

BEFORE THE IDAHO BOARD OF TAX APPEALS

CARL QUASS,)	
)	
Appellant,)	APPEAL NO. 18-A-1069
)	
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. RP55N03W017800A. The appeal concerns the 2018 tax year.

This matter came on for hearing October 11, 2018 in Sandpoint, Idaho before Board Member Kenneth Nuhn. Appellant Carl Quass was self-represented. Assessor Jerry Clemons 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 rural residential property.

The decision of the Bonner County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$40,586, and the improvements' value is \$642,151, totaling \$682,737. Appellant contends the correct total value is \$550,000.

The subject property is a forty (40) acre rural tract located in the Cocolalla area in northern Idaho. Of the total acres, thirty-nine (39) are specially assessed as forestland and the remaining one (1) acre is assessed at market value as a rural residential homesite.

The property is improved with a multi-level residence constructed in 1995. The residence is comprised of 7,586 square feet, of which 6,595 square feet are finished. The property is further improved with several outbuildings varying in size and purpose.

Appellant's primary concern was focused on the assessed value of subject's residence. Appellant questioned the increase in subject's assessed value over the last two (2) years. For tax year 2017, Appellant reported subject's total value increased by approximately 35% and for the current 2018 tax year, the total value increased an additional 28%. In Appellant's view, the market did not support the value increases.

Appellant also raised some concern with the county's reported square footage of the residence. Appellant stated the total size was 6,500 square feet, not the 7,586 square feet reflected in Respondent's property records. Respondent explained only 6,595 square feet of the residence is valued as finished living area, with the remaining area valued as unfinished basement.

Appellant offered information concerning three (3) sales of rural residential properties. The first sale was a 51.66 acre tract improved with a 4,330 square foot residence constructed in 1994. The property was further improved with a barn, shop, storage shed, and cabin. According to the Multiple Listing Service (MLS) data sheet, the property was listed with an asking price of \$799,000. Though the data sheet did not indicate the sale price, Appellant's hand-written notation indicated a sale price of \$685,000. Sale No. 2 was a 2,436 square foot residence situated on a 7.15 acre parcel. Other improvements included a detached three (3) car garage/shop building with an RV space.

According to the MLS data sheet the property was listed for \$449,000. Appellant reported a sale price of \$424,000. The final sale property was a 2.7 acre waterfront parcel improved with a 4,454 square foot residence constructed in 2001. The asking price was \$699,901 and Appellant's notes indicated the property sold for \$623,000.

Using the above (3) sales, Appellant removed the assessed land values from the respective sale prices, which yielded residual price indications for the associated improvements. Appellant calculated price-per-square-foot rates using the residual improvement prices, which ranged from about \$77 to \$103 per square foot. On a similar basis, subject's residence assessment reflected \$93.58 per square foot, which was too high in Appellant's opinion.

Appellant also noted subject had recently been listed for sale on the open market. It was not clear when the listing period began, however, Appellant stated the asking price was \$650,000. Appellant reported the best offer received on the property was \$550,000, which offer was rejected. Again, the record was not clear as to the date the referenced offer was made. Respondent highlighted subject's current assessed value is within ten percent (10%) of the reported asking price.

Respondent explained there were several factors which contributed to the increase in subject's assessed value for 2018. One factor was an increase in the valuation rate determined by the Idaho State Tax Commission for forestland. This caused a minor increase in the value to subject's forestland acres. Respondent also adjusted its property records regarding subject's improvements. Concrete value was added to two (2)

outbuildings and changes were made to the dimensions of the wood-decking and shed. Also, an outbuilding was removed from the property record. Lastly, improvement values in subject's neighborhood were increased 25% for 2018 as a result of a market study of the recent sales in the area.

For value evidence, Respondent furnished information concerning three (3) improved residential property sales. The prices ranged from \$545,000 to \$579,000. To focus on subject's residence, Respondent removed the assessed values of the land and outbuilding improvements from the respective sale prices. This provided residual price indications for the sale residences. The residences were generally similar to subject's residence in terms of construction quality and condition. The primary difference was the size of the sale residences and garages compared to subject. It was noted subject's residence was larger than any sale in the county during the prior year. As such, notable value adjustments were made to the sale residences, which ranged in size from 4,217 to 5,158 square feet. Other adjustments made were for differences in age between subject and the sale residences, as well as an adjustment for subject's larger garage. Respondent calculated adjusted prices for the sale residences ranging from \$568,718 to \$754,576. Subject's residence is assessed for \$617,163.

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, 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 represent 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, which examines recent sales of similar and proximate properties, is often used to estimate the market value of residential property.

Both parties offered information on three (3) sales in support of their respective value positions, though neither party developed a traditional sales comparison approach. While Appellant's effort was appreciated, there were some important concerns with the information provided. First, the data sheets provided for each sale did not indicate sale price or sale date. Instead, Appellant wrote sale price notations on the data sheets, however, dates of sale were fully absent in the record. Of further notable concern was the comparability of the sale properties with subject. For example, subject's acreage dwarfed

that of two (2) of the sales offered, and all the sale residences were smaller than subject. One (1) sale residence being more than 5,000 square feet smaller than subject's residence. It was also not clear where the sale properties were located in relation to subject. These are key value-influencing factors which need to be accounted for in developing an informed opinion of market value. Unfortunately, there is not enough information in the record for the Board to consider adjustments for these factors.

Though Appellant did not attempt any direct comparisons with the referenced sales, Appellant did compare a per square foot value rate of subject's residence with the value rates of the sale residences. While we understand Appellant's position, this comparison was not understood to be a recognized appraisal approach. Also, due to a lack of supporting documentation, it was not clear if Appellant removed the assessed values of any other improvements, such as outbuildings, included in the sales when calculating value rates. The results could be greatly impacted if other improvement values were included. Lastly, the lack of adjustments for size, age, condition, location and other key characteristics made it difficult for the Board to place much weight on Appellant's comparisons.

Respondent's methodology was generally better received by the Board. As noted earlier, there were no recent sales involving residences of subject's size. Therefore, Respondent's sale properties included smaller residences, though all exceeded 4,200 square feet in size. This size differences however led to large adjustments in the analysis. Large adjustments were also made for residence age and garage sizes. The total amount

of adjustments was somewhat concerning, however, we recognize such adjustments are necessary when a pool of comparable sales is limited. In any event, Respondent attempted to reasonably adjust the sales in order to make meaningful comparisons with subject. And under the circumstances here, we found no flaw with this general approach.

Addressing the subject's listing for sale on the open market, we did not find adequate justification to adjust subject's assessed value on this basis. Appellant stated the property is or was listed with an asking price of \$650,000 and the highest offer received was \$550,000. It was not apparent from the record when the listing period began or when the offer to purchase was made. While an asking price may assist in identifying the potential upper range of a property's market value, it was found here to be insufficient on its own to support a value adjustment. Lastly, it is difficult for the Board to accept Appellant's value claim of \$550,000 when the property has been recently listed at an appreciably higher asking price, and a purchase offer of \$550,000 was rejected.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's assessed value by a preponderance of the evidence. Given the record in this matter we did not find the burden of proof satisfied. Indeed, five (5) of the six (6) total sale prices offered by both parties tended to support subject's current valuation. Further, the conclusions detailed on Respondent's sales adjustment grid offered additional support for the assessment. For this, and the reasons expressed above, we did not find sufficient cause to disturb subject's current assessed value. Accordingly, the decision of the Bonner County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 14th day of November, 2018.