

BEFORE THE IDAHO BOARD OF TAX APPEALS

VAWN SMITH,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1256
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BANNOCK COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

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. RPR4013049517. The appeal concerns the 2023 tax year.

This matter came on for hearing October 31, 2023, in Pocatello, Idaho, before Board Member Doug Wallis. Appellant Vawn Smith was self-represented. 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 modified.

FINDINGS OF FACT

The assessed land value is \$121,251, and the improvements' value is \$519,184, totaling \$640,435. Appellant agrees with the value of the improvements, however, contends the correct land value is \$0, totaling \$519,184.

The subject property is a 2.57¹ acre rural residential parcel located several miles south of Pocatello, Idaho. The property is improved with a 4,602 square foot residence constructed in 1997 with an attached garage. The property is further improved with a 1,152 square foot detached garage.

Appellant's primary concern centered not on subject's market value, but rather the assessment, or lack thereof, of common area parcels in nearby subdivisions. In this regard, Appellant referenced the Deer Valley Reserve subdivision and the Stone River subdivision, both of which have common area parcels with assessed values of \$0. Citing to Idaho Code § 63-601, Appellant noted all non-exempt property in Idaho is taxable, and argued it was therefore improper for the open or common area parcels in the two (2) subdivisions to be assessed at \$0. Appellant contended subject's acreage above the one-acre homesite should be considered open area and assessed \$0, the same as the open areas in the referenced subdivisions.

Respondent stressed the subject property is not situated in a subdivision and is not a designated open or common area and therefore the property must be assessed at market value. As Appellant did not challenge the value of subject's improvements, Respondent focused on the land valuation. Respondent explained the land value schedule in subject's area assigns a standard site value of \$75,000 to the first acre of a parcel, with a rate of \$11,952 per acre applied to any additional acreage up to twenty (20) acres.

In more direct support of subject's land value, Respondent offered information on two (2) residential sales located in rural subdivisions. Both sale properties were improved

¹ Respondent initially reported a size figure of 8.72 acres for the subject parcel, but the correct size is 2.57 acres.

at the time of sale, but details concerning the improvements were not shared. Sale No. 1 was a 2.78 acre parcel with a July 2022 sale price of \$901,000, and Sale No. 2 concerned a 1.97 acre lot which sold for \$912,600 in May 2022. Using a land allocation of twenty percent (20%), Respondent calculated land value indications of \$225,250 for Sale No. 1 and \$228,150 for Sale No. 2, or \$1.86 and \$2.65 per square foot, respectively. By comparison, subject's land value is \$121,251, or roughly \$1.08 per square foot, which was reasonable in Respondent's view.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest or, as applicable, exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence, 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. Market value is defined in Idaho Code § 63-201, as,

“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 three (3) primary approaches for determining market value include 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). Residential property is commonly valued using the sales comparison approach, which approach in simple terms compares

recent sales of similar property to the subject property and makes appraisal adjustments for differences in key property characteristics.

Appellant was not particularly concerned with subject's assessed value but was instead focused on the \$0 assessed land values of common area parcels situated in two (2) subdivisions. In Appellant's view, the \$0 land values violated the requirement in Idaho Code that all property is subject to assessment and taxation. The Board disagrees.

Appellant correctly noted 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. 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. 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 prescribed methods in Idaho by which to value property for *ad valorem* purposes.

While the Board understands Appellant's concern that the common area parcels are potentially receiving special assessment treatment, 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 the sale prices of the other 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, the market value is effectively distributed among the remaining parcels in the subdivision and included in their respective assessed values.

Another issue with Appellant's position 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 a reliable estimate of value using one (1) of the accepted methods of valuation. This would in turn run afoul of the statutory requirement that all property be assessed at market value. In short, the Board found no error in Respondent's assessment treatment of the common area parcels referenced by Appellant.

Even if the above were not the case and the referenced common area parcels had indeed escaped assessment as claimed by Appellant, such a circumstance would not justify reducing subject's land value. 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 or was not assessed.

While the assessment treatment of the common area parcels referenced by Appellant is not good cause to reduce subject's valuation, there was an issue with the land value. Respondent testified its land legend assigns a site value of \$75,000 to the first acre and a rate of approximately \$12,000 per acre for additional acreage. These, however, were not the rates applied to subject's 2.57 acres. Subject's one-acre homesite is assessed at \$86,000 and the remaining 1.57 acres are assessed at roughly \$16,402 per acre. Applying the rates reported by Respondent to subject's acreage calculates to a land value of \$93,765.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving subject's valuation is erroneous by a preponderance of the evidence. Though there was insufficient support for the value petitioned by Appellant, the Board did find good cause to adjust subject's land value using the land legend rates shared by Respondent.

Accordingly, the decision of the Bannock County Board of Equalization is modified to reflect a reduction in subject's land value to \$93,765, plus \$9,500 for the onsite improvements, for a total land value of \$103,265.

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, MODIFIED, to reflect a decrease in total valuation to \$622,449, with \$519,184 attributable to the improvements and \$103,265 to the land.

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 29th day of February, 2024.