

BEFORE THE IDAHO BOARD OF TAX APPEALS

DONALD AND JANICE CHAMBERS,)	
)	
Appellants,)	APPEAL NO. 19-A-1010
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY,)	
)	
Respondent.)	
_____)	

FOREST LAND APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying an exemption to land associated with Parcel No. RP56N01E012400A. The appeal concerns the 2019 tax year.

The Board determined to hear this matter based on written submissions from the parties. The Board now issues its decision based on the documentary record created. Appellants Donald and Janice Chambers were self-represented on appeal. Residential Appraisal Supervisor Holli Hodge represented Respondent.

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

The issue on appeal concerns whether certain land qualifies for special valuation treatment as forest land pursuant to Idaho Code § 63-1703.

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

FINDINGS OF FACT

The assessed land value is \$351,444, and the combined value of the improvements is \$676,478, totaling \$1,027,922. Appellants contend the correct land value is \$7,371, and the improvements' value is \$586,402, totaling \$593,773.

The subject property in this appeal is a 14.55 acre non-waterfront parcel located in Hope, Idaho. The property has views of nearby Lake Pend Oreille. The property is improved with a 4,600 square foot multi-level residence constructed in 2000. The residence's construction is

considered “very good” quality and to be in “average” condition. The property is further improved with several small outbuildings, a lean-to and some paving.

Though the price was not shared, Appellants purchased subject in July 2018. Prior to the purchase, 13.55 acres of the parcel were designated as forest land for assessment purposes and assessed accordingly. The remaining one (1) acre was valued at market value as a residential homesite.

When Appellants purchased the property, they expected the special forest land assessment to continue. They were unaware of the need to file a new designation with the county assessor, so nothing was filed for 2019. Appellants explained the loss of the forest land exemption caused an increase of roughly \$350,000 in subject’s assessed land value when compared to the prior year when the exemption was in place. They characterized the increase as “unfairly punitive,” and appealed to this Board to either grant the exemption or to discount Appellants’ property tax bill by an amount equal to the additional taxes caused by the increase to subject’s land value.

Respondent explained the forest land exemption is lost (canceled) when the associated property is sold or transferred to another party. At that stage, a new application for the exemption must be filed by the new property owner. Respondent maintained it was the responsibility of the property owner to be aware of potential property tax exemptions and to file the necessary paperwork to qualify for such exemptions. Because Appellants did not file a new timber land exemption application, subject’s 13.55 acres previously valued as forest land was assessed at market value together with the rest of the property.

While, the different assessment treatment of subject’s land was the primary cause of the

value increase in the 2019 assessment, there was also a change made to the value of the residence. Based on an observation of the residence's exterior and the description of the interior finishes and amenities, Respondent determined the quality rating of the residence should be increased to "very good."

With the new quality rating in mind, Respondent sought to support the subject residence's value with three (3) recent sales of residences with the same "very good" quality rating. Locations of the sale properties and descriptions of the homesites and other improvements were not provided. The sale residences were roughly similar to subject in age, however, all were smaller in size by as much as 2,000 square feet. Sale prices ranged from \$849,900 to \$910,000.

Respondent removed assessed land and other values from the above sale prices in an attempt to isolate the values of the respective residences. Further adjustments were made for differences in age and square footage. The adjusted sale prices ranged from \$590,650 to \$696,591, or from roughly \$143 to \$195 per square foot. Based on this indicated range of value, Respondent argued the assessed value of subject's residence, at \$161 per square foot, is reasonable.

In similar fashion, Respondent offered information concerning three (3) sales in support of subject's land value. Two (2) of the properties were improved at the time of sale and the other was vacant. The first sale was a 76.84 acre vacant tract, which sold in June 2018 for \$3,040,000. Sale No. 2 concerned a 3.96 acre improved parcel, which sold in April 2018 for \$480,000. The final sale was a 5.88 acre improved lot, which sold for \$250,000 in June 2017. Respondent removed assessed values of the improvements associated with the two (2) improved sales, which left residual land value indications of \$113,304 and \$126,586. Respondent then adjusted

the sales for differences in land size compared to subject, as well as differences in land grade. The result was adjusted prices ranging from \$260,815 to \$876,647. Respondent maintained subject's land value was reasonable based on the range of value indicated by the adjusted sale prices.

