

BEFORE THE IDAHO BOARD OF TAX APPEALS

JB TRADING, LLC,)	
)	
Appellant,)	APPEAL NOS. 22-A-1124 and
)	22-A-1125
v.)	
)	FINAL DECISION AND ORDER
BANNOCK COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Bannock County Board of Equalization modifying the valuation for taxing purposes on properties described by Parcel Nos. RPRPRTC001300 and RPRPRTC001200. The appeals concern the 2022 tax year.

These matters came on for hearing December 12, 2022, in Pocatello, Idaho, before Board Member Leland Heinrich. Member Justin Ball appeared at hearing for Appellant. Bannock County Chief Deputy Assessor Anita Hymas represented Respondent.

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

The issue on appeal concerns the market values of two (2) unimproved residential properties.

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

FINDINGS OF FACT

Parcel No. RPRPRTC001300 (Appeal 22-A-1124)

The assessed land value is \$71,780. Appellant contends the correct value is \$60,000.

Parcel No. RPRPRTC001200 (Appeal 22-A-1125)

The assessed land value is \$71,780. Appellant contends the correct value is \$60,000.

The subject properties are adjacent .23 acre vacant residential lots (Lots 6 and 7) located in The Ridges at Trail Creek subdivision in Pocatello, Idaho.

Appellant purchased the subject lots in April 2022 for \$65,000 each, so was surprised when the assessment notices received reflected a value of \$89,240 for each parcel. Following a timely appeal, the Bannock County Board of Equalization reduced the valuations to \$71,780 each. Appellant appreciated the value reductions, but maintained further reductions are needed to reach market value for the subject lots.

Appellant provided a list of (9) vacant lot sales from subjects' subdivision which transpired in 2021 and 2022. The sale lots were all located on subjects' same street. The two (2) sales from 2021 concerned a .49 acre lot which sold in August 2021 for \$50,000 and a .31 acre lot with a September 2021 sale price of \$55,000. Of the remaining sales on the list, all from 2022, two (2) of the lots were somewhat larger in size, at .42 and .51 acres with respective sale prices of \$53,000 and \$55,000. The five (5) remaining sale lots were all .23 acres in size, and each sold for \$65,000 in April 2022. Based on these sales from subjects' same subdivision, Appellant argued subjects' current valuations of roughly \$72,000 were above market levels and should be reduced.

Appellant additionally provided a purchase contract dated August 27, 2022, for two (2) lots in the subdivision. Lot sizes were not indicated, but the total purchase price was \$83,000, or \$41,500 each. In Appellant's view, this transaction further demonstrated subjects' valuations are erroneously high.

Lastly, Appellant offered listing information for three (3) lots in the subdivision currently on the market. The first was a .35 acre lot with an asking price of \$50,000. Next was a .20 acre lot with an asking price of \$60,000. Last, was a .41 acre lot with a \$50,000 asking price. Appellant stressed subjects' current assessed values are notably higher than the current listings from the subdivision.

Respondent highlighted a couple concerns with Appellant's purchase of the subject lots. To start, the purchase occurred in April 2022, noted to be several months beyond the assessment date of January 1, 2022. Second, Respondent questioned whether subjects' purchase was an arm's-length transaction, because the buyer and seller were possibly related parties. Lastly, Respondent was unsure if there was a discount associated with purchasing multiple lots. In all, Respondent did not regard subjects' purchase as the best indicator of market value on the date of assessment.

In support of subjects' current valuations, Respondent offered information on three (3) lot sales from a different subdivision roughly one (1) mile south of subjects' development. All three (3) sale lots were .20 acres in size, and all sold in April 2021. Sale prices were \$52,500, \$57,000, and \$62,500. After applying a 1.25% per month time adjustment factor to bring pricing levels forward to the January 1st assessment date, Respondent calculated respective adjusted prices of \$58,406, or \$6.70 per square foot; \$59,850, or \$6.87 per square foot; and \$69,531, or \$7.98 per square foot. The subject lots are each assessed at \$71,780, or \$7.16 per square foot, which Respondent argued was reasonable against the sales data.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, 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. Idaho Code § 63-201 provides the following definition,

“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 the differences in property characteristics between subject and the sale properties.

Both parties offered sales information in support of their respective value positions, which efforts were appreciated by the Board. That being said, there were concerns with some of the data. In particular, the bulk of Appellant's sales and listing information was from 2022. Developing a value estimate as of a particular date necessarily requires

consideration of sales and other market information which occurred prior to such date, because sales after the date of valuation did not exist and were therefore unavailable to market participants at the time. An exception would be a retrospective appraisal which, as the name suggests, is a value opinion developed at some point after the date of valuation. In any event, Appellant's 2022 sales and listing information, including subjects' purchase in April, were untimely for purposes of establishing market value estimates for the subject lots on January 1st, and therefore were excluded from the Board's consideration.

Respondent's sales were all from April 2021, so were timely. The sale lots, all .20 acres, were also similar in size to the .23 acre subject lots. The concern from the Board's perspective was none of the sale lots were located in subjects' subdivision. It is well established that location greatly influences market value. To minimize locational influences between neighborhoods, relevant sales from the same neighborhood as the property being valued should generally be prioritized over sales located elsewhere. In the instant case, timely sales from subjects' subdivision were available, yet Respondent relied entirely on sales from outside the development, which was somewhat curious to the Board.

Another concern was the time adjustments applied to Respondent's sales. To begin, all of Respondent's sales transpired in April 2021, so an eight (8) month time adjustment at 1.25% per month was applied. This is not to say the sales should not be considered, but a weakness with a fixed monthly time adjustment is the market generally fluctuates; it does not appreciate in a straight line throughout the course of a year. And, in the case of a rapidly appreciating real estate market, as was the case in Bannock

County during 2021, sales from the beginning of the year require rather notable time adjustments. Generally, numerous adjustments applied in the sales comparison approach weaken the reliability of the value conclusions, which is why sales near the date of valuation are preferred.

Another concern with Respondent's time adjustment was how it was applied to the sales. The total time adjustment applied to the prices of both Sale Nos. 1 and 3 was 11.25%, which equates to a nine (9) month adjustment at 1.25% per month. As these sales both closed on April 23, 2021, it was unexpected to the Board that Respondent started application of the 1.25% time adjustment in April instead of starting in May, which is the more typical methodology in the Board's experience. Lastly, the total time adjustment applied to Sale No. 2 was only 5%, less than one-half ($\frac{1}{2}$) the time adjustment applied to the other sales, despite having sold roughly three (3) weeks earlier, on April 2, 2021. Due to these questions and inconsistencies, the Board cautiously weighed Respondent's valuation analysis.

In looking at the timely sales data in the record, it was difficult for the Board to correlate the information to subjects' current valuations of roughly \$72,000 each. None of the parties' reported sale prices approached \$72,000, not even Respondent's time-adjusted sale prices. Indeed, the highest reported sale price was \$62,500 for Respondent's Sale No. 3, which also had the highest adjusted price of \$69,531. The next closest adjusted sale price was approximately \$10,000 lower, at \$59,850. In all, it was unclear to the Board how the sales information supported subjects' higher assessed values.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subjects' valuation by a preponderance of the evidence. Based on the sales data in the record, the Board found the burden of proof satisfied. In short, it was apparent to the Board subjects' assessed values are somewhat overstated and, therefore, should be adjusted downward. Accordingly, the decisions of the Bannock County Board of Equalization are modified to reflect a value of \$64,000 for each subject lot.

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, MODIFIED to reflect a decrease in valuation to \$64,000 for each subject parcel.

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 that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 18th day of April, 2023.