

INDIANA BOARD OF TAX REVIEW

Small Claims

Final Determination

Findings and Conclusions

Petitions: 79-035-14-1-5-20341-15
Petitioner: Justin Greer
Respondent: Tippecanoe County Assessor
Parcel: 79-07-05-352-003.000-035
Assessment Year: 2014

The Indiana Board of Tax Review ("Board") issues this determination in the above matter, and finds and concludes as follows:

Procedural History

1. The Petitioner, Justin Greer, appealed his 2014 assessment. On July 2, 2015, the Tippecanoe County Property Tax Assessment Board of Appeals ("PTABOA") lowered the assessment, although not by as much as the Petitioner asked.
2. The Petitioner then timely filed a Form 131 petition with the Board. He elected our small claims procedures.
3. On August 18, 2016, our designated administrative law judge, Gary Ricks ("ALJ"), held a hearing. Neither he nor the Board inspected the property.

Hearing Facts and Other Matters of Record

4. The Petitioner represented himself at the hearing. Christopher Coakes, Tippecanoe County Appeals Coordinator, and Eric Grossman, Tippecanoe County Assessor, represented the Respondent. All were sworn and testified.
5. The subject property contains a home located at 219 Hamilton Street in West Lafayette.
6. The PTABOA determined the following values:

Land: \$50,400 Improvements: \$85,500 Total: \$135,900

7. The Petitioner requested that a 28% obsolescence adjustment be reinstated, which he believed would result in the following values:

Land: \$50,400 Improvements: \$64,656 Total: \$115,056

8. The official record includes the following:

a. A digital recording of the hearing

b. Exhibits:

Petitioner Exhibit 1: Page 2 of the property record card (“PRC”) for the subject property from 2014,

Petitioner Exhibit 2: Form 11 Notice of Assessment of Land and Improvements for the subject property,

Petitioner Exhibit 3: Page 2 of the subject property’s current PRC,

Petitioner Exhibit 4: Ind. Code § 6-1.1-15-17.2.

Respondent Exhibit 1: Narrative of Respondent’s appeal argument,

Respondent Exhibit 2: PRC for the subject property,

Respondent Exhibit 3: Grid with sales-comparison analysis,

Respondent Exhibit 4: Graph with time-trend analysis,

Respondent Exhibit 5: Model-Based Prediction of Housing Sale Prices in Tippecanoe County June 2016,

Respondent Exhibit 6: Sales disclosure for June 16, 2011 sale of subject property and addendum,

Respondent Exhibit 7: GIS map of the subject property’s neighborhood.

Board Exhibit A: Form 131 petition,

Board Exhibit B: Hearing notice,

Board Exhibit C: Hearing sign-in sheet.

c. These Findings and Conclusions

Contentions

Summary of Respondent’s case

9. The subject home previously had a 28% obsolescence adjustment, which was designed to make the property’s assessment reflect the value determined in an appeal from 2006. At that time, the Wabash Township Assessor commonly used a single economic obsolescence adjustment to make assessments conform to pre-determined values. The adjustment was meant to be removed when the appeal value became inequitable in light of current sales, and the Respondent had intended to remove it as part of the general reassessment in 2012. *Coakes testimony; Grossman testimony; Resp’t Ex. 1.*

10. An obsolescence adjustment should be applied to homes only in extremely unusual circumstances. The Petitioner did not identify any such circumstances in connection with his home. There were no outside factors affecting the home’s value. To the contrary, it

is in the highly sought after University Farms subdivision, which is known for its quality schools. *Coakes testimony and argument; Resp't Ex. 1.*

11. The Petitioner bought the property for \$132,900 on June 16, 2011. At that time, the property was assessed for \$130,600. The improvement portion of the assessment fell dramatically in 2012 when the Respondent applied a "House Type Factor" for ranch houses with less than 1,600 square feet. Field reviewers originally added that factor to differentiate older, ranch-style homes in University Farms from newer, more expensive, two-story homes with larger garages and other amenities. As an unintended consequence of adding the House Type Factor, the Respondent's computer system failed to "trend" the assessment. For 2012 and 2013, the property received both the House Type Factor and the 28% obsolescence adjustment. *Coakes testimony and argument; Resp't Exs. 1, 6.*
12. In 2014, the Respondent's office learned that the property was still receiving the obsolescence adjustment and removed both that adjustment and the House Type Factor. Those changes increased the assessment substantially. It went from \$114,300 in 2013 to \$140,200 in 2014. The Respondent then used trending factors to further adjust the 2014 value. He developed the factor based on 25 University Farms sales from the period between January 1, 2013 and March 1, 2014. On appeal, the PTABOA lowered the home's quality grade from C+1 to C, which reduced the overall assessment to \$135,900. *Coakes testimony; Grossman testimony; Resp't Ex. 1.*
13. In response to the Petitioner's appeal, Mr. Coakes also analyzed the property's value using the sales-comparison approach. He selected seven sales of ranch-style homes from University Farms. Three were located within 100 feet of the subject property. All the homes were roughly the same age as the subject home and had similar amenities. One of the seven properties sold on August 2, 2012. The rest sold between March 18, 2013, and September 17, 2014. *Coakes testimony; Resp't Ex. 3.*
14. For the properties that sold between January 1, 2013, and March 1, 2014, Mr. Coakes did not adjust the sale prices to account for time-related differences in market conditions. He trended the other sales to March 1, 2014 values. To do so, he used a statistical analysis of University Farms sales from 2008 forward. The analysis had a trend line showing market appreciation during that period. All but two of Mr. Coakes' "trending" adjustments were less than \$1,100. The exceptions were a \$6,976 positive adjustment to the August 2, 2012 sale and a negative \$8,139 adjustment to a sale from April 14, 2014. Mr. Coakes did not explain the latter adjustment. *Coakes testimony; Resp't Exs. 1, 3.*
15. For his other adjustments, Mr. Coakes used a model developed by the Statistics in the Community Team ("StatCom") at Purdue University. StatCom is a team of graduate students who are supervised by faculty and who occasionally work on issues related to government. To develop its model, StatCom used data from 9,243 residential sales in Tippecanoe County. The sales occurred between 2010 and 2015. The model predicts future property value and shows algebraically how property features correlate to value.

