

BEFORE THE IDAHO BOARD OF TAX APPEALS

HERITAGE BUILDING CONSOLIDATED,)	
)	
Appellant,)	APPEAL NOS. 22-A-1134
)	through 22-A-1139
v.)	
)	FINAL DECISION AND ORDER
JEROME COUNTY,)	
)	
Respondent.)	
)	
)	
)	

AGRICULTURAL EXEMPTION APPEALS

These appeals are taken from decisions of the Jerome County Board of Equalization denying exemption claims on properties described by the parcel numbers on Attachment A. The appeals concern the 2022 tax year.

These matters came on for hearing November 10, 2022, in Jerome, Idaho, before Board Member Leland Heinrich. Member Sandra Capps appeared at hearing for Appellant. Jerome County Assessor Mark Swenson represented Respondent.

Board Members Leland Heinrich, Kenneth Nuhn, and Doug Wallis join in issuing this decision.

The issue on appeal concerns whether the subject properties are entitled to special valuation treatment as land actively devoted to agriculture pursuant to Idaho Code § 63-604, commonly referred to as the agricultural exemption.

The decisions of the Jerome County Board of Equalization are affirmed.

FINDINGS OF FACT

Parcel No. RP005870020070 (Appeal 22-A-1134)

The assessed land value of this 1.00 acre lot is \$20,982. Appellant contends the correct value is \$2,330.

Parcel No. RP005870010060 (Appeal 22-A-1135)

The assessed land value of this 1.33 acre lot is \$21,027. Appellant contends the correct value is \$3,098.

Parcel No. RP005870020060 (Appeal 22-A-1136)

The assessed land value of this 1.00 acre lot is \$20,982. Appellant contends the correct value is \$2,330.

Parcel No. RP005870020080 (Appeal 22-A-1137)

The assessed land value this 1.00 acre lot is \$20,982. Appellant contends the correct value is \$2,330.

Parcel No. RP005870020090 (Appeal 22-A-1138)

The assessed land value of this 1.24 acre lot is \$21,027. Appellant contends the correct value is \$2,889.

Parcel No. RP005870020100 (Appeal 22-A-1139)

The assessed land value of this 1.17 acre lot is \$21,027. Appellant contends the correct value is \$2,726.

The subject properties are six (6) unimproved residential building lots situated in Phase 3 of the Paradise Valley subdivision located near Jerome, Idaho.

The subject lots were originally part of a larger eighty (80) acre farming operation, known locally as the Jackson Farm. In 2006, Appellant began purchasing the farm ground, less a couple acres which were already improved with older residences. Appellant's intent was to eventually develop the land into a residential subdivision with sixty-eight (68) lots roughly one (1) acre in size. Though specific dates were not shared, Appellant explained residences were constructed on four (4) of the twenty-seven (27) lots

comprising Phases 1 and 2 sometime since 2006. The undeveloped lots in these phases, plus the acreage in un-platted Phases 3 and 4, were actively farmed by Triple C Farms for multiple years leading up to 2022.

In late 2021, Appellant began developing Phase 3 of the subdivision, which consists of seven (7) individual building lots spread over approximately nine (9) acres. The plat for Phase 3 was recorded in February 2022. A builder had reserved two (2) of the Phase 3 lots to close soon after the plat map was recorded, but ultimately only closed on one (1) of the lots and is currently constructing a residence. The six (6) subject lots represent the balance of the parcels in Phase 3 and remain undeveloped.

Appellant explained the subject lots, which were a single parcel prior to the plat map being recorded in February 2022, had historically been assessed as land actively devoted to agriculture. The same agricultural assessment treatment was also afforded the undeveloped lots in Phases 1 and 2, plus the entirety of the roughly forty (40) acre undeveloped Phase 4 parcel. For the current 2022 assessment year, the subject lots were not assessed as agricultural land, which is the substance of Appellant's argument in these appeals.

Stressing the January 1, 2022, relevant date of assessment in this matter, Appellant argued the subject lots should be valued as agricultural land because on the assessment date, the subject lots, in their current form as individual building lots, did not exist. Rather, on January 1st the land was a roughly nine (9) acre parcel. The subject lots, with their respective parcel numbers and legal descriptions, were created when the plat map for Phase 3 was recorded. Therefore, as the historical use of the land had not

changed as of the assessment date, Appellant reasoned the acreage should be assessed as agricultural ground as it has been for years.

Respondent explained the subject parcels were not assessed as agricultural land because they were not actively devoted to agricultural pursuits, not because the plat map for Phase 3 had been recorded as Appellant intimated. Appellant confirmed the land consumed by the subject lots had not been used for crop production because it was not worth the effort to bring water to that corner of the larger farming operation. Due to the lack of water, the acreage was mostly covered in weeds. As the land was not actively devoted to agriculture, Respondent maintained the acreage did not qualify for the special agricultural valuation treatment.

Instead, Respondent explained the subject lots were assessed pursuant to Idaho Code § 63-602W, the business inventory exemption available to land developers, provided certain conditions are satisfied. In simple terms, the exemption reduces the taxable value of land and improvements held in the ordinary course of a land developer's business until such inventory is sold. The amount of the exemption is the difference between the market value of land with site improvements and the value of raw land without site improvements. If there is insufficient sales data by which to reasonably estimate the market value of raw land, then 75% of the value determined for land with site improvements shall be exempted. Stated differently, the developer's land is assessed at 25% of market value when there are not enough sales, which is precisely how the subject lots were assessed for 2022.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's 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.

