

BEFORE THE IDAHO BOARD OF TAX APPEALS

WILLIAM PEREGOY,)	
)	
Appellant,)	APPEAL NO. 15-A-1097
)	
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 denying the protest of valuation for taxing purposes of property described by Parcel No. RP014530000060A. The appeal concerns the 2015 tax year.

This matter came on for hearing October 6, 2015 in Sandpoint, Idaho before Board Member David Kinghorn. Appellant William Peregoy was self-represented. Jerry Clemons 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 modified.

FINDINGS OF FACT

The assessed land value is \$66,000, and the improvements' value is \$339,500, totaling \$405,500. Appellant contends the correct land value is \$66,000, and the improvements' value is \$260,000, totaling \$326,000.

The subject property is a five (5) acre parcel located in Blanchard, Idaho. The parcel is improved with a two (2) bedroom, two (2) bathroom residence, with 1,792 square

feet on the main floor and 1,792 unfinished square feet in the basement. The parcel is further improved with a detached 1,440 square foot outbuilding, which Respondent assessed as a second dwelling.

Appellant purchased subject in October 2013 for \$321,000, which Appellant argued should be the current assessed value. In addition to subject's purchase information, Appellant provided a list of sales from 2014. The sales information was pulled from a large database of sales made available by Respondent. Appellant filtered the database to find sales of parcels greater than three (3) acres in size which sold between \$250,000 and \$450,000. In addition to Blanchard, the sales were located in nearby Priest River, Oldtown, Spirit Lake, and Athol. Appellant noted only two (2) of the twelve (12) sales sold in excess of \$400,000. Given this, Appellant questioned how subject's current assessed value could be greater than \$400,000.

Respondent explained subject's roughly 26% overall increase was not due to an upward market trend, but rather resulted from a change in classification of the outbuilding to a dwelling. This change in classification caused the assessed value of the structure to increase from \$38,680 to \$95,970. Respondent also increased subject's land value by \$13,000 to account for the site improvements available to the structure, separate from those for the main residence. Appellant challenged the classification of the structure as a dwelling. According to Appellant, the structure is a simple pole outbuilding used as a shop and vehicle storage. The structure was noted to have insulation and lighting, but was otherwise unfinished. Appellant explained the prior owner intended to convert some of the

shop into living quarters in the future, however, such effort was never undertaken. Appellant conveyed there was no intent to use the building for any purpose other than a shop or garage. After learning of the level of finish, Respondent offered to reduce the value of the building to \$49,904. Respondent maintained, however, the structure was nonetheless a dwelling and should be valued as such.

Respondent presented two (2) nearby sales to support subject's land valuation. One (1) sale was a vacant five (5) acre parcel adjacent to subject which sold for \$35,000. The other sale was an improved parcel which sold for \$307,000. After extracting the value of the sale residence, Respondent calculated a land value residual of \$49,050.

In support of the assessed value of subject's main residence, Respondent offered three (3) sales from 2014. The sales were generally comparable to subject in terms of age, grade, condition, and finished living area. Proximity of the sales to subject was not shared, nor were details concerning lot sizes or whether the sale properties had outbuildings or other amenities. Total sale prices ranged from \$269,000 to \$375,000.

In similar fashion, Respondent provided three (3) improved residential sales for comparison with subject's secondary structure. The age, grade, condition, and size of the sale residences were submitted, however, details concerning other key features were omitted. Sale prices were between \$147,500 and \$243,000.

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.

There are three (3) primary methods for determining market value; the cost approach, the sales comparison approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties presented information used in the sales comparison approach, which is the approach commonly used to value residential property.

While both parties presented relevant sales information, the central issue in this appeal is whether subject’s secondary structure is a dwelling or a general-purpose outbuilding. Appellant noted the mostly unfinished state of the structure and explained it was being used for vehicle storage and shop space. Respondent contended the key inquiry is not how the structure is currently being used, but rather its potential for future residential use. We disagree.

Idaho Code § 63-208(1) provides in pertinent part, “. . . The rules promulgated by

the state tax commission shall require each assessor to find market value for assessment purposes of all property . . . according to recognized appraisal methods and techniques as set forth by the state tax commission; provided *that the actual and functional use shall be a major consideration . . .*” (Emphasis added). The fact subject’s secondary structure has the potential at some future time to be converted to living space is irrelevant here for purposes of determining the current value of the structure as it exists today. The actual and functional design of the structure in its current state is not that of a residence. Further, the structure is actually being used as a typical shop or storage outbuilding. Accordingly, the outbuilding should not be valued as a residence. That being said, the Board finds Respondent properly assessed the site improvements available to the outbuilding. These improvements exist and should be included in the assessment.

Regarding the sales information provided by the parties, there were too few details concerning many key characteristics of the sale properties for the Board to make meaningful comparisons with subject. The overall sale prices appeared to generally support subject’s assessed value. As a result, the Board will leave intact the assessed values of subject’s residence and land.

In appeals to this Board, the burden is with Appellant to establish error in subject’s assessment by a preponderance of the evidence. Idaho Code § 63-511. With respect to the proper classification and resulting value of subject’s outbuilding, the Board finds the burden of proof satisfied. The burden, however, was not met for the remaining portions of subject’s assessment.

Based on the above, the decision of the Bonner County Board of Equalization will be modified to reflect a reduction in the value of subject's outbuilding to \$38,680, with no changes to the other assessment components.

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, MODIFIED to reflect a decrease in the value of the outbuilding to \$38,680.

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.