

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICKELSEN PROPERTIES, LLC,)	
)	
Appellant,)	APPEAL NOS. 19-A-1012
)	thru 19-A-1018
v.)	
)	FINAL DECISION
JEFFERSON COUNTY,)	AND ORDER
)	
Respondent.)	
)	
)	
)	

AGRICULTURE EXEMPTION APPEALS

These appeals are taken from seven (7) decisions of the Jefferson County Board of Equalization denying appeals of the valuation for taxing purposes on property described by parcel number on Attachment A. The appeals concern the 2019 tax year.

These matters came on for a consolidated hearing September 30, 2019 in Rigby, Idaho before Hearing Officer Cindy Pollock. Owner Stephanie Mickelsen represented Appellant at hearing. Assessor Jessica Roach represented Respondent.

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

The issue on appeal concerns the assessed value of agricultural parcels.

The decisions of the Jefferson County Board of Equalization are affirmed and modified.

FINDINGS OF FACT

The subject properties' assessed values and Appellant's respective value requests are detailed in Attachment A.

The subject properties are located in the Hamer, Idaho area and comprise a portion of a larger farming enterprise. Sizes of the subject tracts ranged from roughly 160 acres to 640 acres. Most of the acreage encompassed by the parcels' boundaries is dedicated to

agricultural land pursuits, however, some acres house various improvements. Subjects' acreage was mostly assessed as irrigated agricultural land with some parcels including limited acres categorized as "waste land" or "residential homesite", which property was appraised or valued separately from the irrigated acres.

Appellant characterized the Hamer area as somewhat unique compared to other parts of the county and Idaho in general. In particular, it was explained the use of water rights did not necessarily extend to parcel boundary lines for most properties in the area. Instead water rights were only put to use on the land area sitting within the radius or range of the central pivot irrigation system. The effect of this on square or rectangular parcels is that no water is applied to the corners of the parcel.

All of the subject tracts have some amount of unirrigated corners, and according to Appellant there is no viable agricultural or other use for those corners. In Appellant's view, the unirrigated corners of parcels should be categorized as waste land and assessed at \$0. Respondent explained Category 19, or "waste land" as it is commonly referred to, is only appropriate for land encumbered by a public right of way, such as a road or canal. Because the corners under dispute here are not so encumbered, Respondent argued such acres should not be assessed as waste land.

Respondent provided a brief overview of the methodology used to assess land actively devoted to agricultural. It was explained in Idaho agricultural land values are determined using either a crop share method or a cash rent method of valuation. Respondent utilizes the latter because cash rent agreements are far more typical in the county; meaning importantly more information for the cash rent method is available. To wit, of roughly 1,000 questionnaires sent

to farmers last year, only one (1) of the approximately 250 responses reported crop share information. Respondent noted further the cash rent method inherently addresses unirrigated corners where the lease rates in such arrangements are based on the acres actually farmed, not the entire parcel.

In continuing to describe the assessment process for agricultural land, Respondent explained once a base value rate for a particular type of agricultural land is determined, parcel-specific adjustments are then applied to the base rate to account for features which might limit the production potential of the parcel, such as steep slope, rock outcrops, ditches, power lines, and unirrigated corners. As a policy, Respondent's maximum adjustment rate is 25%.

Turning to the subject parcels, Respondent explained for each the entire acreage, except for waste land and homesite acres, was categorized as irrigated agricultural land (Category 1). Downward adjustments to the base rate, mostly to account for the unirrigated corners, were then applied. Six (6) of the subject parcels received the maximum 25% downward adjustment, while the remaining tract received a 15% adjustment. The value rate after applying the 25% adjustment was reportedly \$680 per acre.

Respondent maintained its assessment methodology associated with unirrigated corners is for the benefit of owners because to carve out the corner acreage and assess it as non-irrigated agricultural land (Category 3), or alternatively at market value because such acres are not actually being directly farmed, would serve only to increase the overall assessed value. In Respondent's view, the subject tracts were assessed fairly and equitably, with adequate consideration given to unirrigated corners.

In reviewing subjects' assessments prior to hearing, Respondent discovered an error

on one (1) parcel. For Parcel No. RP08N36E360002 (Appeal No. 19-A-1017), it was determined the number of irrigated acres should be 474 acres, not 479 acres as assessed. Respondent petitioned the Board to reduce the irrigated acreage accordingly and to reduce its assessed value to \$352,270. The five (5) acres removed from the irrigated acres total was found to be waste land properly assessed as Category 19 land at zero value.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, hereby enters the following.

In Idaho, land actively devoted to agriculture is specially assessed to allow a partial exemption from property taxes. See Idaho Code §§ 63-602K, 63-604. There is no dispute in this case regarding the land qualified to be assessed as land actively devoted to agriculture. Rather, the issue centers on whether the agricultural land was properly valued under the controlling law. For the reasons detailed below, we find this land was properly valued assessed with one (1) exception noted below.

