

BEFORE THE IDAHO BOARD OF TAX APPEALS

BARTLOME LIVING TRUST, )  
 )  
Appellant, ) APPEAL NO. 23-A-1015  
 )  
v. ) FINAL DECISION AND ORDER  
 )  
BANNOCK COUNTY, )  
 )  
Respondent. )  
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**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Bannock County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPR4013023316. The appeal concerns the 2023 tax year.

This matter came on for hearing October 12, 2023, in Pocatello, Idaho, before Board Member Doug Wallis. Mike Bartlome appeared at hearing for Appellant. Bannock County Chief Deputy Assessor Randy Hobson 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 Bannock County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$134,015, and the improvements' value is \$564,543, totaling \$698,558. Appellant agrees with the valuation of the improvements, however, contends the correct land value is \$0, for a total value of \$564,543.

The subject property is a 6.3 acre rural residential parcel located several miles south of Pocatello, Idaho. The property is improved with a 4,197 square foot residence with an attached garage constructed in 2013.

Appellant argued subject's assessed land value should be reduced to \$0 because the common area parcel in the adjacent Deer Hollow subdivision has a \$0 land value. Appellant argued \$0 valuation of the common area parcel violated the provision in Idaho Code § 63-601 that all property is subject to taxation.

It was explained the Deer Hollow subdivision is comprised of six (6) total parcels, one (1) of which is designated on the plat map as a roughly 6.0 acre common area. The remaining parcels are privately-owned, which ownership also includes an undivided one-fifth (1/5) interest in the common area parcel. Appellant contended the market value of the common area should either be added to the assessments of the other five (5) parcels according to their proportional ownership interest, or the value of the common area parcel should be assessed to the homeowner's association on its own assessment notice. In either case, Appellant argued the market value of the common area parcel should appear on an assessment notice and subject's land value should be reduced to \$0 until that occurs.

Respondent explained the common area parcel in Deer Hollow subdivision was assessed using a market approach methodology in which the value of the common area is reflected in the assessments of the other parcels in the subdivision, each of which have the right to use the common area. Respondent also stressed the subject property is not located in a subdivision and is not a common area parcel so it should not be compared to a common area parcel.

Turning to subject's assessed land value, Respondent offered information on three (3) sales from the general neighborhood. Sale No. 1 concerned an 8.72 acre tract purchased for \$891,940 in October 2021. Sale No. 2 was the May 2022 sale of a 1.97 acre parcel for \$912,600. Sale No. 3 was a 1.79 acre lot which sold in March 2022 for \$896,500. Respondent calculated that subject's nearly \$135,000 land value equated to 20% of the total assessed value. Applying this same ratio to the reported sale prices, Respondent calculated land allocations for the sale properties from \$222,985 to \$224,150, or from \$0.59 to \$2.87 per square foot. Subject's 6.3 acres are assessed for \$134,015, or \$0.49 per square foot, which Respondent noted was well below the range indicated by the nearby 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, 2023, 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 the differences in property characteristics between subject and the sale properties.

Appellant was not particularly concerned with subject's assessed value but was instead focused on the \$0 assessed land value of the common area parcel situated in an adjacent subdivision. In Appellant's view, the \$0 land value violated the requirement that all property is subject to taxation provided in Idaho Code. The Board reached a different conclusion.

Appellant is correct Idaho requires all property, not expressly exempted, to be assessed and taxed. Idaho Code § 63-203; see also Idaho Code § 63-601. This, however, is not the only requirement, as the law further requires each taxable property be annually assessed at market value, as discussed above. And pursuant to Idaho Code § 63-208, the Idaho State Tax Commission (STC) has the duty to develop and administer “. . . rules prescribing and directing the manner in which market value for assessment purposes is to be determined . . .” in accordance with accepted appraisal standards. The STC's rules for determining market value are found in IDAPA 35. Relevant here is IDAPA 35.01.03.217.02, which identifies the sales comparison approach, the cost approach, and the income approach as the three (3) acceptable methods for determining market value. These are the only methods available by which to value property for *ad valorem* purposes.

While the Board understands Appellant's concern that the referenced common area parcel may be escaping taxation, such is not actually the case when the issue of market value and the three (3) accepted approaches to value are factored into the analysis. Undoubtedly, common areas have value, but this property type is not particularly amenable to valuation by the recognized appraisal approaches, as common area parcels are not typically transacted in the marketplace. Rather, the value attributable to a common area is inherently captured in prices paid for remaining parcels in the subdivision. A property in a subdivision with a common area amenity typically commands a higher price in the market than an otherwise similar parcel with no connection to a common area parcel. This price premium is not reflected as a separate line item on the closing statement but is intrinsic in the sale price itself. The same principle holds true for assessing parcels in a subdivision with a common area because the sale price data used to determine those assessed values already includes the value contribution of the common area. Therefore, the common area is not escaping assessment. Rather, that market value is effectively distributed among the remaining parcels in the subdivision and included in their respective assessed values.

Another issue with Appellant's contention that the market value of the common area parcel appear separately on the assessment notices for parcels in the subdivision is the inherent difficulty in accurately estimating the market value of a common area. A common area parcel is a special property type, as its use is restricted to that of a common area in a platted subdivision. It is not a residential parcel and cannot be otherwise developed. Nor could a common area parcel be easily sold, if it could be sold at all. In short, any attempted valuation of a common area parcel would be entirely subjective, as

there is no market data by which to develop an estimate of value using one of the accepted methods of valuation. This would in turn run afoul of the statutory requirement that all property be assessed at market value. The Board found no error in Respondent's assessment treatment of the common area parcel referenced by Appellant.

Even if the above were not the case and the referenced common area parcel had indeed escaped assessment as claimed by Appellant, such a circumstance would not justify reducing subject's land value to \$0. As repeatedly noted by Appellant, every non-exempt property is subject to assessment and taxation. This of course applies equally to the subject property, regardless of how a nearby common area parcel was assessed.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving subject's valuation is erroneous by a preponderance of the evidence. The burden of proof was not satisfied. Appellant offered no sales or other market data, whereas Respondent's sales analysis was found supportive of subject's assessed value.

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

#### FINAL ORDER

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

DATED this 19<sup>th</sup> day of January, 2024.