For example, the model's coefficient estimate for a fireplace is "2.733e+3," meaning, "a house with a fireplace has [a] higher average price than [a] house without [a] fireplace by \$2,733 when the values of the other predictor variables remain constant." The model has similar coefficient estimates for other variables, including differences in quality grade, condition rating, effective year built, finished living area by floor, and the number of three-fixture bathrooms. *Coakes testimony; Resp't Ex. 5.*

16. Mr. Coakes used StatCom's model to adjust the sale prices for his seven comparable properties. The adjusted sale prices ranged from \$76.83/sq. ft. to \$117.47/sq. ft., with a median of \$99.67/sq. ft. The median price translates to a value of \$155,680 for the subject property. *Coakes testimony; Resp't Exs. 1, 3, 5.*
17. According to the Assessor, the \$155,680 value from Mr. Coakes' sales-comparison analysis and the \$141,100 original assessment (before "trending") both support the PTABOA's determination of \$135,900. So does the June 2011 sale in which the Petitioner bought the property. Mr. Coakes used the same statistical information from his sales-comparison analysis to trend that sale price to a March 1, 2014 value of \$141,600. Despite the higher values shown by the data, the Respondent is not seeking to have the assessment raised. *Coakes testimony and argument; Resp't Exs. 1, 6.*

Summary of Petitioner's case:

18. The Petitioner is only appealing the Respondent's decision to remove the obsolescence adjustment. He is not appealing the property's assessed value. To the contrary, he agrees with how Mr. Coakes calculated the property's value. *Greer testimony and argument.*
19. Because the Respondent has the burden of proof, the Petitioner should not be required to show the obsolescence adjustment is still appropriate. The Respondent did not explain why he removed the adjustment. Once a property is found to be obsolete, it should remain obsolete unless the property changes. And the subject property did not change. Nobody from the Respondent's office even came out to look at it. Thus, the 2014 assessment should be \$115,056, which keeps the 28% obsolescence adjustment, but which reflects the other changes the Respondent made between 2013 and 2014. *Greer argument.*

Burden of Proof

20. Generally, a taxpayer seeking review of an assessing official's determination has the burden of proving that a property's assessment is wrong and what the correct assessment should be. Indiana Code § 6-1.1-15-17.2 creates an exception to the general rule and assigns the burden of proof to the assessor in specified circumstances, including where the assessment under appeal represents an increase of more than 5% over the prior year's assessment for the same property. I.C. § 6-1.1-15-17.2(a) and (b). If the assessor has the burden and fails to prove the assessment is correct, it reverts to the previous year's level

or to another amount shown by probative evidence. *See* I.C. § 6-1.1-15-17.2(b).

21. The subject property's assessment increased by more than 5% between 2013 and 2014. The parties therefore agreed that the Respondent had the burden of proof.

