

BEFORE THE IDAHO BOARD OF TAX APPEALS

FRANK MAREK,)	
)	
Appellant,)	APPEAL NO. 18-A-1053
)	
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. RP38N01W277211A. The appeal concerns the 2018 tax year.

This matter came on for hearing October 25, 2018 in Orofino, Idaho before Board Member Kenneth Nuhn. Attorney Michael Curley represented Appellant at hearing. 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 \$39,796, and the improvements' value is \$535,497, totaling \$575,293. Appellant contends the correct total value is \$463,000.

The subject property is an 18.16 acre rural tract located roughly twelve (12) miles east of Kendrick, Idaho. The one (1) acre homesite is improved with a three (3) bedroom, two (2) bathroom residence constructed in 2014. The residence consists of 2,204 square feet of finished

living area on the main level, with 1,750 finished square feet in the walkout basement, and an additional 1,003 square feet in the finished bonus room above the attached garage. The residence also includes two (2) kitchens and two (2) additional one-half (½) bathrooms. The property is further improved with a roughly 1,000 square foot detached garage structure with a lean-to attached, as well as, two (2) smaller utility sheds.

Appellant questioned whether subject's roughly 25% increase in assessed value was supported by the local market. Appellant explained there are no county-provided fire protection or winter road maintenance services provided in subject's rural area. Though situated on the property, Appellant also noted subject's water source is a shared well with an adjacent land owner. It was contended these conditions were not adequately reflected in subject's current assessment.

In support of a reduction in subject's assessed value, Appellant offered an independent fee appraisal report. The appraisal's analysis included consideration of five (5) sales and two (2) active listings. Four (4) of the sales occurred during 2017 and one (1) transpired in mid-2018. The sale properties were larger acreage rural tracts similar to subject and all were located within approximately twelve (12) miles. Sale prices ranged from \$310,000 to \$460,000. The appraisal adjusted the sale properties for noted differences compared to subject, such as, square footage, acreage, outbuildings, garage size, and other physical attributes. The appraisal determined adjusted sale prices ranging from \$390,349 to \$487,138, and concluded a value of \$463,000 for subject.

Respondent explained \$24,570 of the increase in the value of subject's improvements was the result of adding the detached garage and its lean-to to subject's assessment records.

Though constructed in 2016, the improvements were only just added to subject's 2018 assessment. The source of the remaining increase was a market trend factor applied to all improved residential categories in the county. The trend was implemented at the request of the Idaho State Tax Commission, which concluded improved residential values in the county were low according to the results of a statistical study, commonly known as a ratio study, which compared sale prices to assessed values.

Focusing on the subject property, Respondent provided information concerning two (2) sales from 2017, as well as one (1) from 2016 and another from 2015. The sale residences were noted to share the same construction grade with subject's residence. Sale prices ranged from \$350,000 to \$489,000. From the respective sale prices, Respondent removed the assessed values of the associated land and other improvements, which left residual price indications for the sale residences ranging from \$223,178 to \$427,885, or from about \$93 to \$181 per square foot. Based on the adjusted price information, Respondent contended a value rate of \$94.01 per square foot for subject's residence was well supported.

Respondent also offered assessment summaries of three (3) properties with newer residences of the same construction grade as subject. The residences ranged in size from 1,998 to 4,293 square feet, and in age from three (3) to seven (7) years. Respondent isolated the assessed values of the residences by removing all other land and improvement values. The result was assessed values ranging from \$273,912 to \$402,408, or reflecting average value rates from \$93.74 to \$144.76 per square foot. In Respondent's view, this assessment information was evidence subject's residence was valued equitably with other similarly graded homes.

In reviewing subject's property characteristics records, Respondent discovered an error

related to the value of the finished living area in the bonus room above the attached garage. Respondent's policy is to assign value to only 60% of the footprint of a bonus rooms' finished living area, however, the entire square footage of subject's bonus room was valued. Respondent noted correcting this error would decrease the assessed value of the residence by \$17,108 and petitioned the Board to reduce subject's valuation 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 the testimony and documentary evidence submitted by the parties, 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). Residential property is commonly valued using the sales comparison approach.

For value evidence, Appellant relied on an independent fee appraisal report concerning the subject property. While the appraisal report was found to be relatively thorough and

representative of accepted appraisal practices and standards, the Board was ultimately unable to rely on the value conclusion reached therein. The appraisal report's effective date of valuation was September 29, 2018, which is roughly ten (10) months beyond the controlling assessment date of January 1, 2018. Likewise, some of the market data relied upon in the analysis was also from 2018. Some of these concerns may have been alleviated if the appraiser had been made available to testify, answer questions, and provide further clarification about certain aspects of the appraisal. Where this opportunity was missed in this particular case, the Board was left with too many unanswered questions to rely on the appraisal as the basis for reducing subject's assessed value.

Respondent's value evidence, consisting of two (2) sales from 2017 and one (1) each from 2016 and 2015, was admittedly a little thin. The per-square-foot comparisons between subject and the sale residences referenced was deemed under the circumstances to be a somewhat simplistic analysis. That being said, Respondent's sales data was timely and did offer support for the value of subject's residence. Direct comparisons between subject and the sale properties was somewhat difficult because subject's 4,957 square foot residence is notably larger than the sale residences; more than double the size in some instances. However, the largest sale residence, at 3,600 square feet, had a residual value of \$427,885, or an indicated average value rate of \$118.86 per square foot. Subject's residence was assessed at a rate of \$94.01 per square foot, which indicates subject's larger size was considered in Respondent's valuation of the property.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Appellant's fee appraisal report did represent

relevant future valuation evidence for the subject property, however, it was deemed untimely for purposes of this appeal and retrospective value question. And without any other competing market data, Respondent's sales information was found to be superior and offer adequate support for subject's current valuation. While we did not find support for the value petitioned by Appellant, we did find an adjustment is warranted for the consideration of the finished living area in the bonus room above the attached garage. Respondent noted this portion of the assessment was inconsistent with how other finished bonus room space is assessed throughout the county. Respondent requested an adjustment therefore be made. Correcting this inconsistency results in a decrease of \$17,108 for subject's improvements. 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 the following values:

\$ 39,796	Land
<u>\$518,389</u>	<u>Improvements</u>
\$558,185	Total

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 that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 17th day of January, 2019.

IDAHO BOARD OF TAX APPEALS