

BEFORE THE IDAHO BOARD OF TAX APPEALS

McCARVER CONSOLIDATED,	)	
	)	
Appellant,	)	APPEAL NOS. 22-A-1199
	)	through 22-A-1209
v.	)	
	)	FINAL DECISION AND ORDER
BENEWAH COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

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**AGRICULTURAL EXEMPTION APPEALS**

These appeals are taken from decisions of the Benewah County Board of Equalization denying appeals of the valuation for taxing purposes on properties described by the Parcel Nos. listed on Attachment A. The appeals concern the 2022 tax year.

These matters came on for hearing November 29, 2022, in St. Maries, Idaho, before Board Member Kenneth Nuhn. Appellants Michael and Jennifer McCarver were self-represented. Benewah County Assessor Donna Spier represented Respondent.

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

**The issue on appeal concerns the valuation rate used to assess the subject parcels, which are actively devoted to agriculture as defined in Idaho Code § 63-604.**

**The decisions of the Benewah County Board of Equalization are affirmed.**

FINDINGS OF FACT

Together, the subject properties comprise a roughly 1,215 acre active cattle ranch operation located southeast of Tensed, Idaho. The subject tracts are assessed as dry grazing land. Three (3) of the eleven (11) subject parcels are improved. One (1) parcel includes an improved homesite with a couple outbuildings, one (1) is improved with

various storage and shop buildings, and one (1) has two (2) dilapidated structures on the property with nominal assessed values. Appellant did not dispute the values of the various improvements, just the value of the dry grazing acreage.

Appellant was concerned with the increase in the valuation rate for dry grazing land from \$224 per acre last year to \$242 per acre for the current assessment year. Appellant contended the higher dry grazing rate creates a financial burden on the ranching operation and does not accurately reflect the income produced by the land. Appellant explained operating costs have dramatically increased across the board on everything from fertilizer to fence posts. With inflation and interest rates at current levels, Appellant expressed concern the ranching operation might not be able to financially sustain itself in future years. In Appellant's view, the current dry grazing rate of \$242 per acre was excessive in light of the markedly higher operating costs and petitioned the rate return to the \$220 per acre rate from the 2020 assessment year.

Respondent was sensitive to Appellant's concerns with rising costs and the higher valuation rate for dry grazing land, but explained the assessment rates for the various categories of agricultural property are determined through a statutory formula that factors income and expenses into the equation. In the case of dry grazing ground in the county, Respondent utilized a monthly rent figure of \$12 per animal unit month (AUM) over five (5) months, the typical "grazing season" in a given year. A soil factor of .33, which equates to three (3) acres per AUM, was applied to the gross income of \$60, resulting in an effective gross income of \$19.80. A 20% expense rate was then applied, which yielded a net income figure of \$15.84. The net income was capitalized at 6.53%, resulting in a

rounded value of \$242 per acre, which Respondent applied to all of subjects' dry grazing land.

### CONCLUSIONS OF LAW

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

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2022, in this case. Market value is always estimated as of a precise point in time. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value: the sales comparison approach, the cost approach, and the income approach.

As the subject properties are assessed as agricultural tracts, the issue in this case does not concern the market values of the parcels, but rather whether the special valuation rate for dry grazing land was appropriate. Appellants argued the \$242 per acre rate applied to subjects' dry grazing land did not adequately account for the dramatic increase in the costs to produce beef. While the Board understands Appellant's concerns and is sympathetic to the difficulties stemming from the current economic climate,

agricultural assessment rates are determined annually through a statutory formula, as follows,

(1) The speculative portion of the value of land actively devoted to agriculture is exempt from taxation.

...

(3) "Speculative portion" shall mean that portion of the value of agricultural land which represents the excess over the actual use value of such land established by comparable sales data compared to value established by capitalization for economic rent or long-term average crop rental at a capitalization rate which shall be the rate of interest charged by the Spokane office of the farm credit system averaged over the immediate past five (5) years plus a component for the local tax rate.

Idaho Code § 63-602K.

Respondent carefully detailed each input into the agricultural land valuation formula, and from the Board's experience, nothing appeared out of the ordinary. While the Board agrees inflation has driven costs upward for nearly everything, Appellants did not demonstrate the 20% expense rate Respondent utilized was erroneous. Even with climbing expenses, the 20% ratio may not change because rents should also increase to offset the increased operating costs. In any event, there was no data or other evidence offered in support of a different expense ratio, so there was no good cause for the Board to alter Respondent's calculations.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subjects' valuations are erroneous by a preponderance of the evidence. The Board did not find the burden of proof satisfied. Agricultural land is assessed specially according to a formula adopted by the legislature and memorialized in Idaho Code § 63-602K. Respondent's calculation of the \$242 per acre rate for dry grazing land adhered to the required statutory provisions and was therefore appropriate in the Board's view.

Based on the above the decisions of the Benewah County Board of Equalization are affirmed.

FINAL ORDER

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

DATED this 24<sup>th</sup> day of April, 2023.

IDAHO BOARD OF TAX APPEALS