Vermont Supreme Court Reaffirms Rule that Sale Price Is Not Necessarily Conclusive in Determining Property's Fair Market Value

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Fair market value has long been a subject of property valuation disputes. This is expected, as property taxes are directly related to the property's appraisal. In the case of *Gabriel Martinez v. Town of Hartford*, 2020 VT 70 (2020), the Vermont Supreme Court concluded, once again, that "although the sale price of a property in a contemporaneous arms-length transaction is strong presumptive evidence of fair market value, it is not solely determinative and may be overcome, in rare cases, by other evidence of value."

The facts in the case were undisputed. The appellant, Gabriel Martinez, purchased a single-family dwelling built in 2000 for $350,000 on May 5, 2017. The previous owner had purchased it for $252,000 five months earlier when its assessed value was $433,000. A 2017 town-wide reappraisal – which took place while the appellant's purchase was pending – set the property's grand list value at $483,400. The appellant appealed the listers' assessment to the board of civil authority and then to the Division of Property Valuation and Review (PVR). The PVR hearing officer found that, although the sale was an arms-length transaction, the evidence clearly demonstrated that the "seller was willing to sell the property to taxpayer at a price well below the value of similar properties in the Quechee Lakes Land Association, and the sale price did not reflect fair market value." The hearing officer set the property's value at $492,300. The appellant subsequently appealed to the Vermont Supreme Court.

The town relied upon a market analysis report that valued the property at $510,000 to make its assessment. This report was based on nine recent sales of similar properties in the area, five of which occurred within six months of the appellant's purchase. Notably, the appellant did not challenge this report or its comparables. He argued that, because his purchase was a bona fide, arms-length transaction, it therefore "conclusively established" the property's fair market value and the hearing officer should not have considered any other evidence besides the sale price in determining that value.

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The Court disagreed, holding that the appellant misinterpreted the plain meaning of the statute and applicable case law. Fair market value is defined in statute as "the price which the property will bring in the market when offered for sale and purchased by another, taking into consideration all the elements of the availability of the property, its use both potential and prospective, any functional deficiencies, and all other elements such as age and condition which combine to give property a market value." 32 V.S.A. § 3481(1)(A). A property's sales price is a piece of evidence that may indicate its fair market value – and, therefore, its appraisal – but it is not conclusive. That same provision of law states, "[i]n determining estimated fair market value, the sale price of the property in question is one element to consider, but is not solely determinative."

The Court found this language to be clear and unambiguous, writing that the provision "expressly and without qualification allows the factfinder to consider other factors beyond the recent, arms-length sale price." Many prior cases illustrate that, though a property' sale price is persuasive and sometimes even strong evidence, there are times when other facts beyond the sale price are sometimes important and may even be weighed more heavily in fair market value determinations. In other words, "there may be situations where a court must look beyond a sale."

The Court concluded that the PVR hearing officer rightfully considered alternative evidence of fair market value to support its decision in this case, such as the number of sales of similar properties in the same development and in the same timeframe. Furthermore, it found that the appraisal was "rationally derived from the findings and evidence," such as the market analysis report and its comparables. The decision reaffirms that a property's sale price is not necessarily the ultimate selling point on the property's fair market value.

The *Martinez v. Town of Hartford* case is archived here.

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