

BEFORE THE IDAHO BOARD OF TAX APPEALS

ROSENGRANT REVOCABLE INTERVIVOS)	
TRUST,)	
)	APPEAL NO. 22-A-1215
Appellant,)	
)	
v.)	FINAL DECISION AND ORDER
)	
BOUNDARY COUNTY,)	
)	
Respondent.)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boundary County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPB0600006003AA. The appeal concerns the 2022 tax year.

This matter came on for hearing November 16, 2022, in Bonners Ferry, Idaho, before Board Member Kenneth Nuhn. Trustee Gina Rosengrant appeared at hearing for Appellant. Boundary County Assessor David Ryals 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 Boundary County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$81,020, and the improvements' value is \$620,460, totaling \$701,480. Appellant agrees with the land value but contends the correct value of the improvements is \$438,330, for a total value of \$519,350.

The subject property is a 1.97 acre residential parcel located in Bonners Ferry, Idaho. The property is improved with a 3,833 square foot residence constructed in 1947 and most recently updated in 2000. The property is further improved with a 768 square foot cabin constructed in 2019 and another 336 square foot cabin constructed in 1950 and updated in 2007.

Appellant questioned whether the subject property was assessed equitably with other properties in the neighborhood. In this regard, Appellant offered assessment information on five (5) improved residential properties in subject's immediate vicinity. Many details about the sale properties, such as type, size, and age of any associated improvements, were not shared. But the provided information showed assessed values of three (3) of the properties increased 68% over the prior year's valuation, one (1) increased 66%, and the other increased 58%. By contrast, subject's total assessed value increased approximately 101% for the current year, from \$348,760 to \$701,480, which in Appellant's opinion demonstrated subject was assessed inequitably in the neighborhood.

Respondent testified subject's current valuation was the result of a trend factor applied to properties in the area, though the specific trend factor¹ was not identified nor was any other information about the trend offered. In more direct support for subject's current valuation, Respondent shared information on four (4) sales. With the exception of Sale No. 2, located roughly thirteen (13) miles away in the Moyie Springs area, the sale properties were located in Bonners Ferry between approximately four (4) and seven (7) miles away from subject. The first sale was the September 2021 purchase of a 19.62 acre

¹ During questioning at hearing, Respondent stated the Idaho State Tax Commission determined a 2% per month time adjustment factor, though it was not clear if Respondent utilized this rate in setting 2022 assessed values or some other adjustment factor.

parcel improved with a 3,372 square foot residence constructed in 1996 for \$1,151,666.29. Sale No. 2 concerned a 4,504 square foot residence constructed in 2017 and situated on a 10.05 acre parcel which sold for \$1,080,000 in August 2022. The third sale was a 4.60 acre parcel improved with a 4,023 square foot residence constructed in 2006. This property sold in September 2022 for \$738,680. Lastly, Sale No. 4 was the \$750,000 purchase in August 2022 of a 2,688 square foot residence from 1996 attached to a 15.21 acre parcel. Based on these sales, Respondent maintained subject's current valuation was reasonable.

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). Residential property is commonly valued using the sales comparison approach, which in simplistic terms compares recent sales of similar property to subject and makes adjustments for differences in property characteristics, as appropriate.

Neither party attempted to develop value estimates using a traditional sales comparison analysis. Appellant was instead concerned the subject property was inequitably assessed compared to other properties in the neighborhood, which issue will be addressed later in this decision. Respondent did provide limited information on four (4) sales but did not make any direct comparisons with the subject property. While the effort to provide sales information was appreciated, the Board did not find the data particularly helpful in its consideration of subject's current assessed value for several reasons.

