

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF JAMES) APPEAL NO. 13-A-1142
GOOD from a decision of the Bonner County)
Board of Equalization for tax year 2013.) FINAL DECISION
) AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing October 9, 2013, in Sandpoint, Idaho before Board Member Linda Pike. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Appellant James Good appeared at hearing. Assessor Jerry Clemons, Chief Deputy Appraiser Ken Bocksch, Appraisers Holli Hodge and Sue Brooks appeared for Respondent Bonner County. This appeal is taken from a decision of the Bonner County Board of Equalization (BOE) denying the protest of valuation for taxing purposes of property described by Parcel No. RPS013300J0110A .

The issue on appeal is 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 \$43,895, and the improvements' valuation is \$65,690, totaling \$109,585. Appellant requests subject's total value be reduced to \$77,000.

The subject property is a .104 acre lot in Sandpoint, Idaho. The parcel is improved with a 1,974 square foot residence built in the early 1900's. Respondent assigned a grade of "low" and a condition of "average" to the subject residence. Respondent regarded subject's location as desirable due to its close proximity to local amenities and attractions.

Prior to the BOE hearing in this matter, Respondent was alerted to errors in subject's property records. After making the needed corrections, the assessed value of

the residence was reduced from roughly \$80,000 to the current value of \$65,690.

Appellant explained subject was purchased in November 2012 for \$77,000 in a short sale transaction. Appellant contended the recent purchase price represented fair market value where the buyer and seller were unrelated parties and neither were under any compulsion to buy or sell. Appellant detailed the listing history of subject to show the seller was not under duress. Subject was first put on the market in July 2012 for \$99,000. In September, the property was professionally winterized, which in Appellant's view indicated the seller was willing to wait through the winter in order to get the best price. Also in September, the asking price was reduced to \$89,900. At that time Appellant offered \$59,000. In October 2012, the bank and Appellant executed a series of counteroffers until the \$77,000 purchase price was ultimately agreed upon.

Respondent argued little, if any, weight should be afforded subject's purchase because it was a distressed transaction. According to Respondent, distressed sales played a very minor role in subject's market during 2012. As such, Respondent excluded distressed sales from its analysis and contended the Board should offer similar treatment to such sales.

Respondent presented two (2) groups of sale properties. The first set of sales involved improved residential properties. Only one (1) of the sale properties received the same "low" grade as subject, though they were all considered in "average" condition, like subject. The other sale residences were graded as "low+". Sale prices were between \$113,000 and \$153,000, which equated to a price range of \$45.88 to \$104.58 per square

foot, after land values were removed.

The second group of sales were improved residential properties located in subject's North Sandpoint neighborhood. The lots were between .031 and .163 acres in size. After removing assessed improvement values, Respondent calculated land prices between \$31,080 and \$51,130. Subject's lot was assessed at \$30,895.

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, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

For purposes of taxation, Idaho Code § 63-205 requires all property be assessed annually on January 1 of the relevant tax year, at market value. Market value is defined in Idaho Code § 63-201 as follows:

“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.

“[T]here are three primary methods of determining market value: the cost approach . . . the income approach . . . and the market data (sales comparison) approach, in which value of the assessed property is ascertained by looking to current open market sales of similar property.” *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both

parties relied on versions of the sales comparison approach in support of their respective value positions.

Respondent used two (2) groups of improved residential sales to support subject's respective land and improvement values. There were seven (7) sales from 2012 used to support subject's land value. The lots were roughly similar in size to subject and all were located in the same neighborhood. Respondent removed assessed improvement values to arrive at land prices between \$31,080 and \$51,130. Subject's land component was assessed at \$30,895.

Respondent offered six (6) sales in support of subject's improvement value. Sale prices were between \$45.88 and \$104.58 per square foot, after assessed land values were removed. The sale residences were graded "low" or "low+", and all were considered in "average" condition. Subject's residence was assessed at a rate of \$44.15.

Appellant argued subject's current assessed value should match the November 2012 purchase price of \$77,000. In Appellant's view, the transaction was arm's-length and otherwise satisfied the definition of fair market value. Respondent disagreed and contended the sale should not be the sole source of information used to determine subject's current value.

Appellant's argument that the recent sale price should be the current assessed value is typically a strong position. The argument loses ground, however, when the purchase was the result of what is commonly known as a distressed transaction. Appellant maintained the seller was under no compulsion to sell, and that the bank, as lienholder,

negotiated the final sale price. The Board disagrees.

The mere fact that the bank was involved in the price negotiation evidences the seller was specially influenced. In fact, it appeared the bank was the only active participant on the seller's side of the table. The degree of the bank's influence on the final sale price is not clear in the record, but the Board is satisfied it was a factor. Further, subject's purchase price was an outlier compared to other sales in the area, as it was notably lower than any of the non-distressed sales offered by Respondent. The assessor reported non distressed sales were the most common sale type in subject's 2012 market. The point was not shown to be otherwise. All these factors suggest subject's purchase price was likely not representative of full market value. This does not mean subject's purchase should be disregarded completely, but rather that it should not comprise the only data point in establishing subject's current market value.

In appeals to this Board, the burden is on Appellant to prove error in subject's assessed value by a preponderance of the evidence. See Idaho Code § 63-511. In this case, the Board does not find that burden satisfied. The only value evidence offered by Appellant was subject's November 2012 purchase. This information, however, was insufficient on its own to prove error in subject's current market value assessment.

The Board recognizes and appreciates the effort that Appellant spent in developing the argument. While the Board understands Appellant believes the price paid should be fair market value, there are other factors that must be considered in reaching the decision. Respondent provided a more clear overall picture of the market in subject's area. The

sales submitted by Respondent offered adequate support for subject's assessed value.

For the reasons expressed, the decision of the Bonner County Board of Equalization will be 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 10th day of January, 2014.