

BEFORE THE IDAHO BOARD OF TAX APPEALS

TERRY MILLER,	)	
	)	
Appellant,	)	APPEAL NO. 24-A-1013
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP55N01W069290. The appeal concerns the 2024 tax year.

This matter came on for hearing September 30, 2024, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Appellant Terry Miller was self-represented. Bonner County Assessor Dennis Engelhardt 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 Bonner County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$97,406, and the improvements' value is \$335,720, totaling \$433,126. Appellant contends the correct total value is \$351,580.

The subject property is a .44 acre rural residential parcel located southeast of Sagle, Idaho, near Lake Pend Oreille. The property is improved with a 3,270 square foot

residence, of which 2,384 square feet are finished. Though originally constructed in 1920, the residence has an effective year built of 1980.

Appellant disagreed with the increase in subject's assessed value over the prior year and questioned whether the current valuation accurately reflects the property's market value. Appellant cited to a newsletter issued by Bonner County which reported a 36.6% decrease in the number of single-family residential sales during 2023, but a 7% increase in average sale price (2023 over 2022). By contrast, subject's assessed value increased from approximately \$351,000 in 2023 to \$433,000 for 2024, representing a roughly 23% increase, which Appellant viewed skeptically.

In terms of recent market data, Appellant shared information on the same four (4) sales provided by Respondent at the hearing before the county board of equalization, none of which Appellant regarded as comparable to the subject property. Sale No. 1 concerned a .34 acre lot which sold in June 2023 for \$92,125. Appellant noted this lot has marketable timber, whereas subject does not. Sale No. 2 was the September 2023 purchase of a .34 acre lot improved with a 576 square foot cabin for \$150,000. Sale No. 3 was a 5.51 acre waterfront lot with an August 2023 sale price of \$190,000. Sale No. 4 concerned a 6.5 acre parcel improved with a 1,704 square foot residence constructed in 2006 and a detached shop with an additional dwelling unit. It was noted the property, which sold for \$490,000 in October 2023, enjoys 180 degree views and is surrounded by forest service land on three (3) sides. In Appellant's view, there were no nearby sales of comparable properties to support the increase in subject's valuation so petitioned the 2023 assessed value of \$351,580 be reinstated.

In support of subject's current assessed value, Respondent offered two (2) separate sales analyses: one (1) for the land value and one (1) for the value of subject's improvements. The first model included two (2) vacant lot sales and one (1) improved sale, all with the same "Fair" land grade as subject. Sale No. 1 was a .34 acre vacant lot which sold in June 2023 for \$92,125. Sale No. 2 was the \$150,000 purchase in September 2023 of a .34 acre lot improved with a residence, the details of which were not shared. Sale No. 3 was a 1.0 acre unimproved lot with a May 2023 sale price of \$80,000. In an effort to compare raw land values, Respondent removed all assessed improvement values from the respective sale prices and calculated residual land prices from \$49,330 to \$60,391. Subject's .44 acre lot has a raw land value of \$58,406, which Respondent noted was within the range indicated by the adjusted price data.

Respondent's other sales model was comprised of three (3) improved sales. The sale residences ranged from 1,628 to 2,540 square feet of finished living area with effective ages between 39 and 44 years. Details concerning lot sizes or other improvements were not shared, nor was it apparent the locations of the sale properties in relation to subject. Sale prices stretched from \$558,000 to \$820,500. After removing all assessed values not attributable to the residences from the respective sale prices, Respondent calculated residual price indications from roughly \$325,000 to \$477,000 for the sale residences. Respondent then adjusted the residual prices to account for differences in construction quality, condition, age, gross living area, and garage size. The result was adjusted prices from \$355,105 from \$408,964 for the sale residences. It was noted subject's residence is assessed lower than suggested by the adjusted prices, at \$335,720.

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, 2024, 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 basic terms compares recent arm's-length sales of similar properties to the subject property, with adjustments made for differences in property characteristics.

Appellant questioned the increase in subject's assessed value over the prior year's valuation, as it exceeded the 7% average price increase for single-family residential properties reported in a newsletter issued by Bonner County in June 2024. While the Board understands Appellant's concerns, it was not apparent how average price data

from across the county related to subject's specific valuation or how the information could be used to develop a reliable estimate of market value. Accordingly, little weight was afforded the broad market data referenced in the newsletter.

Appellant also offered information on several recent sales. Though Appellant's efforts in this regard were appreciated, there were some concerns. To begin, details concerning the characteristics of the sale properties were scant, particularly the locations, which is a fundamental component of a property's market value and should be a key consideration in a reliable valuation analysis. In similar fashion, details about the improvements associated with the respective sale properties were limited to square footage and the bedroom and bathroom counts of the sale residences. Nothing was shared regarding age, construction quality, condition, or any other improvements on the properties. Without such details, a meaningful comparison to the subject property is not possible. Lastly, it was not clear how the unadjusted prices, which ranged from \$92,125 to \$490,000, correlated to Appellant's value claim of \$351,580 for the subject property.

Respondent offered more in-depth analyses of its sales but there were some concerns from the Board's perspective. Most notably, Respondent's extraction methodology did not consider subject's valuation on a whole property basis, but instead focused separately on the land and improvement components, with a different group of sales analyzed for each. The fundamental weakness in such an approach is that it is not reflective of how property typically transacts in the marketplace, as a single unit comprised of both land and improvements. This was particularly apparent in Respondent's analysis of the value of subject's residence, which entirely ignored the locations of the sale properties, all of which appeared to be within city limits, whereas

subject is a rural property located several miles out of town. A property's market value is more than simply the sum of the component parts; it is the unique combination of those parts into a single integrated unit in a particular location which determines the market value.

Despite the above-noted concerns with Respondent's extraction methodology, among others, the analysis did make appraisal adjustments to the sales for some noted differences in characteristics for purposes of comparison with the subject property. In this regard, Respondent's analysis represented the more thorough consideration of subject's market value, and in the Board's view produced the more reliable indication of value.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's assessed value by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied. The decision of the Bonner County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 21st day of November, 2024.