CONCLUSIONS OF LAW

This Board's goal in its proceedings is the acquisition of sufficient, accurate evidence to support a determination of fair market value or exempt status. This Board, giving full opportunity for all arguments and having considered the evidence submitted by the parties in support of their respective positions, hereby enters the following conclusions.

The central issue in this appeal is whether the majority of subject's land should be assessed specially as forest land pursuant to Idaho Code § 63-1703. For the reasons expressed below, we find the forested land does not qualify for the forest land exemption for the 2019 assessment year.

Idaho Code § 63-1703 provides in pertinent part,

For purposes of appraisal, assessment and taxation . . . all forest lands in parcels of five (5) acres or more . . . *must* be designated by the forest landowner to be subject to the provisions of either subsection (a) or (b) of this section . . . If the landowner fails to make a designation, his forest land shall be subject to appraisal, assessment and taxation under to provisions of section 63-1702, Idaho Code. Once a designation is made by the forest landowner, such designation must remain in effect until the designation period expires, *unless the forest lands are transferred to another owner*
(*Emphasis added*).

As the controlling code section makes clear, an owner of a forest land parcel in excess of five (5) acres is required to designate which valuation treatment will apply to said forest land, as provided in subsections (a) and (b) of § 63-1703. The statute is also clear such designation

remains in place until the designation period expires, or until the property is transferred to another owner.

In the present case, certain land of the subject property had been assessed and valued as forest land pursuant to the application and designation made by the prior owner. The efficacy of that designation, however, ceased when Appellants purchased the property. In order for these lands to once again be assessed as qualifying forest land, Appellants are required to file a fresh (new) and timely designation (application) with the county assessor, which becomes effective on January 1 following the year of the designation. *Id.*

Appellants acknowledged no designation concerning subject's forest land had been filed with the assessor. Nonetheless, they contend the special valuation treatment should still be applied because Appellants were unaware of the requirement to file. While we are sympathetic to the situation, the Board is not free to stray from the explicit requirements of the controlling statute.

Tax exemptions exist as a matter of legislative grace, epitomizing the antithesis of traditional democratic notions of fairness, equality, and uniformity . . . Idaho case law requires that all tax exemption statutes be strictly and narrowly construed against the taxpayer, who must show a clear entitlement, and in favor of the state. Courts may not presume exemptions, nor may they extend an exemption by judicial construction where not specifically authorized. The language of exemption statutes must be given its ordinary meaning and an exemption will not be sustained unless within the spirit as well as the letter of the law." *Corp. of the Presiding Bishop of Church of Jesus Christ of Latter-Day Saints v. Ada Cnty.*, 123 Idaho 410, 416, 849 P.2d 83, 86 (1993).

Idaho Code § 63-1703 specifically requires a forest land owner to notify the assessor of whether the forest land will be subject to the provisions of subsection (a) or subsection (b) for purposes of assessment. An application process for this exists. In order for subject's land to receive the beneficial assessment treatment for 2019, Appellants must have filed a designation

prior to January 1, 2019. As no designation was filed with the assessor, this Board is without authority to grant the relief petitioned by Appellants.

As the subject land does not qualify for the forest land exemption, it must be assessed at market value. See Idaho Code §§ 63-203 and 63-205. 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 three (3) primary methods for determining market value include the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Respondent supported subject’s valuation through an analysis of recent sales. Three (3) sales were used to support the value of subject’s improvements and three (3) different sales were offered in support of subject’s assessed land value. A few appraisal-like adjustments were made to account for differences between subject and the sale properties. The adjusted price ranges were found to be well supportive of subject’s current market value assessment.

Appellants bear the burden of proving error in subject’s valuation by a preponderance of the evidence. Idaho Code § 63-511. As Appellants provided no sales nor other market evidence to support a lower value, we found no good cause to disturb subject’s current market value assessment.

The exemption and value decisions of the Bonner County Board of Equalization are

affirmed.

FINAL ORDER

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

DATED this 24th day of January, 2020.