

SUPREME COURT OF MINNESOTA

Terry Lewis v. County of Hennepin

623 N.W.2d 258 (Minn. 2001) · No. CX-00-1077 · Decided March 22, 2001

SUMMARY

The Minnesota Supreme Court reviewed valuation of an unusually configured luxury home and lakeshore property for 1996 and 1997 property-tax purposes. The court affirmed the tax court’s reduced valuations, holding that the court reasonably weighed a later sale, the cost and market-comparison approaches, a sales-ratio study, land-value evidence, and a deceased appraiser’s report. The decision applies deferential clear-error review to tax-court valuation determinations.

CASE DETAILS

COURT	Supreme Court of Minnesota
WRITING FOR THE COURT	Russell A. Anderson
JURISDICTION	Minnesota
DECIDED	March 22, 2001
DOCKET	CX-00-1077
DISPOSITION	affirmed
PROCEDURAL POSTURE	Hennepin County appealed from a Minnesota Tax Court judgment reducing the estimated market values of respondent's property for the 1996 and 1997 tax years.
STANDARD OF REVIEW	The Supreme Court defers to the Tax Court's valuation unless the property was clearly overvalued or undervalued or the Tax Court completely failed to explain its reasoning. Reversal requires that the decision be clearly erroneous, meaning the evidence as a whole does not reasonably support it, and that the reviewing court have a definite and firm conviction that a mistake was made. Tax Court evidentiary rulings are reviewed for legal error or abuse of discretion, and erroneously admitted evidence warrants reversal only if it materially prejudiced the opposing party.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Minnesota
PARTIES	County of Hennepin v. Terry Lewis

TOPICS

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PRACTICE AREAS

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QUESTIONS PRESENTED

1. Whether the Tax Court erred by declining to give substantial weight to a rejected 1999 offer and a December 1999 sale in valuing the property for the 1996 and 1997 assessment dates.
2. Whether the Tax Court erred by discounting the cost approach and declining to make a separate valuation based on that approach.
3. Whether the Tax Court properly reduced the 1996 assessment using a sales-ratio study without a separate time adjustment.
4. Whether the Tax Court clearly erred in accepting the respondent's appraiser's market-comparison analysis and land valuation.
5. Whether the Tax Court erred by admitting a deceased appraiser's report as part of the respondent's appraiser's report.

HOLDINGS

1. The Tax Court did not abuse its discretion or clearly err by giving no weight to the nonconsummated \$6 million offer and little weight to the \$6.2 million December 1999 sale because the offer was not a completed transaction and the sale was remote from the 1996 and 1997 assessment dates.
2. The Tax Court was not required to give the cost approach equal weight to the market-comparison approach or to reach a separate valuation under the cost approach, and it sufficiently explained why the cost approach was less reliable.
3. The Tax Court properly reduced the 1996 property value based on the Department of Revenue sales-ratio study without making an additional time adjustment because the evidence supported the conclusion that there was no statistically significant difference between sale dates and the assessment date.
4. The Tax Court did not clearly err by crediting the respondent's appraiser's adjustments to comparable properties and by accepting the appraiser's conclusion that the land's value had not increased above the 1992 purchase price.
5. The Tax Court did not abuse its discretion by admitting the deceased appraiser's report as part of the respondent's appraiser's report, and any possible error was harmless because the report did not materially prejudice the county.

KEY QUOTATIONS

“Because of the inexact nature of valuing property, this court defers to the tax court's decision unless the tax court clearly overvalued or undervalued the property or the tax court completely failed to explain its reasoning.” (623 N.W.2d at 261)

“The three traditional valuation approaches, however, are neither exclusive nor mandated.” (623 N.W.2d at 262)

“In sum, we hold the tax court's decision is not clearly erroneous because the record includes evidence that reasonably supports the tax court's conclusions and because the tax court explained its reasoning in reaching its valuation.” (623 N.W.2d at 265)

FACTUAL BACKGROUND

Lewis purchased a 4.2-acre, flag-shaped Lake Minnetonka lot in 1992 and built a highly customized 30,000-square-foot luxury home on it in 1993 and 1994. Hennepin County assessed the property at \$4.22 million for 1996 and \$4.35 million for 1997. The Tax Court reduced those values based principally on market-comparison evidence and a Department of Revenue sales-ratio study. Lewis later rejected a \$6 million offer and sold the property for \$6.2 million in 1999, but the Tax Court found the later transaction too remote and insufficiently probative of the earlier assessment dates.

PROCEDURAL HISTORY

Lewis challenged Hennepin County's property-tax assessments under Minnesota Statutes chapter 278. After a five-day trial, the Minnesota Tax Court reduced the property's estimated market value from \$4,220,000 to \$3,227,000 for 1996 and from \$4,350,000 to \$3,244,500 for 1997. The Tax Court declined to amend its findings after receiving evidence concerning a later offer and sale of the property. The Supreme Court of Minnesota affirmed.

DISPOSITION

affirmed

CASES CITED

- *Equitable Life Assurance Society of the United States v. County of Ramsey*, 530 N.W.2d 544, 552-53 (Minn. 1995)
- *Marquette Bank National Association v. County of Hennepin*, 589 N.W.2d 301, 305, 307 (Minn. 1999)
- *Lewis & Harris v. County of Hennepin*, 516 N.W.2d 177, 178, 180 (Minn. 1994)
- *Northwest Racquet Swim & Health Clubs, Inc. v. County of Dakota*, 557 N.W.2d 582, 587 (Minn. 1997)
- *Alstores Realty, Inc. v. State*, 286 Minn. 343, 176 N.W.2d 112, 118 (1970)
- *Niemi v. County of Carver*, Nos. C3-96-146 and C5-96-147, 1996 WL 685573, at *2 (Minn. T.C. Nov. 25, 1996)
- *F-D Oil Co. v. Commissioner of Revenue*, 560 N.W.2d 701, 706 (Minn. 1997)
- *Huisken Meat Center, Inc. v. County of Murray*, Nos. C2-97-27 and C8-95-271, 1998 WL 15131, at *3 (Minn. T.C. Jan. 14, 1998)
- *Northerly Centre Corp. v. County of Ramsey*, 311 Minn. 335, 248 N.W.2d 923, 925 n.2 (Minn. 1976)

