

BEFORE THE IDAHO BOARD OF TAX APPEALS

NORTON FAMILY TRUST,	)	
	)	
Appellant,	)	APPEAL NO. 22-A-1051
	)	
v.	)	FINAL DECISION AND ORDER
	)	
CAMAS COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Camas County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP00250000005AA. The appeal concerns the 2022 tax year.

This matter came on for hearing October 17, 2022, in Fairfield, Idaho, before Board Member Leland Heinrich. Trustees Einar and Lynn Norton appeared at hearing for Appellant. Camas County Assessor Lynn McGuire 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 Camas County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$22,500, and the improvements' value is \$201,510, totaling \$224,010. Appellant agrees with the land value, however, contends the correct value of the improvements is \$137,500, totaling \$160,000.

The subject property is a 1.0 acre rural residential parcel located a little more than twenty (20) miles southeast of Fairfield, Idaho, in the West Shore subdivision roughly two

(2) miles from Magic Reservoir. The property is improved with a 1,144 square foot two (2) bedroom, two (2) bathroom ranch-style residence constructed in 1995. There is also a 728 square foot garage attached to the residence, as well as a porch and some wooden decking.

In mid-2021, Appellant learned the prior owner of the subject property had passed away and the estate was looking to sell the property. Negotiating directly with the estate, with no realtors or brokers involved, the parties agreed on a purchase price of \$140,000, which Appellants tendered in July 2021 to close the transaction and assume ownership of subject. Connected with the purchase, an independent appraisal of the property was prepared. The appraisal identified six (6) sales and one (1) active listing between August 2020 and July 2021 considered generally comparable to the subject property. Three (3) of the sale properties were located in subject's West Magic neighborhood within approximately 1.5 miles of subject. The sale lots were smaller than the subject parcel, and the residences were all older and smaller than subject's residence. Sale Nos. 1 and 2 each sold for \$135,000 and Sale No. 3 closed at \$100,000. The sale properties were directly compared to subject and appraisal adjustments were made for noted differences in property characteristics like gross living area, condition, quality, garage size, and others. The appraisal determined adjusted prices for these three (3) sales of \$156,020, \$162,180, and \$162,570, respectively.

Sale Nos. 4 and 5 were also located in subject's West Magic area, though both were situated along the western shores of Magic Reservoir itself. Both properties sold during 2020, with Sale No. 4 closing in August for \$287,250, and Sale No. 5 closing for \$200,000 in July. The sale residences were both larger than subject's residence, though

the lots were smaller. With the exception of the large gross living area adjustment made for the notably larger residence associated with Sale No. 4, the largest adjustments made to these two (2) sales were a \$25,000 location adjustment due to the sale properties being situated at the waterfront, and an additional \$25,000 adjustment for the superior view amenity enjoyed by the sales. In the end, the appraisal concluded adjusted sale prices of \$177,750 for Sale No. 4, and \$151,278 for Sale No. 5.

The final properties included in the data set were Sale No. 6 and an active listing, both of which were located nearly twenty-five (25) miles away in Shoshone, Idaho. Again, both sale lots were smaller than the subject parcel. The sale residences were slightly larger than subject's residence, and both were considered inferior in construction quality. Sale No. 6 transpired in July 2021 for \$219,500, and Sale No. 7 was listed for sale in June 2021 with an asking price of \$239,000. After adjustments, with location representing the largest adjustment in the analysis, the appraisal determined adjusted prices of \$165,520 and \$181,900.

Based on the totality of the sales and listing information, the appraisal report concluded a value of \$160,000 for the subject property as of June 28, 2021. Appellants argued subject's \$140,000 purchase price roughly five (5) months prior to the January 1, 2022, assessment date should be the current assessed value, but were willing to accept the higher \$160,000 value estimate concluded in the appraisal report as a reasonable valuation.

Respondent did not offer any direct support for subject's current valuation, pointing instead to the latest annual ratio study analysis performed by the Idaho State Tax Commission (STC). The STC's ratio study is a statistical analysis aimed at measuring

assessment uniformity and level of assessment across a particular category of property throughout a defined area, or the entire county in the case of Respondent's ratio study. In simple terms, sale prices from the prior twelve (12) month period were collected and sorted by category, then compared to the respective assessed values at the time each property sold. Various statistical testing of the data measures uniformity and level of assessment for the property category to ensure calculations yield results within certain defined parameters. If the ratio study results fall outside the threshold parameters, the assessor is encouraged by the STC to adjust values across the category until the results conform with the testing parameters; or, in rare instances, the STC will effect the value changes itself.

