

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| PAUL NEWMAN, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 15-A-1016 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| ADA COUNTY, |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization modifying the protest of valuation for taxing purposes of property described by Parcel No. R5299400240. The appeal concerns the 2015 tax year.

This matter came on for hearing September 22, 2015 in Boise, Idaho before Board Member Leland Heinrich. Appellant Paul Newman was self-represented. Andy McClelland 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 Ada County Board of Equalization is modified.

FINDINGS OF FACT

The original assessed land value was \$82,500, and the improvements' value was \$414,500, totaling \$497,000. Following an appeal, the Ada County Board of Equalization reduced the value of subject's improvements to \$392,500, with no change to the land value, resulting in a total assessed value of \$475,000. Appellant agrees with the \$82,500 land value, however, contends the value of the improvements should be reduced to

\$367,500, for a total value of \$450,000.

The subject property is a 5,327 square foot residence situated on a .36 acre lot in the Lochsa Falls subdivision located in Meridian, Idaho. The residence includes five (5) bedrooms, four (4) bathrooms, and an attached 1,775 square foot garage. Respondent described subject's subdivision as desirable due to its many common areas, greenbelt walk-ways, multiple water features, and close proximity to shopping centers and major transportation routes.

Appellant agreed to purchase subject in June 2015 for \$460,000. The price was the result of back-and-forth negotiations with the seller who originally listed the property for sale at a price around \$500,000. Prior to the sale closing, Appellant commissioned an inspection of subject. The inspection revealed some notable issues, including the plumbing and flooring in the master bathroom and water issues on the deck and the roof. In addition, the prior owner had ripped out much of the carpet, the built-in kitchen island, some of the cabinets, and the central vacuum system. Though missed during the inspection, Appellant reported the automatic sprinklers were broken and the furnace was non-operational, which Appellant replaced after purchase for roughly \$10,000. In all, subject suffered several major condition issues at the time of purchase. Based on some of the known issues, the seller agreed to credit Appellant \$5,000, resulting in a final purchase price of \$455,000.

According to information gathered from a local real estate professional, Appellant noted an appreciating real estate market during the first half of 2015. Based on this

information, Appellant reasoned subject's value on January 1, 2015, was somewhat lower than the June 2015 purchase price. Appellant concluded subject's value on January 1, 2015, assessment date was \$450,000.

Respondent provided information concerning six (6) residential sales which occurred between June 2013 and July 2014. Due to subject's atypical size for its subdivision, Respondent expanded the geographic search parameters to find residences of similar size for comparison to subject. This also included consideration of two (2) sales from 2013. Sale prices ranged from \$448,000 to \$550,000. Respondent made appraisal adjustments to each of the sale properties to account for differences compared to subject, such as, size, location, condition, and other amenities. A .3% per month upward time adjustment was also applied to the sale prices to reflect market conditions on January 1, 2015. Adjusted sale prices were between \$489,291 and \$522,823. Respondent's analysis concluded a value of \$497,000 for subject, however, such value conclusion was based on the assumption subject was in good condition. Acknowledging the serious condition issues plaguing subject, Respondent offered a value of \$460,000 as being appropriate for subject's current assessment.

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 sales comparison, income, and cost approaches represent the three (3) primary methods for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential properties like subject are commonly valued using the sales comparison approach.

Using subject’s June 2015 purchase price of \$455,000 as the starting point, Appellant determined a value for subject on January 1, 2015, of \$450,000. This lower value resulted from Appellant factoring in appreciating market conditions between the January 1 valuation date and the purchase date. The Board understands the methodology employed by Appellant, however, has some concerns. Most notably, subject’s sale did not occur until six (6) months after the relevant date of valuation. Normally a value conclusion is derived using available market information from prior to the valuation date because information occurring after such date is not known.

The Board’s other primary concern is Appellant’s analysis was based solely on subject’s purchase price. While a recent arm’s-length purchase of the property being

valued is generally a strong indicator of value, consideration should also be afforded the broader market. Doing so reduces the likelihood of irregularities affecting the purchase price, which might be present in any one (1) particular sale.

Using a more traditional sales comparison approach, Respondent examined six (6) sales of properties generally representative of subject in terms of size, design, amenities, and quality of construction. Appraisal adjustments were made to the sale prices to account for differences between the sale properties and subject. The result was a total value conclusion of \$497,000 for subject. The value conclusion, however, represented the hypothetical value of subject being in good repair. As the parties agreed, subject suffered several notable condition issues, which negatively impacted its market value. Giving consideration to subject's actual condition, Respondent recommended a total value of \$460,000. Given the information in record, the Board agrees this lower recommended value is reasonable and represents subject's market value on the relevant date of valuation.

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 case.

Based on the above, the decision of the Ada County Board of Equalization is modified to reflect a reduction of subject's improvements' value to \$377,500, with no change in the \$82,500 land value, resulting in a total value of \$460,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in subject's total value to \$460,000, as outlined 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 16th day of December, 2015.