First, and most concerning to the Board, three (3) of the four (4) sales offered by Respondent occurred during the latter half of 2022, in August and September. As noted earlier, the relevant date of valuation in this appeal is January 1, 2022. This necessarily means that to develop an opinion of value as of the valuation date, sales which occurred prior to such date must be used because sales from beyond the date of valuation had not yet occurred and were unknowable by market participants at the time, and therefore cannot be factored into the marketplace analysis. Stated simply, Respondent's 2022 sales are untimely for purposes of establishing subject's market value on January 1st. It was curious that Respondent provided sales from the 3rd Quarter of 2022 given the fact they could not have possibly been used in developing subject's 2022 assessed value, as the assessed value must have been determined prior to the issuance of the assessment notice by the first Monday of June. See Idaho Code § 63-308(2). In short, with the only

timely market data in the record being a single sale with an oddly precise purchase price of \$1,151,666.29, which is markedly higher than subject's roughly \$700,000 valuation, the Board was at a loss to ascertain how subject's 2022 assessed value was determined or how Respondent's sales information supported the valuation. Presumably, there were more sales during 2021, as it is unlikely in the Board's view Respondent would significantly raise values broadly throughout the county based on a single sale. The record, however, is void of details on the issue so the Board's uncertainty persists.

Even if the untimeliness of Respondent's sales were to be set aside, the Board was unable to identify much similarity between subject and the sale properties, nor was the correlation between the reported sale prices and subject's current valuation apparent. To begin, other than the residences being above 2,500 square feet in size, there was little indication the sale properties shared any meaningful similarities with subject. For instance, the sale lots ranged in size from 4.60 acres to 19.62, whereas the subject lot is a fraction of the size, at 1.96 acres. There also did not appear to be much consideration for location, with the nearest sale property located nearly four (4) miles away and the farthest located approximately thirteen (13) miles away, near Moyie Springs. Perhaps the local marketplace does not recognize a difference between subject's neighborhood and those in which the sale properties are situated, but there was no indication either way from Respondent. In the Board's experience, location is typically a prominent consideration in estimating market value, so it was somewhat surprising location was not addressed. In all, the Board found support for subject's current assessed value lacking in the record.

Turning now to Appellant's claim of inequitable assessment, the Board agrees subject's valuation appears to stand out in the immediate neighborhood. Appellant provided the 2021 and 2022 assessment information for five (5) properties within a block or so of the subject property. With the exception of the property improved with a manufactured home, which realized a 58% increase in valuation over the prior year, the remaining properties experienced remarkably consistent increases of 68%, 68%, 66%, and 68%. By any reasonable standard, subject's increase in excess of 100% falls well outside any acceptable range of statistical variance. It is a clear outlier in the data set. Respondent briefly referenced values being trended for 2022, but did not offer details, nor otherwise explain why subject's assessed value increased at a considerably higher rate than other properties in the neighborhood. Typically, market trending entails the application of a uniform trend rate either across an entire class or category of property, or throughout a defined geographic area. Such does not appear to be the case here given the available assessment information.

The Board understands there will always be some variance in assessed values across a neighborhood or between two (2) seemingly identical individual properties, but where a property's assessed value is drastically inconsistent with the values of peer properties in the neighborhood, something is amiss. On the issue of uniformity, the Idaho Supreme Court has opined,

Realizing the significant limitations of time and staff and the magnitude of the effort that would be required to inspect and appraise each individual property in the county, to require a standard of absolute accuracy and uniformity would be futile. These ends are the ideal, *and where the assessor deviates excessively relief will be granted.*

Title & Trust Co. v. Bd. of Equalization, 94 Idaho 270, 277, 486 P.2d 281, 288 (1971) (emphasis added).

In the Board's view, the increase in subject's assessed value deviates excessively from the increases applied to the other properties in the immediate neighborhood. And where Respondent offered nothing to support the higher rate of increase in subject's valuation, the Board finds relief should be granted.

The burden of proof in this matter to establish error in subject's valuation by a preponderance of the evidence falls on Appellant. Idaho Code § 63-511. Based on the above, the Board finds the burden of proof satisfied, though did not find support for the value petitioned by Appellant, which was partially based on the assessed value of a neighboring property's improvements. Instead, the Board will increase subject's 2021 assessed value by 68% to be consistent with the rate of increase demonstrated for the majority of the neighborhood.

Having found good cause to adjust subject's assessed value, the decision of the Boundary County Board of Equalization is modified to reflect a total valuation of \$585,917.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boundary County Board of Equalization concerning the subject parcel be, and the same hereby, MODIFIED, to reflect a reduction in total valuation to \$585,917, with \$81,020 attributable to land and \$504, 897 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 18th day of April, 2023.