Respondent's ratio study included twenty-one (21) sales from October 1, 2020, to September 30, 2021. As sales in any particular residential category were limited in number during the review period, the twenty-one (21) properties in Respondent's ratio study were comprised of sales from five (5) different residential categories. The study calculated a median sale-price-to-assessed-value ratio of approximately 55%, which result Respondent noted falls well outside the STC's allowable testing parameters. So, in an effort to be in compliance with the STC's standards, the assessor's office notably increased the assessed values of all residential improvements throughout the county. At hearing, Respondent was unable to recall the precise percentage increase applied but believed it was either a uniform 35% or 40% rate. Respondent maintained the large increase in the value of subject's improvements was necessary because the ratio study results indicated residential improvement values were below market levels. As such,

Respondent viewed subject's current valuation as reasonable and consistent with other like-kind properties in the county.

### 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 estimating the market value of real property. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach, which in its basic form compares multiple recent sales of nearby similar properties to the subject property and makes adjustments for differences in property characteristics and market conditions, as appropriate.

In the present case, the assessed value of subject's improvements increased for the current assessment year as the result of a trend factor the assessor's office applied to all residential improvements throughout the county. It was argued the across-the-board increase was necessary because the STC's latest ratio study of residential sales in the county concluded assessed values were too low. The Board understands Respondent increased values to achieve compliance with the STC's guidelines, but this case illustrates the inherent weakness of a uniform trend factor applied across an entire category of property, namely a disregard for the characteristics of any individual property, particularly the role location plays in determining market value. It should also be noted a ratio study is simply a statistical testing model for broadly measuring assessment levels; it is not intended, nor is it well-suited, to provide an accurate estimate of market value for an individual property.

The Board recognizes the majority of properties in Camas County are rural in nature, so they do share some of those general locational qualities, but that does not mean every rural area of the county is the same or comparable. Indeed, locational differences were evident even in the small pool of sales in Appellant's appraisal report. There were five (5) sale properties less than one and one-half (1½) miles from subject: two (2) located on the banks of Magic Reservoir and three (3) located away from the water, like the subject property. The waterfront properties sold for \$200,000 and \$287,250, whereas the non-waterfront properties sold for \$100,000, \$135,000, and \$135,000. The price disparity is a strong indicator these are not comparable neighborhoods despite the close proximity to each other. If there are two (2) distinct

market areas in such a small geographical area, it is reasonable to assume there are other unique areas in different parts of the county.

To continue, subject's location is even more relevant in this instance because none of the twenty-one (21) sale properties included in Respondent's ratio study were from the West Magic area. Rather, all were located in or around Fairfield, the only city in the county which is situated more than twenty (20) miles from subject. According to Appellant, there were only (2) West Magic sales during 2021: Sale No. 1 in the appraisal report for \$135,000 in April 2021, and subject's purchase in July 2021 for \$140,000. And as of the date of hearing in this matter, Appellant reported no additional sales from the area had occurred, making subject's purchase the last sale in the subdivision. The widely disparate number of sales between Fairfield and subject's area is further evidence locational differences exist and are recognized in the marketplace. A uniform trend factor is incapable of distinguishing one neighborhood from another, which effectively removes location from the valuation analysis, in contravention of accepted appraisal standards. In all, it was apparent Respondent's trend factor did not fit the subject property well.

In addition to concerns with the blanket trend factor, Appellant's value evidence clearly demonstrated subject's assessed value is overstated. There was not only the actual \$140,000 price recently paid for the subject property in an arm's-length transaction, but also an independent fee appraisal report, which concluded a value of \$160,000 as of the end of June 2021. Both of these value indicators are notably less than subject's current assessed value of \$224,010. Though the appraisal made some significant adjustments to several of the sales in its comparative analysis, which typically serves to

undermine the reliability of the value conclusion, Respondent offered no competing market data, so there is no other value evidence for the Board to consider.

Idaho Code § 63-511 places the burden on Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Where the only market value evidence in this matter was that offered by Appellant, and where such value evidence undoubtedly demonstrated subject's assessed value is erroneous, the Board found good cause to reduce the valuation.

Based on the above, the decision of the Camas County Board of Equalization is modified to reflect a total assessed value of \$160,000 for the subject property.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Camas County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in total valuation to \$160,000, with \$22,500 attributable to the land, and \$137,500 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 that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.



DATED this 2<sup>nd</sup> day of March, 2023.

IDAHO BOARD OF TAX APPEALS