

05-0750
Locally Assessed Property Tax
Signed 11/04/2005

BEFORE THE UTAH STATE TAX COMMISSION

PETITIONER,	)	ORDER	
)		
Petitioner,	)	Appeal No.	05-0750
	)	Parcel No.	#####
v.)		
	)	Tax Type:	Property Tax/Locally Assessed
BOARD OF EQUALIZATION OF)		
SALT LAKE COUNTY, UTAH,	)	Tax Year:	2004
)		
Respondent.	)	Judge:	Rees
)		

Presiding:

Irene Rees, Administrative Law Judge

Appearances:

For Petitioner: PETITIONER REPRESENTATIVE, Petitioner's Representative and Appraiser
For Respondent: RESPONDENT REPRESENTATIVE 1, Appraiser, and RESPONDENT REPRESENTATIVE 2, Manager, Assessor's Office

STATEMENT OF THE CASE

This matter came before the Commission for an Initial Hearing on October 6, 2005 on Petitioner's appeal from the County Board of Equalization decision.

The subject property is a single family residence located at ADDRESS in Salt Lake County. The subject is a large, 26-year old custom home on more than one acre of land. The property is actually comprised of two adjacent parcels, each with its own land record. Only one of the parcels is under appeal here. The other parcel, upon which the garage is apparently situated, is not under appeal.

The County initially assessed the subject property at \$\$\$\$\$. The Board of Equalization affirmed the assessment. On appeal to the Tax Commission, Petitioner supplied an appraisal to establish a value of \$\$\$\$\$. The County presented an appraisal at the hearing to establish a value of \$\$\$\$\$.

APPLICABLE LAW

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With regard to an appeal of the assessed value, Petitioner has the burden to establish that the market value of the subject property is other than that as determined by Respondent. Utah Admin. R. R861-1A-7(G). To prevail in a real property tax dispute, the Petitioner must (1) demonstrate that the County's original assessment contained error, and (2) provide the Commission with a sound evidentiary basis for reducing the original valuation to the amount proposed by Petitioner. *Nelson V. Bd. Of Equalization of Salt Lake County*, 943 P.2d 1354 (Utah 1997).

DISCUSSION

Due to the unique home design, there are no direct comparables in the area. Petitioner's appraisal draws on five sales of large, older custom homes within 2 miles of the subject property, but the appraiser had to make large adjustments to these properties, primarily to account for differences in acreage.. The actual sales prices of Petitioner's comparables range from \$\$\$\$\$ to \$\$\$\$\$. The high and the low of this range are represented by comparables #4 and #5, which were given the least weight in the appraiser's analysis. Giving the greatest weight to comparables #1, #2 and #3, the appraiser reached a value of \$\$\$\$\$ using the market approach. The appraiser also prepared a cost approach resulting in an indicated a value of \$\$\$\$\$. Weighting these two approaches together, giving 80% consideration to the sales approach and 20% to the cost approach, Petitioner's appraisal indicates a value of \$\$\$\$\$. Petitioner asserts that giving 20% weight to the cost approach is a reasonable method of accounting for the unique design of the home.

In response to the Petitioner's appraisal, the County Assessor's appraiser pointed out that the average net adjustments made to Petitioner's comparables is approximately 39.07%, well above the total net adjustment of 10%, which is recommended in the mortgage appraisal industry. Petitioner responded that the largest portion of the adjustments were attributable to the site acreage. That appears to be the case. For instance, the appraiser made a net adjustment of \$\$\$\$\$ to comparable #1, which had a \$\$\$\$\$ site

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adjustment. Comparable #2 had a net adjustment of \$\$\$\$\$, including a \$\$\$\$\$ site adjustment.

Comparable #3 had a \$\$\$\$\$ net adjustment, including a \$\$\$\$\$ site adjustment.

Respondent also submitted an appraisal on the subject property. Respondent's market approach indicated a value of \$\$\$\$\$. Petitioner challenged Respondent's comparables because they were drawn from locations around the county, none of them closer than 4.5 miles to the subject. This challenge may have merit. The comparables selected by Petitioner indicate that the subject property is located in a market where properties seem to be selling in the \$\$\$\$\$ range. There is no evidence to indicate whether the same is true of the comparables selected by Respondent.