The central issue in this appeal is whether the subject properties qualify for the special valuation treatment afforded by Idaho Code § 63-604, as land actively devoted to agriculture.

Appellant highlighted the long history of the subject lots being assessed as agricultural land and reasoned the same valuation treatment should apply for the 2022 tax year because the land use had not changed. Though the Board understands Appellant's position, in order to qualify for a property tax exemption, or special assessment treatment in the case of agricultural land, the property must satisfy the requirements for the claimed exemption each year. This is particularly the case with respect to use-based exemptions; once the property's use is changed, the exemption is lost.

Idaho Code § 63-604 provides in pertinent part,

(1) For property tax purposes, land which is actively devoted to agriculture shall be eligible for appraisal, assessment and taxation as agricultural property *each year it meets* one (1) or more of the following qualifications:

(a) The total area of such land, including the homesite, is more than five (5) contiguous acres, and is *actively devoted to agriculture* which means:

(i) It is used to produce field crops including, but not limited to, grains, feed crops, fruits and vegetables; or

(ii) It is used to produce nursery stock as defined in section 22-2302(11), Idaho Code; or

(iii) It is used by the owner for the grazing of livestock to be sold as part of a for-profit enterprise, or is leased by the owner to a bona fide lessee for grazing purposes; or

(iv) It is in a cropland retirement or rotation program.

(Emphasis added).

As the statute makes clear, to qualify for the agricultural exemption, the property must be actively devoted to agriculture each year the exemption is claimed. In the case at bar, the subject lots were not actively devoted to agriculture as of January 1, 2022. In fact, it was not clear if the subject lots were ever devoted to active agricultural use because, as explained by Appellant, there was no irrigation water readily available to that section of the larger agricultural operation, so no harvestable crops were produced.

With respect to tax exemptions, the Idaho Supreme Court has observed,

Tax exemptions exist as a matter of legislative grace, epitomizing the antithesis of traditional democratic notions of fairness, equality, and uniformity . . . Idaho case law requires that all tax exemption statutes be strictly and narrowly construed against the taxpayer, who must show a clear entitlement, and in favor of the state. Courts may not presume exemptions, nor may they extend an exemption by judicial construction where not specifically authorized.

Corp. of the Presiding Bishop of Church of Jesus Christ of Latter-Day Saints v. Ada Cnty., 123 Idaho 410, 416, 849 P.2d 83, 86 (1993).

That the subject lots received the benefit of the special agricultural treatment in prior years is irrelevant for purposes of evaluating their qualification for the exemption for the 2022 tax year. Each year stands on its own, and the property being evaluated must satisfy the eligibility requirements every year an exemption from taxation is sought. The record was clear in this instance the subject lots were not actively devoted to agriculture

as contemplated by the statute. Therefore, Respondent's denial of the agricultural exemption for the subject lots was proper in the Board's view.

Having concluded the subject lots did not qualify as land actively devoted to agriculture, Respondent assessed the parcels in accordance with the business inventory exemption in Idaho Code § 63-602W. In this regard, Respondent determined the market values of the respective subject lots, then applied the 75% reduction provided in the statute to arrive at the current taxable values. While the Board concurs the business inventory exemption is appropriate here, there was some question whether it was properly applied. The subject lots, as individual parcels, did not come into existence until Appellant recorded the plat map for Phase 3 of the subdivision in February 2022. As of January 1, 2022, the subject lots were a single tract of land roughly nine (9) acres in size. It would logically follow then that any exemption or special valuation treatment would apply to the nine (9) acre parcel.

Respondent explained the circumstances in this instance were somewhat unique in that by the time assessment notices were prepared for distribution by the first Monday in June, the original nine (9) acre tract no longer existed in its system. Rather, the larger parcel had been split into seven (7) individual lots comprising Phase 3 of the subdivision, six (6) of which are the subject lots. In a passing comment, it was mentioned Respondent did consider valuing the nine (9) acre tract as a single residential parcel, but ultimately elected to assess the subject lots individually, though it was unclear in the record why the decision was made because the subject lots did not exist on January 1, 2022. In the Board's opinion, the proper appraisal unit was the single nine (9) acre parcel, as that is how the property existed on the date of assessment.

Whether the market value of a nine (9) acre tract differs notably from the combined values of seven (7) individual residential building lots is unknown given the absence of any sales data related to larger rural residential parcels in the record. Based on four (4) sales of roughly one (1) acre vacant lots from two (2) competing subdivisions, characterized by Respondent as generally comparable to subjects' subdivision, Respondent concluded a market value of roughly \$84,000 for each subject lot, to which the 75% exemption rate was applied to arrive at the respective taxable values.

Though the Board disagrees with Respondent's decision to assess each parcel in Phase 3 on its own instead of assessing the larger nine (9) acre parcel that existed on January 1st, the issue was not pressed by Appellant, nor was there any market information concerning larger residential properties to demonstrate the combined assessed value of the individual subject lots is erroneously overstated by comparison. And where Idaho Code § 63-511 places the burden on Appellant to establish error in subjects' valuations, the Board found no good cause in the record to disturb the current assessed values. As such, the decisions of the Jerome County Board of Equalization are affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Jerome County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 19th day of April, 2023.