

BEFORE THE IDAHO BOARD OF TAX APPEALS

JON THOMA,	)	
	)	
Appellant,	)	APPEAL NO. 17-A-1027
	)	
v.	)	FINAL DECISION
	)	AND ORDER
KOOTENAI COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. 022400010020. The appeal concerns the 2017 tax year.

This matter came on for hearing October 26, 2017 in Coeur d'Alene, Idaho before Board Member Kenneth Nuhn. Appellant Jon Thoma was self-represented. At hearing Chief Deputy Assessor Richard Houser represented Respondent.

Board Members David Kinghorn, Leland Heinrich and Ken Nuhn join in issuing this decision.

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

**The decision of the Kootenai County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$145,601, and the improvements' value is \$435,530, totaling \$581,131. Appellant agrees with the land value, however contends the value of the improvements is \$398,220, totaling \$543,821.

The subject property is a 1.267 acre residential parcel located a couple miles

southeast of Coeur d'Alene, Idaho. The parcel is improved with a custom multi-level residence constructed in 2016. The residence includes 2,035 square feet on the main floor and 2,035 square feet in the partially finished basement. Other improvements include an attached garage and a small pole outbuilding.

Appellant provided an independent fee appraisal report concerning the subject property. The appraisal considered three (3) recent sales and two (2) active listings. These properties were directly compared to subject and appraisal adjustments were made to account for differences between subject and the comparables, including a downward 10% adjustment to each of the listings to reflect their unsold status at the time of the appraisal. Adjusted prices ranged from \$537,700 to \$609,700. The appraisal concluded at market value of \$538,000 for subject as of June 23, 2016.

Respondent challenged some aspects of the fee appraisal report. Of chief concern was the appraisal did not apply any time adjustments to the reported sale prices. According to various sources, Respondent determined a 9% annual rate of appreciation during 2016. Respondent also highlighted two (2) of the properties were active listings as of the effective date of the appraisal. These properties did sell in August 2016 and October 2016 for \$610,000 and \$659,971, respectively. Because both properties sold within just a few percentage points of the respective asking prices, Respondent contended the 10% adjustment applied to these listings in the appraisal was too high.

As evidence subject's assessed value is too high for 2017, Appellant focused on Sale No. 1 in the fee appraisal, as well as the two (2) listings which sold shortly after the

effective date of valuation. Appellant pointed out the sale prices were all less on a price per square foot basis than subject's assessed value considered in the same fashion. It was also noted all the referenced properties were assessed at a lessor rate per square foot than reflected in subject's assessment. Respondent noted Appellant only used subject's above-grade square footage when calculating the comparison rate, instead of including subject's basement space, which skewed subject's value per square foot upward.

Appellant additionally provided assessment information concerning four (4) improved residential properties located on subject's street. Total assessed values ranged from \$253,810 to \$469,040. Appellant remarked subject's assessed value of \$581,131 was excessive compared to other properties in the immediate neighborhood.

Respondent offered some information related to a recent ratio study which was considered in setting the current assessed values. Respondent highlighted one of the guidelines for passing sales ratio studies is property should be assessed on average between 90% and 110% of market value. Respondent pointed out the fee appraisal for \$538,000 compared with subject's assessed value of \$581,131 calculated to a ratio of 108%, which Respondent noted was within the normal ratio study guidelines.

Respondent also presented a sales comparison approach analysis to support subject's assessment. The same three (3) comparable sales in the fee appraisal were relied upon by Respondent, as well as one (1) additional sale. Respondent applied a .75% per month time adjustment to all the sale prices, and also made adjustments for location, square footage, bathroom and bedroom counts, and garage size. Adjusted prices ranged

from \$548,533 to \$637,067.

### 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, 2017 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.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The market value of residential property is often determined using the sales comparison approach.

Both parties utilized the sales comparison approach and offered relevant information in this regard. Appellant provided an independent fee appraisal report with an effective valuation date of June 2016. The appraisal considered three (3) sales and two (2) active

listings, which the listings actually sold soon after the appraisal date at prices near the respective listing prices. The appraisal made adjustments for physical differences compared to subject. The sale properties were generally similar to subject in many key respects and the adjustments made in the appraisal appeared reasonable in the Board's experience.

Respondent likewise offered an analysis using the sales comparison approach. Three (3) of the same properties included in the fee appraisal were analyzed, in addition to another recent sale. Adjustments were made to the sale properties for differences compared to subject. Most of the adjustments were found to be reasonable, however, some adjustments were rather large and unsupported. And with adjusted prices between roughly \$548,000 and \$638,000, the indicated value range was widely spread. In the approach, it was not clear how subject's specific value was determined given this wide range of potential value.

While the parties' respective sales comparison analyses were generally well received by the Board, the same did not hold true for the other value evidence offered. Appellant attempted to demonstrate subject was over-assessed by comparing subject's assessment to other properties' assessed values. The Board understands Appellant's position, however, a comparison of assessed values is not a recognized appraisal approach. As such, no weight was afforded the assessment information provided by Appellant.

In similar fashion, the Board was unpersuaded by the ratio study information

presented by Respondent. The Board is well aware of Respondent's responsibilities under the ratio study program administered by the state tax commission, which program compares assessed values to sale prices in an attempt to measure and ensure uniformity among other equalization and performance goals. While ratio studies can be helpful to appraisal and assessment and for the equalization purposes for which they are designed, ratio studies are not intended to estimate the market value of an individual property, which is the sole question presented in this appeal. As such, the Board did not rely on the ratio study information offered by Respondent.

Overall, the Board appreciated the parties' efforts in providing market information and appraisal analysis concerning subject's market value. The Board found some strengths and weaknesses with the parties' respective sales comparison approaches. In the final analysis, the Board favored Appellant's sales comparison approach. The properties considered were generally comparable to subject and the adjustments were reasonable. That being said, the fee appraisal concluded subject's value as of June 23, 2016, which is a little over six (6) months before the relevant assessment date in this appeal. Based on information provided by Respondent, the local real estate market appreciated throughout 2016. As such, the Board finds it appropriate in this instance to adjust the value conclusion reached by the fee appraisal upward by .75% per month, starting from the appraisal date, resulting in a market value determination of \$563,000.

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. Given the

information provided, we find the burden of proof satisfied, though we did not find sufficient support to reduce subject's value to that petitioned by Appellant.

Based on the above, the decision of the Kootenai County Board of Equalization is modified to reflect a decrease in subject's total value to \$563,000.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in value as detailed below.

Land	\$145,601
Improvements	<u>\$417,399</u>
Total	\$563,000

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 6<sup>th</sup> day of February, 2018.