

BEFORE THE IDAHO BOARD OF TAX APPEALS

GARY WIGHT,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1002
	)	
v.	)	FINAL DECISION AND ORDER
	)	
MADISON COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Madison County Board of Equalization modifying the valuation for taxing purposes of property described by Parcel No. RP0INDE0020060. The appeal concerns the 2023 tax year.

This matter came on for telephonic (Zoom) hearing May 17, 2023, before Board Member Leland Heinrich. Appellant Gary Wight was self-represented. Madison County Assessor Shawn Boice 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 Madison County Board of Equalization is modified.

FINDINGS OF FACT

The subject property is a 5.89 acre rural residential parcel situated roughly eight (8) miles southwest of Rexburg, Idaho. The property is improved with a 4,072¹ square

¹ The assessor's records reflected a total size figure of 4,336 square feet, which was reduced to 4,072 square feet by the Madison County Board of Equalization.

foot two (2) level custom residence constructed in mid-2022. The property is further improved with a 3,870 square foot detached shop building.

As the improvements on the subject property were completed and first occupied during 2022, the regular annual assessment notice for the property reflected only the \$100,000 assessed value of the land. On June 12, 2022, an occupancy letter was issued for the recently completed shop building reflecting an assessed value of \$154,004 for the structure. Another occupancy letter was issued on December 1, 2022, showing an assessed value of \$936,259 for the residence that was completed midway through the year.

On January 2, 2023, Appellant appealed the assessed value of the subject property to the Madison County Board of Equalization (BOE). The BOE resolved to lower the value of the detached shop to \$130,000, and the value of the residence to \$911,860 after reducing the total amount of living area to 4,073 square feet. The BOE further added a value of \$12,092 for a lean-to attached to the shop building. The following table summarizes the assessed valuations, as well as Appellant's petitioned values.

	<u>Initial Valuation</u>	<u>BOE Valuation</u>	<u>Appellant's Value Claim</u>
Land:	\$ 100,000	\$ 100,000	\$100,000
Shop:	\$ 154,004	\$ 130,000	\$130,000
Lean-to:	N/A	\$ 12,092	\$ 0
<u>Residence:</u>	<u>\$ 936,259</u>	<u>\$ 911,860</u>	<u>\$665,920</u>
Total:	\$1,190,263	\$1,153,952	\$895,920

Appellant was concerned subject's subdivision, as well as the subject property itself, were assessed inequitably compared to other nearby properties and neighborhoods. In this regard, Appellant reported values in subject's subdivision increased an average of 9.47% over the prior year, whereas values in a competing

development increased 4.38%, on average. Appellant characterized the referenced subdivision as superior to subject's development, with larger custom residences and a lake amenity, and questioned why values in subject's neighborhood increased at a higher average rate.

Appellant next referenced the current assessed values of eighteen (18) improved residential properties from the general neighborhood. Appellant calculated an average assessed value of \$135 per square foot for the residences in the data set. By contrast, subject's residence is assessed at roughly \$223 per square foot. According to Appellant, the highest assessed value in the area was \$191 per square foot for a "truly unique" single-level residence characterized by Appellant as superior to the subject residence. As single-level residences typically sell at a higher price per square foot, it was curious to Appellant why the two (2) story subject residence was assessed at a higher rate.

Focusing more closely on the local neighborhood, Appellant compiled assessed values of approximately fifty (50) properties from subject's subdivision and two (2) nearby competing developments. Appellant reported an average assessed value of \$139 per square foot for the residences in the group and argued the \$223 per square foot rate applied to the subject residence was excessive by comparison. In Appellant's view, the higher valuation rate applied to the subject residence amounted to inequitable assessment, so petitioned the assessed value be reduced to better align with the average assessment rates calculated in Appellant's analyses.

In support of subject's assessed value, Respondent offered information on four (4) sales involving larger custom residences. Respondent explained the first property in the county to sell in excess of \$1,000,000 occurred during 2021, so there were virtually no

local sales data for properties in this price range. As such, Respondent expanded the geographic scope in search for comparable sale properties to also include sales from neighboring Jefferson County, which had more sales above the \$1,000,000 mark. The first two (2) properties in Respondent's sales group were located in Jefferson County, less than fifteen (15) miles from the subject property. Sale No. 1 was a 1.65 acre lot improved with a 4,782 square foot residence constructed in 2019. This property, which did not include any outbuildings or other structures, sold for \$1,500,000 in August 2021. The other Jefferson County sale concerned a 4.52 acre parcel improved with a custom residence constructed in 2016 consisting 2,440 square feet on the main floor and 2,440 square feet in the basement. The property was further improved with a 3,540 square foot detached shop. This property sold in September 2022 for \$1,350,000.

Respondent's remaining sales were both local properties in close proximity to the subject property. The first was the June 2022 sale for \$896,843 of a 3,524 square foot residence constructed in 2022 situated on a 1.13 acre lot with no additional outbuildings. The other sale property was a 1.56 acre parcel improved with a 4,180 square foot residence and a 2,000 square foot outbuilding constructed in 2020. This property sold for \$935,000 in June 2021. Respondent noted none of the sale prices were time-adjusted to reflect pricing levels on January 1, 2022, the relevant valuation date in this matter, and commented the sale prices would be appreciably higher if adjusted for date of sale. Based on the limited available sales data, Respondent maintained subject's current valuation was fair and equitable.

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, 2022, 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 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). 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 contended the subject property was assessed inequitably compared to others in the subdivision, as well as the broader market area, and provided assessment information in support thereof. While the Board appreciates Appellant's concerns with inequitable assessment, the record in this case did not demonstrate the subject property was assessed differently or inconsistently with other similar properties. First, a

comparison of assessed values is not a recognized appraisal approach and therefore is not generally regarded as the best evidence of current market value.

