

BEFORE THE IDAHO BOARD OF TAX APPEALS

TSARNAS FAMILY TRUST 2002,)	
)	
Appellant,)	APPEAL NO. 22-A-1140
)	
v.)	FINAL DECISION AND ORDER
)	
ADAMS COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Adams County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP16N01W043000A. The appeal concerns the 2022 tax year.

This matter came on for hearing November 3, 2022, in Council, Idaho, before Board Member Leland Heinrich. Trustee James Tsarnas appeared at hearing for Appellant. Adams County Assessor Stacy Swift Dreyer 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 rural residential property.

The decision of the Adams County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$707,053, and the improvements' value is \$44,389, totaling \$751,442. Appellant contends the correct land value is \$300,000, and the improvements' value is \$100,000, totaling \$400,000.

The subject property is an 80.17 acre parcel located northwest of Council, Idaho. The property is improved with a general purpose building, but no details were shared regarding its size or other characteristics.

Appellant purchased the subject property as bare land in October 2020 for \$215,000. The general purpose building, which Appellant described as a shop, was on the 2021 assessment, so is assumed to have been added sometime prior, but the build date was not provided. Appellant shared concern subject's assessment has increased approximately 250% from its 2020 purchase price and approximately 108% from last year's assessment of \$361,942. Appellant described subject as "just rocks" with a shop on it and asserted it was valued roughly \$500,000 more than if it had an agricultural exemption.

Appellant's main concern regarded subject's valuation compared to nearby sale prices. Appellant provided oral testimony regarding three (3) sales in subject's area. Sale No. 1 was adjacent to subject on the east, a vacant parcel approximately eighty (80) acres in size, and sold for approximately \$225,000 around October 2022. Appellant described this property as "identical" to subject. Sale No. 2 was adjacent to subject on the southwest, vacant and roughly fifty-eight (58) acres in size, and sold for approximately \$225,000 sometime in 2021. Appellant shared this property was originally listed for \$274,500. Appellant also stated the buyer is subdividing the land, which would increase the value. Sale No. 3 was a roughly forty (40) acre property located near Ditch Creek which was sold by Appellant in October 2020 for \$287,500. The sale property was improved with a partially built cabin, a well, and a pole barn. Appellant expressed concern subject was

purchased for a similar price compared to these properties, yet its assessment, namely the land value, is astronomically higher than all three (3) sale prices.

Appellant also asserted large, eighty (80) acre parcels should not be assessed at the same rate as smaller properties, such as those around twenty (20) acres. Appellant stated smaller properties sell for higher rates per acre and should therefore be assessed at higher rates compared to larger properties.

Respondent shared it did not have the sale information which Appellant provided, explaining Idaho is a non-disclosure state and the county only receives sales which are reported by buyers directly to the assessor's office or can be obtained through MLS. Respondent additionally testified the Ditch Creek area is a different land class than subject, so Appellant's Sale No. 3 was not valid as a comparable property.

Respondent also explained the general valuation process in Adams County. Sale prices per acre are calculated using sales of bare land or land with minor outbuildings and improvements. Respondent removes any value of structures or land amenities to determine residual the land value. Respondent explained one (1) acre homesites have a higher value rate compared to the remainder of a parcel because the homesite offers more utility and therefore adds substantial value to the overall property. Subject includes a one (1) acre homesite because it has utilities and an improvement.

Respondent next shared structures are valued by determining a replacement cost new for each improvement, then accounting for depreciation based on age and condition using a cost manual which is updated every five (5) years. Details regarding subject's replacement cost and depreciation were not shared. The parties agreed subject's improvement is likely undervalued; however, Respondent shared the new cost

information will become available in 2023 when the cost manual is updated. Respondent estimated subject's improvement value will increase to nearly \$100,000 after the update.

Respondent provided limited information on six (6) unimproved sales in subject's area to support subject's land assessment. Respondent utilized a time adjustment of 2% per month to bring sale prices to market levels on the relevant January 1, 2022, date of valuation. Sale No. 1 was a forty (40) acre parcel which sold in March 2021 for \$382,000. Respondent time-adjusted the sale price and removed any improvement value, resulting in a residual land value of \$435,857, or roughly \$10,896 per acre. Sale No. 2 was a forty (40) acre parcel which sold in October 2020 for \$240,000. Its time-adjusted residual land value was \$283,717, or roughly \$7,093 per acre. Sale No. 3 was a 29.28 acre parcel which sold in June 2021 for \$300,000. Its time-adjusted residual land value was \$333,606, or roughly \$11,394 per acre. Sale No. 4 was a 33.62 acre parcel which sold in December 2021 for \$285,000. Its time-adjusted residual land value was \$286,966, or roughly \$8,536 per acre. Sale No. 5 was a 46.56 acre parcel which sold in November 2020 for \$155,000. This property did not have improvements, so Respondent applied only a time adjustment. This resulted in a value of \$198,213, or roughly \$4,257 per acre. Sale No. 6 was a 39.04 acre parcel which sold in June 2021 for \$245,000. This property likewise had no improvements, and its time-adjusted sale price was \$274,803, or roughly \$7,039 per acre. Respondent reported the median rate was roughly \$7,814 per acre, and the average rate was roughly \$8,202 per acre. Subject's 80.17 acres have a residual land assessed value of \$681,678, or roughly \$8,503 per acre.

