

BEFORE THE IDAHO BOARD OF TAX APPEALS

JUSTIN OLESON,)	
)	
Appellant,)	APPEAL NO. 22-A-1177
)	
v.)	
)	FINAL DECISION AND ORDER
BINGHAM COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bingham County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP0429302. The appeal concerns the 2022 tax year.

This matter came on for hearing October 3, 2022, in Blackfoot, Idaho, before Board Member Leland Heinrich. Appellant Justin Oleson was self-represented. Bingham County Assessor Donavan Harrington represented Respondent.

Board Members Leland Heinrich, Kenneth Nuhn, and Doug Wallis join in issuing this decision.

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

The decision of the Bingham County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$83,372, and the improvements' value is \$72,850, totaling \$155,222. Appellant contends the correct total value is \$102,228, with no allocation specified between land and improvements.

The subject property is a 3.28 acre rural residential parcel located in an agricultural area several miles north of Blackfoot, Idaho. The property is improved with a 1,323 square foot residence which has seen several additions since its original construction in 1910.

Appellant described several negative attributes argued to diminish the subject property's market value below the current assessed value. The residence was noted to have outdated knob and tube wiring, and the plumbing has reportedly rusted out and is causing problems. According to Appellant, the roof needs major repair or replacement, with an estimated cost-to-cure range of \$15,000 to \$20,000. Appellant further added that a portion of the residence actually sits on an adjacent parcel also owned by Appellant, which could become an issue if the property were to be sold. Due to these various issues, Appellant suggested the residence should probably be removed from the property.

Appellant also noted there is no irrigation water currently available for the acreage outside subject's homesite. As these non-irrigated acres contribute little to the use and enjoyment of the subject property, Appellant reasoned the excess land area should be considered dry grazing agricultural land for assessment purposes instead of rural residential acreage.

In support of the petitioned value reduction, Appellant offered an income approach analysis using the Gross Rent Multiplier (GRM) method based on subject's current \$700 per month rental rate, resulting in a value conclusion of roughly \$102,000. As the subject property is used as a rental, Appellant regarded the property as commercial in nature and argued the income approach was therefore the most appropriate appraisal approach to utilize. Appellant calculated subject's rental rate would need to be roughly \$1,000 per

month to reach the current assessed value using the GRM method, which Appellant viewed as unobtainable.

Respondent disagreed with Appellant's use of the income approach to estimate subject's value, because the property is an improved single-family residential parcel, for which the income approach is ill-suited to evaluate. Respondent further explained developing a reliable income approach model was not possible in this case because Respondent does not have access to rental data for single-family properties in the county. Respondent does have rental information for several rental properties owned by Appellant but argued it would be inappropriate to utilize Appellant's data because the rental rates were demonstrably below market levels. In short, Respondent maintained the sales comparison approach was most appropriate appraisal methodology to value a single-family residential property like subject.

It was explained that during an onsite visit to the subject property earlier in the year, Respondent observed several condition issues and items of deferred maintenance affecting subject's residence. Based on the new condition information, Respondent increased the depreciation factor applied to subject's residence, resulting in a value reduction of approximately \$56,000 for the dwelling. Respondent additionally removed a \$750 value for a small utility shed that was no longer on the property. The overall effect of Respondent's adjustments was a reduction in subject's total valuation from \$212,037 to \$155,222.

In terms of value evidence, Respondent offered information on three (3) sales of single-level residences which transpired in October, November, and December 2021. Sale No. 1 concerned a 1,048 square foot residence constructed in 1948 and a 394

square foot detached garage on a .50 acre parcel, which sold for \$228,000. Sale No. 2 was the \$220,000 purchase of a 2.50 acre parcel improved with a 1,094 square foot residence constructed in 1895. Sale No. 3 was a 932 square foot residence from 1950 situated on a 2.50 acre parcel purchased for \$225,000. Respondent additionally commented if the sales were adjusted for the smaller lot sizes compared to subject's 3.28 acres, the respective sale prices would be even higher, which would in turn suggest a higher value estimate for subject. As subject's current valuation is nearly \$65,000 less than the lowest reported sale price, Respondent argued there was no support for a further value reduction.

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, 2022, 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.

Appellant disagreed the sales comparison approach was the most appropriate valuation methodology for subject and instead championed the income approach as producing a more reliable estimate of subject's current market value. Appellant acknowledged subject's rental rate was somewhat below market, but explained the lower rate was an attempt to minimize turnover and maximize income stability by attracting longer-term tenants. This illustrates precisely the problem with using contract lease rates in the income approach instead of market rates. Using a lease rate below market level would naturally result in a value estimate that is also less than market, which would violate the statutory requirement to appraise all non-exempt property at market value for purposes of assessment.