The parties agree farm parcels in subjects' area are typically irrigated using center pivot irrigation systems. In basic terms, center pivot irrigation is a method of crop irrigation in which sprinkler equipment rotates around a central pivot. A circular area centered on the pivot is irrigated, which creates a circular pattern in crops. When such a system is employed on a square or rectangular shaped field, the corners of the field often receive no irrigation. This creates "dry" corners in the instant case, which can have little or no practical agricultural use.

Each of the subject tracts have dry corners as a result of using central pivot irrigation. In Appellant's view, the unirrigated corners should be classified as "waste land" and assigned zero value, or in the alternative be assessed as "dry grazing" which carries appreciably less value-per-acre than that assigned to irrigated land.

While we appreciate Appellant's argument, it falls short in this instance. All non-exempt property in Idaho is subject to appraisal, assessment, and property taxation. Idaho Code § 63-203. In assessing property, and agricultural land in particular, it is necessary to correctly classify the property into categories according to what the property actually is or capable of supporting. Indeed, it is the duty of the county auditor to annually "cause to be prepared a total of the amount and value of each category of property . . ." to the Idaho State Tax Commission (STC). Idaho Code § 63-509(1). To this end, the STC has promulgated rules for properly classifying property in Idaho. See IDAPA 35.01.03.510 et seq. Stated simply, the controlling statutes require every bit of property in Idaho be categorized for purposes of assessment and potential taxation.

Appellant's position to categorize the unirrigated corners of the subject parcels as either waste land or dry grazing effectively ignores the statutory mandate that all property be properly categorized pursuant to the rules promulgated by the STC. As noted by Respondent, subjects' dry corners do not fit the legal criteria to be categorized as waste land. This designation is reserved for land encumbered by a public right-of-way, such as a road. Nor do subjects' unirrigated corners fit the criteria for the dry grazing category as land "capable of supporting grasses and not normally capable of supporting crops on regular rotation." IDAPA 35.04.03.510.05. Subjects' dry corners are not used to produce grasses and no actual grazing

occurs on these acres.

While we understand the beneficial use of the water rights only applies to the acreage covered by the central pivots, the entirety of the parcels including the corners, are otherwise *capable* of producing harvestable crops and therefore satisfy the criteria to be categorized as irrigated agricultural land. It is further noted, as handled by Respondent, when a corner area is put to another non-agricultural use, such as a residential use, such acreage was duly treated as a homesite. Accordingly, we find no error in Respondent's decision to designate subjects' corners as irrigated agricultural land, this is the principal and driving use of such land on each parcel. That being said, the Board agrees consideration should be given to the fact the so called dry corners are not irrigated, but exist in support of the parcels' irrigated areas.

In this case, Respondent recognized the dry corners issue by discounting the valuation rate twenty-five percent (25%) for six (6) of the subject tracts and fifteen percent (15%) for the remaining parcel. The Board finds the adjustments appropriate under the circumstances, however, we did not find good support for further reductions as petitioned by Appellant.

In appeals to this Board, the burden lies with Appellant to demonstrate error in subjects' assessed values by a preponderance of the evidence. Idaho Code § 63-511. Given the evidence presented, we did not find the burden of proof satisfied in this instance. Accordingly, the decisions of the Jefferson County Board of Equalization are affirmed, with the exception of Parcel RP08N36E360002 (Appeal No. 19-A-1017). For this latter parcel, Respondent recommended a change in the number of irrigated agricultural acres from 479 to 474, resulting in a reduced Category 1 value of \$322,320. The Board will accept Respondent's recommendation and modify that particular decision of the Jefferson County Board of

Equalization accordingly.

FINAL ORDER

IT IS ORDERED the decisions of the Jefferson County Board of Equalization concerning the subject parcels' 2019 assessments be AFFIRMED with respect to Appeal Nos. 19-A-1012, 19-A-1013, 19-A-1014, 19-A-1015, 19-A-1016, and 19-A-1018, and MODIFIED with respect to Appeal No. 19-A-1017. For Appeal No. 19-A-1017 (Parcel No. RP08N36E360002), this Board's order reduces the assessed value of the Category 1 irrigated agricultural land to \$322,320 and leaves the balance of the assessment unchanged.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered values for the current tax year shall not be increased in the subsequent assessment year.

DATED this 18th day of November, 2019.

REDACTED

Attachment A

Mickelsen Properties, LLC appeals
Jefferson County
Tax year 2019

	<u>Appeal No.</u>	<u>Parcel No.</u>	<u>BOE Value</u>	<u>Requested Value</u>
1.	19-A-1012	RP08N36E230001	\$324,244	\$284,094
2.	19-A-1013	RP08N36E243001	\$107,964	\$ 94,693
3.	19-A-1014	RP07N37E050005	\$472,295	\$361,124
4.	19-A-1015	RP07N37E060003	\$438,876	\$386,543
5.	19-A-1016	RP07N36E010002	\$245,462	\$182,425
6.	19-A-1017	RP08N36E360002	\$957,452	\$883,738
7.	19-A-1018	RP07N37E040001	\$659,848	\$675,991