

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEALS OF)	APPEAL NOS. 13-A-1165,
BRENDA COWART TRUST AND)	13-A-1166, 13-A-1167 &
JUSTINE COWART TRUST from)	13-A-1168
decisions of the Boundary County Board of)	
Equalization for the tax year 2013.)	FINAL DECISION
)	AND ORDER

AGRICULTURE PROPERTY APPEALS

THESE MATTERS came on for telephonic hearing November 15, 2013, in Boise, Idaho before Hearing Officer Cindy Pollock. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Carl and Ann Cowart appeared at hearing for Appellant. Assessor David Ryals appeared for Respondent Boundary County. These appeals are taken from decisions of the Boundary County Board of Equalization (BOE) denying protests of valuation for taxing purposes of properties described by Parcel Nos. RP61N01E194950A, RP61N01E190965A, RP61N01E190960A and RP61N01E190959A.

The issue on appeal is the proper valuation of land actively devoted to agriculture (Idaho Code Section 63-602K, the agricultural exemption).

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

FINDINGS OF FACT

The subject parcels have some improvements, forestland and dry agricultural ground (dry ag; Category 3). The dispute here involves only the valuation of the land classified as dry ag. Appellant has used the subject agricultural ground to produce grass hay.

The following chart presents the parties' value positions for the dry ag as well as its

associated acreage.

<u>Parcel Nos.</u>	<u>Acres</u>	<u>County Value</u>	<u>Taxpayer Value</u>
RP61N01E194950A	6.82	\$ 6,600	\$ 5,650
RP61N01E190965A	17.62	16,730	11,940
RP61N01E190960A	5.97	5,730	4,910
RP61N01E190959A	11.62	11,130	8,500

The subject soil is shown in the record to have many rocks. This was demonstrated through illustrations and by independent sources. Pictures were offered into evidence by Appellant that showed the subject ground after first and second cuttings. It was evident some intermittent or spot irrigation is used. Among other things, the pictures illustrated numerous areas with thin grass.

Appellant contended it was an error to incorporate farming information from other parts of Idaho, such as the Nampa area, when assessing agricultural property in Boundary County. It was further claimed that even north and south of Bonners Ferry the soils were dissimilar and should not be compared. Pertaining to the subject dry ag, the gravelly and rocky ground is relatively porous where water and nutrients transfer quickly through the soil. It was reported farming the ground is currently costing more than the land produces.

Respondent reported that 12.44 acres of Appellant's dry ag was determined to be of a medium soil type. And 29.59 acres was determined to be of a poor soil type. For the 2013 tax year, the dry ag assessed values increased along with other agriculture land throughout the county. The increases were not due to changes in the soil ratings. Instead, the increases were attributed to the five (5) year average crop price inputs increasing and a corresponding decrease in the five (5) year average capitalization (interest) rate. The

Respondent summarized the valuation approach as “potential net income divided by capitalization rate equals value.” Idaho Code Section 63-602K was also cited.

Respondent reported even with the subjects’ limited farming production and income, the property taxes were much less for the land assessed as agricultural property than they would be for the same land assessed under the market value standard.

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, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Land actively devoted to agriculture may qualify for a partial exemption from property taxes. Pursuant to the controlling definition in Idaho Code Section 63-604(1)(a), the parties agree that each of the subject parcels contains qualifying land, actively devoted to agriculture. This appeal centers not on the land’s qualification for exemption, but instead on the proper taxable value of the land under the agricultural exemption.

The statutory formula for valuing qualifying agricultural land is initially outlined in Idaho Code Section 63-602K (below) and further specified by the statute’s accompanying administrative rules in IDAPA 35.01.03.

63-602K. Property exempt from taxation -- Speculative portion of value of agricultural land.

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

(2) "Land actively devoted to agriculture" means that property defined by

section 63-604, Idaho Code. For purposes of this section, the act of platting land actively devoted to agriculture does not, in and of itself, cause the land to lose its status as land being actively devoted to agriculture if the land otherwise qualifies for the exemption under this section.

(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 of 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.

(4) *The state tax commission shall adopt rules implementing this section which shall provide the procedure by which it shall establish economic rent, average crop rental and capitalization rates and for the publication of crop prices and the discount rate to be used to determine the capitalization rate. (Emphasis added.)*

It is Property Tax Administrative Rules 613 and 614 which contain the bulk of the legal direction (formula) that must be used to value land actively devoted to agriculture. The rules are considered too long to reproduce here.¹

The complex formula for determining value can be characterized as an income approach to value. In a simplified sense, the formula first seeks to determine the net income per acre of the land being valued. It relies in part on harvest time "five (5) year average crop prices" determined by the State Tax Commission -- however these averages "should be considered guidelines subject to modification based on local market data." Appellant raised concerns with using price information from other parts of the state. At least some of Appellant's crop is sold locally. The Assessor in explaining his modeling did not report factoring in local price data. Appellant did not present any details on local prices

¹ The referenced rules can be found in their entirety on the Internet, available at <http://adminrules.idaho.gov/rules/current/35/index.html>.

over the last five (5) years.

Another expressed concern by Appellant was that the subject property's "actual production quality" was not the basis for its assessment. It was reported, and demonstrated, that the subject ground has low production due to the presence of river rock in the soil. At times, some of the ground fails to produce a crop. Appellant did not provide the most recent five-year average of actual production, on a per acre for each parcel. See Property Tax Administrative Rule 613.03.b.

The County assessments relied on production (soils) information from the soil survey work of the federal government. The Board is aware that in Idaho assessment, this is a common basis or starting point used in the determination of a land area's crop production potential. From the survey, each of the subject parcels was identified to have a combination of poor and medium production ground. The soils mapping shows "very poor" classification areas, however none of the subject land was evidenced to overlap these areas in a significant way. Appellant did not provide clear evidence of actual production, that is to say, the actual production of the soil(s) was not quantified nor detailed on a per parcel or overall basis.

Though Appellant presented evidence pertaining specifically to farming the subject land, the Board was not able to compare this information with the requirements of the statutory value formula. Such comparisons may be possible in the future with more information and further analysis. The evidence in record supports that the Assessor followed the legal requirements in determining the assessed values of Appellant's agricultural ground. Under the legislative formula, when duly updated as Respondent has

done here -- and as is required by the law, assessed values can go up as well as down on an annual basis.

In appeals to this Board, and as required by Idaho Code Section 63-511, the burden is on Appellant to prove error in subjects' valuations by a preponderance of the evidence. The Board finds that burden of proof was not satisfied in this case. Therefore the decisions of the Boundary County Board of Equalization will be affirmed.

FINAL ORDER

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

DATED this 21st day of April, 2014.