Analysis

22. In Indiana, real property is assessed based on its "true tax value," which means, "the market value-in-use of a property for its current use, as reflected by the utility received by the owner or by a similar user, from the property." I.C. § 6-1.1-31-6(c). 2011 REAL PROPERTY ASSESSMENT MANUAL at 2 (incorporated by reference at 50 IAC 2.4-1-2). Evidence in an assessment appeal should be consistent with that standard. For example, a market-value-in-use appraisal prepared in accordance with USPAP often will be probative. *See id.*; *see also*, *Kooshtard Property VI, LLC v. White River Twp. Ass'r*, 836 N.E.2d 501, 506 n.6 (Ind. Tax Ct. 2005). A party may also offer actual construction costs or sale information for the property under appeal, sale or assessment information for comparable properties, and any other information compiled according to generally accepted appraisal principles. *See Eckerling v. Wayne Twp. Ass'r*, 841 N.E.2d 674, 678 (Ind. Tax Ct. 2006); *see also*, I.C. § 6-1.1-15-18 (allowing parties to offer evidence of comparable properties' assessments to determine the market value-in-use for a property under appeal).
23. Regardless of the method used, a party must explain how its evidence relates to the relevant valuation date. *Long v. Wayne Twp. Ass'r*, 821 N.E.2d 466, 471 (Ind. Tax Ct. 2005). The valuation date for the assessment year under appeal was March 1, 2014. I.C. § 6-1.1-4-4.5(f); 52 IAC 27-5-2(c).
24. The Respondent had the burden of proving the assessment was correct. We find that it met its burden. The Petitioner bought the property for \$132,900—only \$3,000 less than the value the PTABOA determined. A property's sale price can be compelling evidence of its true tax value, at least if that sale price sufficiently relates to the relevant valuation date. The Respondent offered a statistical analysis tending to show that the real estate market in University Farms appreciated between the sale date and the March 1, 2014 valuation date. While Mr. Coakes did not offer much detail about that statistical analysis, the Petitioner did not dispute it. To the contrary, he agreed that Mr. Coakes' analyses generally reflected the property's value.
25. The Respondent offered additional support for the trended sale price in the form of Mr. Coakes' sales-comparison analysis. To effectively use comparative sales data in an assessment appeal, one must show that the properties from which the data is taken are comparable to the property under appeal. Conclusory statements that a property is "similar" or "comparable" to another property are not enough. *Long*, 821 N.E.2d at 470. Instead, one must identify relevant characteristics of the property under appeal and explain how those characteristics compare to the characteristics of the purportedly

comparable property. *Id.* at 471.

26. Mr. Coakes largely did that here. His comparable homes were similar to the subject home in several relevant ways: they were all from the same subdivision as the subject property, and three were within 100 feet of it. In addition, they were all ranch-style homes of similar size and age as the subject home, and they had similar amenities.
27. Mr. Coakes also explained how relevant differences affected the properties' relative values. He adjusted the comparable properties' sale prices using the StatCom model, which quantifies relationships between various characteristics and predicts sale prices. Appraisers sometimes use statistical models in quantifying adjustments. Although Mr. Coakes did not explain whether StatCom's model complied with generally accepted appraisal principles, the Petitioner did not argue otherwise.
28. The Petitioner similarly did not dispute how Mr. Coakes adjusted (or failed to adjust) the comparable properties' sale prices to account for differences in market conditions between the sale dates and the March 1, 2014 valuation date at issue in this appeal. In any case, the prices he failed to adjust were all from less than a year before the valuation date. And while Mr. Coakes did not explain why he made such a large negative time-related adjustment to one of his sale prices (the April 14, 2014 sale), that adjustment does not appear to have significantly affected his overall analysis.
29. All of the comparable properties sold for per-unit prices that were higher than the subject property's assessment of \$85.08/sq. ft.¹ Similarly, all but one of the adjusted prices exceeded that level. We therefore find that the comparative sales data generally supports the subject property's trended sale price. Together, they are enough to make a prima facie case that the property was worth at least the amount for which it was assessed.²
30. As explained above, the Petitioner did not impeach or rebut the Respondent's valuation evidence. He instead focused his entire case on whether the Respondent properly removed the obsolescence adjustment. That misses the point of what an assessment appeal is designed to do. The focus is on showing a property's true tax value, not on attacking an assessing official's methodology in determining an assessment. *See Eckerling*, 841 N.E.2d at 678 (explaining that taxpayers could not rebut the presumption that an assessment was correct by strictly applying the guidelines, but instead needed to offer market-based evidence). Once the Respondent made a prima facie case showing that the property was worth at least the amount for which it was assessed, the Petitioner needed to impeach the Respondent's evidence or offer his own market-based evidence to show a different value. He did neither.

¹ The home has 1,562 square feet and the PTABOA valued it at \$132,900. $\$132,900 \div 1,562/\text{sq. ft.} = \$85.08/\text{sq. ft.}$

² We need not decide whether either would have been sufficient by itself.

Final Determination

31. The Respondent proved that the subject property was not assessed for more than its true tax value. We therefore find for the Respondent and order no change to the assessment.

Issued: 11-29-16

Paul Holaday
Chairman, Indiana Board of Tax Review

Betsy J. Broad
Commissioner, Indiana Board of Tax Review

Jonathan R. Galt
Commissioner, Indiana Board of Tax Review

-APPEAL RIGHTS-

You may petition for judicial review of this final determination under the provisions of Indiana Code § 6-1.1-15-5 and the Indiana Tax Court's rules. To initiate a proceeding for judicial review you must take the action required within forty-five (45) days of the date of this notice. The Indiana Code is available on the Internet at <http://www.in.gov/legislative/ic/code>. The Indiana Tax Court's rules are available at <http://www.in.gov/judiciary/rules/tax/index.html>.