Although the Respondent made net adjustments to its comparables of less than 10%, the appraiser made large land adjustments, time adjustments, age adjustments. Additionally, of the three comparables, two are nearly new homes, compared to the 25-year-old subject property. The comparables are not in the same area as the subject, and the appraiser did not make location adjustments because he selected sales from what he considered to be comparable neighborhoods. The most relevant of Respondent's comparables is comparable #2, which is a 32-year-old home on .77 acres of land about 4.5 miles from the subject. The adjusted value for this comparable is \$\$\$\$\$, well below the appraiser's recommendation of \$\$\$\$\$.

Interestingly, Respondent suggested that Petitioner could have taken the 2002 sale of the subject property and time-adjusted it forward. Respondent asserted that overall property values in the area of the subject property appreciated from the time of the sale to the lien date about 9%. Respondent roughly calculated a 10% time adjustment of for both parcels that make up this property, backed out the value of the parcel that is not under appeal, and estimated a value of \$\$\$\$\$ ((\$\$\$\$ * 10%) - \$\$\$\$\$) for the subject parcel. In the absence of corroborating evidence, it is difficult to say with certainty that the value of this particular property increased about 10% in value since 2002. Nevertheless, this calculation suggests the

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county's appraised value is too high. If the value of the subject property is \$\$\$\$\$, as Respondent suggests, then the overall property value (including both parcels) would be \$\$\$\$\$ (\$\$\$\$\$ + \$\$\$\$\$). That represents a nearly 25% increase over the purchase price.

The Commission acknowledges the difficulty in developing a market range for unique homes. In this case, Respondent's comparables #1 and #3 are not persuasive. Respondent's comparable #2, which adjusted to \$\$\$\$\$, is the most relevant comparable in Respondent's appraisal. That adjusted value is corroborated somewhat by Respondent's 10% time-adjustment to the original purchase price, which establishes an approximate value of \$\$\$\$\$.

On the other hand, Petitioner's appraiser did not argue that Petitioner overpaid for this property in 2002 or that the market experienced a downward trend from 2002 to 2004, yet the appraiser developed a recommended value under the Petitioner's actual purchase price. The comparables that Petitioner relied on all adjusted to the \$\$\$\$\$ range, which is less than Petitioner paid for the property in 2002.¹ The appraiser boosted the recommended value to barely over \$\$\$\$\$ by giving weight to his cost approach, which indicated a value of \$\$\$\$\$.

The range of values established by the appraisals is \$\$\$\$\$ to \$\$\$\$\$. There is an accumulation of indicators pointing to a value in the \$\$\$\$\$ to \$\$\$\$\$ range. (Pet. comparable #2, Res. cost approach analysis, and the time adjusted purchase of the subject). Therefore, for purposes of this appeal, we find a reasonable value to be \$\$\$\$\$.

DECISION AND ORDER

On the evidence and testimony presented, the Commission finds the fair market value of the subject property to be \$\$\$\$\$ as of the 2004 lien date.

¹ Petitioner reportedly purchased both parcels in 2002 for \$\$\$\$\$. Respondent applied a 10% time adjustment to equal \$\$\$\$\$, then backed out the current value of the parcel that is not under appeal, \$\$\$\$\$, to arrive at a time-adjusted value of \$\$\$\$\$. From this calculation, it appears that the subject parcel accounts for roughly 80% of the total value. If that is so, 80% of the original purchase price is about \$\$\$\$\$. No evidence was presented as to the

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This decision does not limit a party's right to a Formal Hearing. However, this Decision and Order will become the Final Decision and Order of the Commission unless any party to this case files a written request within thirty (30) days of the date of this decision to proceed to a Formal Hearing. Such a request shall be mailed to the address listed below and must include the Petitioner's name, address, and appeal number:

Utah State Tax Commission
Appeals Division
210 North 1950 West
Salt Lake City, Utah 84134

Failure to request a Formal Hearing will preclude any further appeal rights in this matter.

DATED this _____ day of _____, .

Irene Rees, Administrative Law Judge

actual price paid for this parcel.

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BY ORDER OF THE UTAH STATE TAX COMMISSION.

The Commission has reviewed this case and the undersigned concur in this decision.

DATED this _____ day of _____, .

Pam Hendrickson
Commission Chair

R. Bruce Johnson
Commissioner

Palmer DePaulis
Commissioner

Marc B. Johnson
Commissioner

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