

BEFORE THE IDAHO BOARD OF TAX APPEALS

GREGORY WILSON,)	
)	
Appellant,)	APPEAL NOS. 15-A-1044
)	and 15-A-1045
v.)	
)	FINAL DECISION
BONNER COUNTY,)	AND ORDER
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from two (2) decisions of the Bonner County Board of Equalization denying the protests of valuation for taxing purposes of properties described by Parcel Nos. RP000870000160A and RP000870000170A. The appeals concern the 2015 tax year.

These matters came on for hearing October 5, 2015 in Sandpoint, Idaho before Board Member David Kinghorn. Appellant Gregory Wilson 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 values of two (2) improved residential parcels.

The decisions of the Bonner County Board of Equalization are modified.

FINDINGS OF FACT

Appeal No. 15-A-1044 (Parcel No. RP000870000160A)

The assessed land value is \$501,700 and the improvements' value is \$12,220, totaling \$513,920. Appellant agrees with the value of the improvements, however, contends the correct land value is \$448,806, for a total value of \$461,026.

This subject property is a .618 acre lot with 100 front feet on the east side of Priest Lake in Coolin, Idaho. The parcel is improved with a small outbuilding.

Appeal No. 15-A-1045 (Parcel No. RP000870000170A)

The assessed land value is \$398,225, and the combined value of the improvements is \$625,200, totaling \$1,023,425. Appellant originally contested the values of both the land and improvements, however at hearing amended the value claim to focus solely on the land value. Specifically, Appellant contends the correct land value is \$336,600, with no changes to the improvements' valuation of \$625,200.

This subject property is a .392 acre parcel with 75 waterfront feet and is situated adjacent to the above subject parcel. This subject is improved with a 3,540 square foot residence constructed in 2007. Other improvements include a detached garage with living quarters, docks, and various outbuildings.

Because the subject lots are adjacent and generally alike, and the parties' arguments are the same for both, the Board will consolidate these appeals for purposes of this decision.

Appellant explained the State of Idaho held an auction in August 2014 involving 60 parcels with frontage on Priest Lake. The lots included in the auction were owned by the State and leased to various lessees who were allowed to improve the parcels. It was noted 59 of the lots sold, with 58 of the lots being purchased by the lessees. The Bonner County Board of Equalization (BOE) set the assessed values of the auction lots at their respective auction prices. The non-auction lots were valued differently. Rather than including the

auction prices in its analysis, Respondent instead relied on nine (9) sales not included in the auction. In Appellant's view this different assessment treatment created two (2) separate groups of residential lakefront property around Priest Lake, which Appellant contended violated Article VII, Sections 2 and 5 of the Idaho Constitution which require the same class of properties be taxed uniformly, so each taxpayer bears his proportionate share of the tax burden. In other words, Appellant argued the auction sales should be used to value subjects.

Respondent explained it did not consider the auction sales as valid market value transactions. Specifically, Respondent stated the buyers, who were almost exclusively the lessees, were specially motivated to purchase the lots upon which their cabins sat. Due to this atypical motivation, Respondent excluded the auction sales from its analysis of values on Priest Lake.

Respondent relied on nine (9) lakefront sales in determining subjects' land values. Seven (7) of the properties were improved, though details concerning the improvements were not shared. Likewise, physical details regarding the sale lots were absent in the record, other than on which side of the lake the particular property was located and the number of front feet it had. Six (6) of the sale properties were located on the more developed side of Priest Lake and eight (8) of the sales involved relatively flat lots with sandy beachfronts. After removing the assessed values of the improvements, Respondent calculated land price residuals between \$5,103 and \$6,965 per front foot for the improved sales. The two (2) vacant lots sold for \$4,891 and \$5,200 per front foot. Because one (1)

of the higher priced sale lots involved a relatively steep lot, Respondent concluded all lakefront parcels should be assessed at the same front foot base rate. Subjects were valued accordingly.

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 of determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Appellant's case is not squarely based on the above approaches to value. Rather, the issue centers on whether the BOE's decision to assess the auction lots at their respective sale prices and not apply similar values to the non-auction lots violated constitutional principles of uniform taxation.

The analysis begins with Article VII, Section 2 of the Idaho Constitution, which provides in pertinent part, “[t]he legislature shall provide such revenue as may be needful, by levying a tax by valuation, so that every person or corporation shall pay a tax in proportion to the value of his, her, or its property” As this provision makes clear, the intent of property taxation is to ensure each person pays a proportionate share of the tax burden according to the value of each person’s taxable property. Adding to this idea, “[a]ll taxes *shall be uniform upon the same class of subjects* within the territorial limits, of the authority levying the tax, and shall be levied and collected under general laws” ID CONST. Art. VII, § 5 (1890) (emphasis added).

The key issue in the present appeals is the disparate assessment treatment between the auction and non-auction lakefront lots. The former group was assessed at a substantially lower rate than the non-auction lots, which were valued using an entirely different method of assessment. By doing this the BOE created two (2) distinct groups within the same class of residential properties in violation of the Constitution.

The area of uniform assessment is well-settled. The Idaho Supreme Court held, “[t]he requirement that all property be assessed at its actual cash value is secondary to the constitutional mandate of equality of taxation. Where certain property is assessed at a higher valuation than all other property, the court will enforce the requirement of uniformity by a reduction of the taxes on the property assessed at the higher valuation, if it be shown that the difference is the result not of mere error in judgment, but of fraud or *of intentional and systematic discrimination.*” *Washington County v. First Nat’l Bank*, 35 Idaho 438, 444,

206 P. 1054, 1056 (1922) (emphasis added). Whether the auction prices were at market levels is of little relevance in this instance, where a certain group of properties was assessed using auction prices and another group within the same class was assessed without regard for the auction prices. As the above makes clear, the only available remedy at this stage is to reduce the values of the subject parcels to align with the values of the auction lots.

Per Idaho Code § 63-511, Appellant bears the burden of proving error in subjects' assessed valuations by a preponderance of the evidence. The Board finds the burden of proof satisfied here.

Based on the above, the decisions of the Bonner County Board of Equalization are modified to reflect the following values:

Appeal No. 15-A-1044 (Parcel No. RP000870000160A)

Improvements	\$ 12,220
<u>Land</u>	<u>\$450,000</u> (onsite improvements included)
Total	\$462,220

Appeal No. 15-A-1045 (Parcel No. RP000870000170A)

Improvements (combined)	\$625,200
<u>Land</u>	<u>\$337,500</u> (onsite improvements included)
Total	\$962,700

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bonner County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED, 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 15th day of January, 2016.