for \$166,250, with a time-adjusted price of \$190,900. The subject properties associated with Twin Home #1, constructed in 2007 and consisting of 800 square feet on the main floor and 800 square feet in the basement, are each assessed at \$177,330. The newer subject properties comprising the Twin Home #2 structure are identical to Twin Home #1 but were constructed in 2019. Being more than a decade newer, it is not surprising the Twin Home #2 properties were each assessed somewhat higher, at \$202,870. Based on the available sales information, subjects' respective assessed values were relatively well-supported in the Board's view.

Though subjects' assessed values fit with the sales data, the Board did find a discrepancy in the valuations of the Twin Home #1 parcels compared to the Twin Home #2 properties. Specifically, the land values of .09 acre Twin Home #2 lots are \$33,120,

whereas the .10 acre lots associated with Twin Home #1 are each assessed at \$42,000. The parcels are nearly identical in size, yet differ in assessed value by roughly \$9,000, which was curious to the Board.

Respondent explained it is currently in the middle of a multi-year project of implementing a new assessment system. As part of this conversion effort, Respondent must re-evaluate every parcel in the county to ensure the property characteristics and valuations are accurate before moving them to the new system. Though Twin Home #1 and Twin Home #2 are adjacent parcels, they are located in different phases of the same subdivision, so one of them has already been updated and migrated to the new system, while the other has not. Unfortunately, Respondent was unsure whether Twin Home #1 or Twin Home #2 had been updated to the new system, but stated the values will better align after the conversion project is complete. While the Board appreciates the scope of Respondent's project and understands a multi-year engagement is necessary to complete the work across the county, there is an obvious discrepancy in subjects' land values which should be addressed now that the matter is before the Board.

Included in Respondent's sales information were the current land values for the respective sale lots. Despite each of the sale lots being larger than the subject lots, only one (1) had a land value higher than the \$42,000 value of the Twin Home #1 lots. The remaining sale lots ranged in assessed land value from \$33,120 to \$36,000, which closely approximates the \$33,120 land values of the Twin Home #2 lots. As all the subject lots are nearly identical in size and location, it is difficult for the Board to find justification for different land values. Therefore, the Board will reduce the land values of both Twin Home #1 lots to \$33,120 each, to match the land values of the Twin Home #2 parcels.

Idaho Code § 63-511 places the burden on Appellants to establish error in subjects' assessed values by a preponderance of the evidence. Given the record in these matters the Board found the burden of proof satisfied with respect to both of the Twin Home #1 properties, though did not find sufficient support for the values petitioned by Appellants. As noted above, the Board will adjust the respective land values of the Twin Home #1 parcels, resulting in a total value of \$168,450 for each. The burden of proof was not satisfied with respect to the subject properties comprising Twin Home #2. The valuations were found to be reasonably supported by the sales information offered by Respondent, and without competing market evidence suggesting a different valuation, the Board declined to adjust the current assessed values.

Based on the above, the decisions of the Bannock County Board of Equalization are affirmed and modified, as detailed below.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bannock County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED with respect to the Twin Home #2 property, comprised of Parcel Nos. RPRPQT1000600 (Appeal No. 21-A-1120) and RPRPQT1000700 (Appeal No. 21-A-1122), and MODIFIED with respect to the Twin Home #1 property, as follows:

Twin Home #1 (2 parcels)

Parcel No. RPRPQTH001200 (Appeal No. 21-A-1121)

Land:	\$33,120
<u>Improvements:</u>	<u>\$135,330</u>
Total:	\$168,450

Parcel No. RPRPQTH001100 (Appeal No. 21-A-1123)

Land:	\$ 33,120
<u>Improvements:</u>	<u>\$135,330</u>
Total:	\$168,450

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 4th day of April, 2022.

NOTICE OF APPEAL PRIVILEGES

Enclosed is a Final Decision and Order of the Idaho State Board of Tax Appeals concerning four (4) appeals.

Motion for reconsideration of the hearing record or motion for rehearing the appeal (with good cause detailed) may be made by filing such motion with the Clerk of the Board