

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF ASHLEE) APPEAL NO. 13-A-1174
RINGLING from a decision of the Jerome County)
Board of Equalization for tax year 2013.) FINAL DECISION
) AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing November 6, 2013, in Jerome, Idaho before Board Member Leland Heinrich. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Ashlee and Theodore Ringling appeared at hearing. Assessor Rick Haberman and Appraiser Janie Myers appeared for Respondent Jerome County. This appeal is taken from a decision of the Jerome County Board of Equalization (BOE) modifying the protest of valuation for taxing purposes of property described by Parcel No. RP007620020040A.

The issue on appeal is the market value of an improved residential property.

The decision of the Jerome County Board of Equalization is reversed.

FINDINGS OF FACT

The original assessed land value was \$39,720, and the improvements' valuation was \$406,603, totaling \$446,323. Following a timely protest, the BOE reduced the value of the improvements to \$388,899, with no change to subject's land value, for a total value of \$428,619. Appellant requests the total value be reduced to \$340,000.

The subject property is a 1.02 acre rural residential lot improved with a 5,223 square foot residence built in 2007. The property is further improved with a 1,570 square foot detached garage. Subject is situated in the Sunridge Subdivision, located south of Jerome, Idaho.

Appellant purchased subject in December 2012 for \$340,000. Appellant testified the property had been listed for sale for several months with no offer at an asking price of \$410,000. Ultimately, the seller agreed to a price of \$340,000. Given the property's exposure to the market during its listing time and the seller's unsuccessful attempts to sell subject at a higher price, Appellant regarded the recent purchase as evidence of a market value transaction. It was argued subject's current assessed value should match.

Respondent explained general mass appraisal concepts and how ratio studies are used to evaluate various categories of property. The ratio study for subject's property category (rural residential) included roughly 20 sales. The ratio study results indicated assessed values for subject's category were on average at 108% of market value. Though this measurement was within the range defined as acceptable by the Idaho State Tax Commission, Respondent elected to reduce residential improvement values in the county by 6%.

Respondent reported there was no information available on recent sales of property directly comparable to subject, due mostly to the subject's large residence size. To illustrate subject was valued consistently with other similar property, Respondent provided assessment records for four (4) properties similar in size and grade to subject. Improvement values ranged from approximately \$360,000 to \$530,000. Subject's improvements were valued at \$388,899.

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 annually at market value on January 1 of the relevant tax year. 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 [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).

Respondent briefly explained how the results of its annual ratio study analysis were used to determine an estimate of subject’s current market value. Approximately 20 rural residential sales were included in the study, though Respondent did not share property characteristic details about any of the sales. The ratio study concluded the assessment level for subject’s category was a little high, so Respondent applied a 6% downward trend adjustment to the residential improvements value.

While the Board understands Respondent’s reliance on ratio studies, such studies

are not necessarily the best indicator of value for an individual property. One of the primary goals of such a ratio study is to statistically measure where the assessed values across a particular category of property are in comparison to market value. It is a useful tool in mass appraisal. The tool however, as used here, was not particularly helpful in measuring the market value of an individual property. Rather, the ratio study represented a broad statement about a whole category of properties. For this reason, Respondent's reliance on ratio study results as definitive evidence of subject's market value was misplaced.

Respondent also offered assessment records of several other properties with residences close in size to subject's. This was done to demonstrate subject was valued equitably with other similar type properties. The Board appreciates Respondent's effort in this regard, however, comparisons of assessed values is not a recognized appraisal practice. As such, little weight was afforded to the assessment records information.

Appellant argued subject's value should equal the December 2012 purchase price of \$340,000. In Appellant's view, the transaction was arm's-length and the sale price was reached through negotiations between a willing buyer and seller. Respondent noted the seller was a bank, which might indicate the sale was distressed.

Typically, the Board would agree that a recent purchase at arm's length would be very compelling evidence of a property's market value. An issue arises, however, if the sale was distressed, which might be the case here. In the Board's experience it is not uncommon to see a price "discount" associated with a distressed transaction compared

to one which is not distressed. Sometimes an indication of the level of discount can be gleaned from non-distressed sales or other such market information. The problem in the case at bar, however, is the only sale information provided by either party was Appellant's December 2012 purchase of subject. There is nothing to which the sale can be compared. Given the record in this case, it is impossible for the Board to determine whether subject's purchase price was at full market value or something less.

Appellant testified subject's sale price was the result of arm's-length negotiations between unrelated parties. This followed a listing history of several months on the open market at a higher asking price. Respondent offered no valid evidence that subject's sale price was below market. Therefore, the Board is left with little alternative but to accept the purchase price of \$340,000 as the best evidence of subject's current value.

For the above reasons, the decision of the Jerome County Board of Equalization will be reversed to reflect a decrease in subject's total value to \$340,000. As nothing was offered regarding subject's land assessment, it will remain unchanged. The ordered value reduction shall apply to subject's improvements.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Jerome County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED to reflect a decrease in subject's total value to \$340,000, of which \$39,720 is attributable to the land, and \$300,280 to the improvements.

IT IS FURTHER ORDERED that 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.

DATED this 4th day of February, 2014.