

BEFORE THE IDAHO BOARD OF TAX APPEALS

JIM KAUFFMAN,)	
)	
Appellant,)	APPEAL NO. 15-A-1048
)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. RP56N05W317202A. The appeal concerns the 2015 tax year.

This matter came on for hearing October 8, 2015 in Sandpoint, Idaho before Board Member David Kinghorn. Appellant Jim Kauffman was self-represented. Bonnie Bersheid represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in 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 reversed.

FINDINGS OF FACT

The original assessed land value was \$54,357, and the combined value of the improvements was \$82,635. Following an appeal, the Bonner County Board of Equalization reduced the land value to \$41,357, with no changes to the values of the improvements, resulting in a total value of \$123,992. Appellant contends the correct land value is \$22,000, and the combined improvements' value is \$57,000, totaling \$79,000.

The subject property is a 2.5 acre parcel improved with a 1,062 square foot 1969 manufactured home. The manufactured home includes two (2) bedrooms, one (1) bathroom, and an approximately 480 square foot addition added in 2001. Other improvements include a two (2) car detached garage, a mostly finished outbuilding, and a chicken coop. Subject is located in Oldtown, Idaho.

Appellant purchased subject in May 2014 for \$77,000 in a cash transaction. Appellant contended subject's recent arm's-length purchase should form the primary basis for the current assessment. Appellant additionally provided information concerning five (5) sales in subject's general area which transpired during 2014. Lot sizes varied from .31 to 7.5 acres and the residences ranged from 924 to 1,440 square feet in size. Two (2) of the sale residences were much newer than subject, while the others were constructed during the 1970s. All of the sale properties included outbuildings. Sale prices were between \$70,000 and \$95,000.

Appellant additionally provided opinion letters from two (2) local real estate professionals. Both noted financing is not available for a 1969 manufactured home, which negatively affects value. The first opinion letter concluded a market value of \$79,000, and the second indicated a probable sale price range between roughly \$74,000 and \$82,000.

Respondent explained the increase in subject's assessed value was the result of adding the enclosed addition which had not been previously assessed, as well as changing the classification of the outbuilding to a dwelling. Respondent noted the structure had features commonly associated with a dwelling, such as residential windows and doors.

Offered in support of the \$48,660 assessed value of the structure were three (3) sales of residences considered similar in terms of age, grade, and condition. Details concerning lot sizes, other improvements, location, and amenities were not provided. Total sale prices ranged from \$135,000 to \$222,000.

Appellant objected to the change in the classification of the outbuilding. Appellant noted the outbuilding did not have water or septic, nor kitchen facilities. It was acknowledged, however, the structure did have a mostly finished interior, including drywall and carpeting. Appellant explained the structure was used by the prior owner as a drapery shop. The current tenant uses the building for storage. Photographs depicting the current storage use were provided. Appellant also submitted bids from two (2) local contractors to build a similar type structure. The bids were for a 640 square foot pole building with metal siding and roof, electricity, drywall, and carpet. The first bid was \$27,450, and the second was \$25,000.

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.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 in this case. 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.

The cost approach, the income approach, and the sales comparison approach represent the three (3) primary methods for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties presented data related to the sales comparison approach.

Respondent’s sales information focused solely on the value of subject’s outbuilding, which Respondent classified as a residence for 2015. Three (3) residential sales were offered in support of the assessed value. The sale residences were all notably larger than subject’s outbuilding, though similar in age. Total sale prices ranged from \$135,000 to \$222,000. After extracting land values, Respondent calculated residual values for the sale residences between \$94,994 and \$138,907.

In reviewing Respondent’s sales information, the Board was left with notable concerns. The first was the overall comparability of the sale properties to subject. As noted earlier, Respondent considered subject’s outbuilding a finished residence. The record, however, demonstrated the outbuilding was not a residence. The structure was mostly finished on the interior, but lacked water, septic, and kitchen facilities. While it is a nice outbuilding, it does not rise to the level of a residence. As such, comparing it to fully finished residences, with all the associated onsite improvements and amenities, was

difficult for the Board to accept. Also, physical characteristic details concerning the sale properties were minimal, which further complicated efforts to compare them with subject. Also troubling to the Board was the residual improvement values reported by Respondent were more than double the assessed value of subject's secondary structure. It was not clear how the sales presented supported Respondent's value position.

Appellant, on the other hand, provided the Multiple Listing Service listing sheets for each of the six (6) sales submitted, including subject's. The sale residences were mostly similar to subject's manufactured home in terms of age, bedroom and bathroom count, and size. The sales were also located in subject's general area and all included outbuildings.

Featuring prominently in the Board's review was subject's purchase in mid-2014. It is well established the recent arm's-length purchase of the very property being valued is strong evidence of its market value. That being said, consideration should still be given to the general marketplace to account for any special conditions which may have been involved in the sale. Subject was purchased for \$77,000. The sale properties ranged in price from \$70,000 to \$95,000, which nicely bracketed subject's purchase price. This suggests the purchase price was not an outlier, but rather a reliable indicator of subject's market value.

In appeals to this Board, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. The Board finds the burden of proof satisfied in this instance. Appellant's value evidence was found to be superior to that offered by Respondent in terms of completeness and overall comparability

to the subject property. Overall, Appellant's value position was better supported.

Based on the above, the decision of the Bonner County Board of Equalization is reversed, reducing subject's total assessed value to \$79,000, of which \$41,357 is attributable to the land, and the remaining \$37,643 to the improvements.

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, REVERSED, lowering subject's total value to \$79,000 as detailed above.

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 23rd day of December, 2015.