

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICHAEL HENLEY,	)	
	)	
Appellant,	)	APPEAL NO. 18-A-1222
	)	
v.	)	FINAL DECISION
	)	AND ORDER
CLEARWATER COUNTY,	)	
	)	
Respondent.	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Clearwater County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP35N04E142450A. The appeal concerns the 2018 tax year.

This matter came on for hearing October 25, 2018 in Orofino, Idaho before Board Member Kenneth Nuhn. Appellant Michael Henley was self-represented. Clearwater County Prosecuting Attorney E. Clayne Tyler represented Respondent.

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

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

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

FINDINGS OF FACT

The assessed land value is \$40,933, and the improvements' value is \$171,213, totaling \$212,146. Appellant agrees with the land value, however contends the improvements' value is \$144,452, totaling \$185,385.

The subject property is a five (5) acre parcel located in Weippe, Idaho. The property

is improved with a single-level irregularly shaped 2,606 square foot residence. The original residence on the property was constructed in 1976 and consisted of 1,416 square feet. A 1,190 square foot addition was added in 1996. The property is further improved with two (2) non-residential outbuildings. The first is an 864 square foot pole building with an attached lean-to used as a workshop. The other outbuilding is a 1,344 square foot barn with four (4) lean-to structures attached.

Appellant purchased subject in July 2017, for \$185,000. The property was listed in 2015 with an asking price of \$250,000. In Appellant's view, subject's current assessed value should closely approximate the recent sale price.

Appellant additionally provided some general market data concerning the Clearwater County communities of Lenore, Weippe, Orofino, Pierce, and Ahsahka. Population and median household income figures for each community were noted. Appellant's summary table also included average home prices for each community, with the Weippe area representing the second lowest average sale price of \$116,400. Appellant contended the local real estate market did not support the value increase reflected in subject's current assessment.

Respondent explained all average grade residences saw an increase in assessed value for 2018. The increase was the result of statistical analysis comparing sale prices to assessed values, also known as a ratio study. Based on the ratio study results, the Idaho State Tax Commission directed the assessor to increase values on improved residential properties. Respondent therefore increased values on all such property types

in the county, including subject.

Focusing more squarely on the subject property, Respondent provided two (2) data sets. The first was a list of eight (8) current assessments of average grade residences. The referenced properties had residences ranging in effective age from 1979 to 1995 and in size from 1,469 to 2,721 square feet. Respondent isolated the assessed values of the associated dwellings by removing values attributable to land and other improvements. Respondent calculated assessed value rates ranging from \$55.71 to \$79.78 per square foot. Subject's residence was assessed at \$64.65 per square foot.

The second set of data provided by Respondent was a list of five (5) sales, including subject's recent purchase. One (1) of the sales occurred in June 2018, while the remaining sales reportedly took place during 2017. The sale residences ranged in size from 1,232 to 3,268 square feet and in age from 1976 to 2007. Sale prices ranged from \$184,000 to \$318,000. Similar to the process detailed above, Respondent attempted to isolate the values attributable to the residences by removing assessed land and other improvement values from the sale prices. The resulting price indications for the sale residences ranged from \$94,343 to \$212,445, or from \$51.84 to \$97.73 per square foot. Subject's residence was assessed at \$64.65 per square foot, or \$168,469, which Respondent argued was supported by the sales information on a per-square-foot basis.

#### 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 the testimony and documentary evidence, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2018 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. The sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach is commonly employed to develop an estimate of market value for residential property.

Both parties provided various data for the Board’s consideration, which effort was appreciated. In addition to subject’s July 2017 purchase for \$185,000, Appellant offered some general statistical information regarding a handful of communities located throughout the county. Though interesting, broad statistical data concerning population, median household income, and “average home price” is generally not well suited to deduce a market value determination regarding a particular property. In this case, the Board was unable to identify any meaningful link between the data provided and subject’s current market value. Accordingly, little weight was afforded this information.

We were similarly unpersuaded by the assessment information provided by Respondent. First, and most importantly, a comparison of assessed values is not a recognized appraisal approach. Second, aside from the compared residences sharing the same “average” grade as subject’s residence, there appear to be few other similarities. Sizes of the compared residences were widely varied, as were the effective ages. Further, some of the compared residences were multi-level design, and lot sizes ranged from roughly one (1) acre to 160 acres. And lastly, there was no indication in the record where these other properties were located in relation to subject.

Respondent’s sales information was better received by the Board, but again there were some questions regarding the similarity of the sale properties to subject. Similar to the properties referenced above, the sale residences varied greatly in size, age, amenities, and lot size. Again, some of the sale residences were multi-level design, whereas subject is a single-level dwelling, and locations of the sale properties were not readily evident. It does not appear Respondent made any adjustments for these key attributes. Rather, Respondent attempted to isolate the values of the sale residences by simply removing the assessed values of all property components. While the Board understands the extraction methodology used, such a method is inherently flawed because it fails to consider how residential property actually sells in the market; as a single unit. Further, comparing values on a merely square foot basis can be problematic when there are wide variances in total square footage, such as here. Such a comparison is more meaningful when the residences being compared are highly similar. The Board would have preferred an appraisal which

more directly and fully compared subject to recent comparable sales with adjustments made for important value-impacting differences in physical characteristics and amenities.

Due to the questions of comparability between subject and the sales offered by Respondent, we are strained to find how subject's July 2017 purchase is not the best indicator of value in this particular instance. The property was listed on the open market for a couple years, with an original asking price of \$250,000, until Appellant's offer of \$185,000 was accepted. There was no indication the transaction was distressed or otherwise not representative of an arm's-length sale. And with a lack of highly comparable sales or a more direct comparative valuation analysis, the Board finds subject's purchase should receive primary weighting in the final analysis.

Appellant bears the burden of proving error in subject's assessment by a preponderance of the evidence. Idaho Code § 63-511. While we did find Appellant demonstrated subject's valuation is somewhat overstated, we did not find adequate support for the value petitioned by Appellant. Placing heavy emphasis on subject's purchase, plus some consideration for the generally appreciating local residential real estate market as indicated by the data provided by Respondent, we find a total value of \$195,000 reasonable in this case. The decision of the Clearwater County Board of Equalization is modified accordingly.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Clearwater County Board of Equalization concerning the subject parcel be, and the

same hereby is, MODIFIED to reflect a decrease in total value to \$195,000, with \$40,933 attributable to the land, and \$154,067 to the improvements.

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 4<sup>th</sup> day of January, 2019.