Appellant expressed concern the sales closest in size to subject were less than fifty (50) acres where subject is just over eighty (80) acres. Respondent testified these

were the only six (6) sales available to the assessor's office through buyer reporting or MLS which were twenty (20) acres or larger. Despite not receiving larger parcel sales, Respondent also testified its data did not show a diminishing price per acre rate as acreage increases.

Respondent provided no documentation, but stated there are seventy-six (76) parcels within subject's land classification which all receive the same rate of assessment, demonstrating equitable assessments. Exact rates were not shared, but Respondent shared there were some parcels closer to subject's size in the data set.

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. There are three (3) approaches to value: the sales comparison approach, the cost approach, and the income approach. *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 property characteristics between subject and the sale properties.

Appellant supplied information on three (3) sales, though a traditional sales comparison analysis was not conducted, where adjustments were made to the sale properties for differences compared to subject. The sales included a roughly eighty (80) acre parcel which sold in 2022 for roughly \$2,813 per acre; a roughly fifty-eight (58) acre parcel which sold in 2021 for roughly \$3,879 per acre; and a roughly forty (40) acre parcel which sold in late 2020 for roughly \$7,188 per acre, though this third property was improved with a partially built cabin, a well, and a pole barn, so the Board was unable to separate the value of the improvements from the value of the land. The properties sold for approximate prices of \$225,000, \$225,000, and \$287,500, respectively. Appellant also opined a larger property like subject should not be valued at the same rate as sales of notably smaller properties, arguing larger properties generally sell for lower rates per acre and should be assessed at lower rates as well.

Respondent provided information on six (6) sales, which were shared to be the only sales available to it within the twenty (20) to eighty (80) acre range. Respondent likewise did not perform a traditional sales comparison analysis. The properties provided ranged from 29.8 acres to 46.56 acres. The properties sold between October 2020 and December 2021 with residual land prices of \$198,213 to \$435,857, or roughly \$4,257 to \$11,394 per acre. The median rate was roughly \$7,814 per acre, and the average was \$8,202 per acre. In comparison, subject's residual land value is \$681,678, or roughly

\$8,503 per acre. Respondent contended its data did not demonstrate smaller parcels sell for higher acreage rates.

The Board had too many questions regarding both parties' sale analyses to give either much weight in its conclusion. Primarily, neither party provided adjustments for the evident differences between the respective sale properties and subject. Respondent only adjusted for time of sale, not physical characteristics. Of major concern was Respondent's claim subject can fairly be assessed at a value similar to that of a much smaller parcel. Economies of scale dictate that generally, as a property's acreage increases, the value rate per acre decreases. This is evident even in Respondent's own sales data, with the smallest sale parcel, at 29.8 acres, having the highest sale price rate of \$11,394 per acre and its largest sale parcel, at 46.56 acres, having the lowest price rate of \$4,257 per acre. Appellant's sales also demonstrated this well-known principle, with the vacant eighty (80) acre property selling for roughly \$2,813 per acre and the fifty-eight (58) acre vacant parcel selling for roughly \$3,879 per acre.

With no compelling sales information, the Board views subject's October 2020 purchase price as the best indicator of value in this instance. The Board will trend subject's purchase price upward by 2% per month to January 1, 2022, then add the value of the homesite, onsite improvements, and the general-purpose shop.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. The Board found the burden of proof met in this instance. Since there are no comparable sales of similar acreages to subject where adjustments were made, the Board finds an adjustment is necessary. The Board will base a new value on subject's purchase price of \$215,000 in

October 2020, trended upward 2% per month, resulting in a value of approximately \$272,672. Adding \$53,900 for the one (1) acre homesite and onsite improvements results in a 2022 land value of \$326,572. The Board will modify the Adams County Board of Equalization's decision accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Adams County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a value of \$370,970, with \$326,572 attributable to the land and \$44,398 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 4th day of April, 2023.