Next, while the Board understands a comparison of assessed values can potentially help identify inequity, such was not the case here. Though details concerning the properties referenced by Appellant were mostly absent in the record, Respondent indicated there were significant variances in the sizes of the residences, which is problematic in terms of the reliability of Appellant's analysis. A per-unit comparison, such as that offered by Appellant here, necessarily requires a high degree of homogeny throughout the data set in order to achieve credible results. And in the context of a size-based analysis like Appellant's, it is critical that the properties included in the model closely approximate each other in size, because large variances can greatly skew the results. Another weakness in Appellant's analysis was the lack of consideration for construction quality, condition, and other key characteristics, all of which contribute to the market value of a residence. In this case, there were simply too few details concerning the residences included in the analysis for the Board to make any meaningful comparisons to the subject property or otherwise identify inequity in subject's valuation.

The Idaho Supreme Court has observed, "[A]n individual who claims that a selective assessment procedure had deprived him or her of the protection guaranteed by the state constitutional requirement of uniformity of taxation must show a deliberate plan to discriminate based upon an unjustifiable or arbitrary classification." *Xerox Corp. v. Ada Cnty. Assessor*, 101 Idaho 138, 144, 609 P.2d 1129, 1135 (1980). Nothing in the record suggested subject's assessment was the result of a deliberately discriminatory plan based on an unjustifiable or arbitrary classification. That subject's residence was

assessed higher per square foot than the residences included in Appellant's analysis does not on its own demonstrate inequitable assessment, particularly given the absence of details regarding the residences included in the data set. In short, the record did not support the conclusion that the subject property was assessed inequitably within the subdivision, or the broader market area.

Respondent's value evidence was better received by the Board, where it centered on a comparison of sales. That being said, there were some concerns from the Board's perspective. First, the relevant date of valuation in this appeal is January 1, 2022. And establishing a value estimate as of such date necessarily requires consideration of sales and market data which existed prior to the date of valuation. In this case, however, two (2) of Respondent's sales occurred well beyond January 1, 2022, in June and August 2022, and are therefore untimely for purposes of determining subject's 2022 market value. Accordingly, the Board excluded the untimely sales data from its consideration of subject's valuation.

Respondent's remaining two (2) sales from 2021, with prices of \$1,500,000 and \$935,000, were timely. Both of these sale residences, at 4,782 and 4,180 square feet respectively, were somewhat larger than the subject residence, but both were relatively similar in age, having been constructed in 2019 and 2020, respectively. A notable difference was the sale lots were only about one-quarter ($\frac{1}{4}$) the size of subject's nearly six (6) acre parcel. It was additionally noted the \$1,500,000 sale property did not include any outbuildings, while the detached shop building on the other sale property was only approximately one-half ($\frac{1}{2}$) the size of subject's 3,870 square foot shop. Where subject's assessed value of roughly \$1,150,000 falls within the range indicated by these two (2)

2021 sales, which must be stressed represent the only timely market data in the record, the Board was strained to find subject's current valuation is excessive.

While the Board did not find evidence of inequitable assessment, there was a question whether the BOE had jurisdiction to consider any portion of the subject property's assessment beyond just the residence. Admittedly, subject's situation is somewhat atypical in that there was an initial 2022 assessment notice and two (2) subsequent occupancy assessments issued later in the year. The initial assessment notice, which was issued in typical fashion prior to the first Monday in June as required by Idaho Code § 63-308(2), reflected only the value of subject's 5.89 acres. Next, an occupancy tax notice for subject's detached shop building was issued on June 12, 2022, which is also typical for occupancy assessments issued during the first half of the year. Both of these assessment notices clearly identified June 27, 2022, as the deadline by which to appeal the respective valuations to the BOE. Appellant did not appeal either assessment notice by the deadline. Lastly, the occupancy tax notice for subject's residence was issued on December 1, 2022, which notice highlighted January 3, 2023, as the appeal deadline. Appellant filed an appeal with the BOE on January 2, 2023.

In filling out the county-provided appeal form, Appellant listed the values reflected in all three (3) notices received during the year instead of just the December occupancy notice concerning the assessed value of the residence. The BOE's decision did not alter the subject property's land value but did reduce the values of the residence and the shop, and also added roughly \$12,000 to the assessment for a lean-to attached to the shop building. Typically, changes to various components of an assessment are within the purview of the BOE when considering an appeal. The issue in this instance, however, is

the deadline to appeal both the initial assessment notice for the land and the first occupancy letter for the detached shop was June 27, 2022. As Appellant did not timely appeal either assessment, those values effectively became final once the June 27th appeal deadline expired. Therefore, only the assessed value of the subject residence was ripe for consideration by the BOE, as January 3, 2023, was the appeal deadline for the occupancy notice issued in December. As such, the BOE only had authority to alter the assessed value of the subject residence, which means any other value changes were invalid and must be reversed.

As the party bringing forth this appeal, Appellant bears the burden of establishing error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board did not find burden of proof satisfied. The assessment information shared by Appellant was insufficient to demonstrate the subject residence was assessed inequitably, and as there were no sales or other market data to support a lower valuation, there was no good cause to alter the BOE's decision with respect to the valuation of the residence. However, as noted earlier, the BOE's decision to reduce the value of the shop building and add some value for a lean-to attached thereto cannot stand.

Based on the above the decision of the Madison County Board of Equalization is modified, as detailed below.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Madison County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, as follows:

Land:	\$100,000
Shop:	\$154,004
<u>Residence:</u>	<u>\$911,860</u>
Total:	\$1,165,864

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 under certain circumstances that the above-ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 29th day of August, 2023.