Setting a below-market lease rate is an individual management decision, but it does not change the property's market value, which is the likely price at which the property would trade hands on the open market. Following Appellant's reasoning, an owner could set a minimal monthly lease rate and use that income information to calculate a *de minimus* value conclusion for assessment purposes. It is unlikely the owner would sell the property at such a discounted value simply because the lease rate was arbitrarily set below market. The central goal in finding market value is to estimate the likely price at which the property at issue would sell in the marketplace against like-kind properties. This is the reason Rule 217 requires the use of market rents in the income approach, not

contract rents. So, where Appellant's valuation analysis relied solely on subject's actual lease rate in contravention of the requirement to use market lease rates, the analysis was excluded from the Board's consideration of subject's value.

Appellant also argued subject's non-homesite acres should be considered dry grazing land for assessment purposes and be valued accordingly. The Board disagrees. The special valuation treatment afforded land actively devoted to agriculture, commonly referred to as the agricultural exemption, is provided in Idaho Code § 63-604. This is a use exemption, which means the property must be actively used for a recognized agricultural purpose. Nothing in the record suggests subject is used for any agricultural purpose. Even if there was evidence of qualifying use, the property still does not qualify for the exemption because Appellant did not file an application for the agricultural exemption by April 15, 2022, as required by Idaho Code § 63-602 for agricultural parcels less than five (5) contiguous acres in size. As such, Appellant's request for the special agricultural valuation treatment for the subject parcel is denied.

Though Respondent did not develop a traditional sales comparison valuation model with adjustments made for differences in property characteristics, Respondent did offer information on three (3) recent sales for comparison with subject. The sale parcels were all smaller than subject, but the sale residences were generally representative of subject's residence in terms of size, age, design, and rural location. Sale prices ranged from \$220,000 to \$228,000. Following a nearly \$57,000 downward adjustment for subject's deferred maintenance items, subject's current assessed value is \$155,222, which is well below the range of value indicated by the sales data.

It was also not lost on the Board that if Appellant's value claim of roughly \$102,000 were accepted, the value attributable to subject's residence would be approximately \$20,000 because the \$82,372 value of subject's 3.28 acres would remain unchanged. Such a value for an actively used residence, particularly a residence from which Appellant receives revenue, is unrealistically low and not reflective of the property's market value. In short, the Board did not find support for the value petitioned by Appellant.

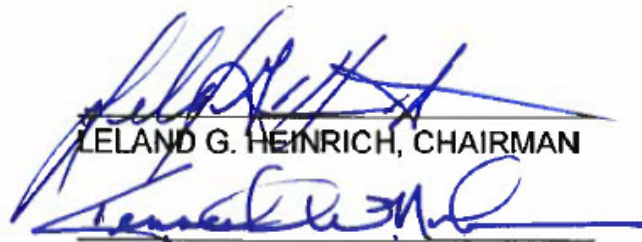
In accordance with Idaho Code § 63-511, Appellant bears the burden of establishing subject's valuation is erroneous by a preponderance of the evidence. The burden of proof was not satisfied in this instance. Subject's assessed value is lower than any of the sales data by a wide margin and there simply was no support to warrant a further reduction. Accordingly, the decision of the Bingham County Board of Equalization is affirmed.

FINAL ORDER

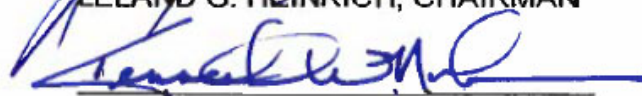
In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bingham County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 10th day of February, 2023.

IDAHO BOARD OF TAX APPEALS



LELAND G. HEINRICH, CHAIRMAN



KENNETH W. NUHN

NOTICE OF APPEAL PRIVILEGES

Enclosed is a Final Decision and Order of the Idaho State Board of Tax Appeals concerning an appeal.

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 within ten (10) days of mailing of the Final Decision and Order, with a copy of the motion being sent to all other parties to the proceeding before the Board.

According to Idaho Code § 63-3812, either party can appeal to the district court from this decision. Pursuant to Idaho Code § 63-3812, the appeal shall be taken and perfected in accordance with Rule 84 of the Idaho Rules of Civil Procedure.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 10th day of February, 2023, I caused to be served a true copy of the foregoing FINAL DECISION AND ORDER by the method indicated below and addressed to each of the following:

Justin Oleson

P.O. Box 1047

Blackfoot, ID 83221

☒ U.S. Mail, Postage Prepaid

☐ Facsimile

☐ Overnight Mail

Bingham County Assessor

501 N. Maple Street, Suite 305

Blackfoot, ID 83221

☒ U.S. Mail, Postage Prepaid

☐ Facsimile

☐ Overnight Mail

Bingham County Prosecutor

501 N. Maple Street, Suite 302

Blackfoot, ID 83221

☒ U.S. Mail, Postage Prepaid

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☐ Overnight Mail

Bingham County Auditor

501 N. Maple Street, Suite 205

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Kari Riggs