

BEFORE THE IDAHO BOARD OF TAX APPEALS

RAY MOORE,	)	
	)	
Appellant,	)	APPEAL NO. 17-A-1286
	)	
v.	)	FINAL DECISION
	)	AND ORDER
TWIN FALLS COUNTY,	)	
	)	
Respondent.	)	
_____	)	

**AGRICULTURAL EXEMPTION APPEAL**

This appeal is taken from a decision of the Twin Falls County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP10S16E025400A. The appeal concerns the 2017 tax year.

This matter came on for hearing October 5, 2017 in Twin Falls, Idaho before Board Member David Kinghorn. Appellant Ray Moore was self-represented. Assessor Gerry Bowden represented Respondent.

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

**The issue on appeal concerns the proper valuation of land actively devoted to agriculture pursuant to Idaho Code § 63-602K, the agricultural exemption.**

**The decision of the Twin Falls County Board of Equalization is affirmed.**

FINDINGS OF FACT

The subject parcel is a 40-acre farmstead with 38.16 acres of irrigated cropland. The irrigated land is comprised of two (2) soil types, characterized in county records as OII and OIV. Respondent found the irrigated cropland qualified for the agricultural exemption as "land actively devoted to agriculture." The taxable portion of the agricultural land value

is assessed for \$105,164. Appellant contends the correct value for the cropland is \$100,289. Appellant does not dispute the market value assigned to the parcel's nonexempt homesite and associated improvements.

Appellant argued for a realistic or more reasonable net income per acre calculation. Though recognizing legal requirements related to the calculation, Appellant believed a properly calculated figure should approach the landlord's actual income from sustainable farming. It was alleged Respondent failed to properly incorporate local information by relying on statewide averages and centralized information sources, and not the local market data for Twin Falls County. Property Tax Administrative Rule 613 was quoted which provides, "[a]verage crop prices determined by the State Tax Commission should be considered guidelines subject to modification based on local market data."

Where Respondent used precisely published statewide average crop prices or centrally generated crop enterprise budgets (expenses), Appellant believed the information had not been modified pursuant to administrative rule. Appellant shared examples of how more local information could be obtained for both income and expenses, and asked for costs such as storage and hay covering to be factored in. In one (1) example it was explained Respondent could call local elevators each week for data and the local farmers would encourage the elevators to cooperate with the county. Appellant's research and sampling of local data suggested instances where Respondent's crop price information was higher by thirty-percent (30%) or more. Similarly Appellant showed instances where Respondent's expense allowances could be shown to be lower than actual costs, including

for items such as irrigation cost, storage cost, and seed cost. For expenses Appellant referred to several examples of personal experience.

Appellant acknowledged local farmers operate differently and therefore variations in actual revenues and expenses will exist for the same or similar soils. Appellant also agreed with some of the decisions and inputs Respondent incorporated into its value calculations. Finally, Appellant noted his position wasn't perfect or exact, just believed to be more reasonable and accurate pursuant to the governing rules. Appellant provided information on testing done to check the reasonableness of some of Appellant's crop share or cash rent modeling. In closing Appellant expressed the primary concern was with future assessed values. It was noted if the current farmland assessment practices continued, future appeals were expected.

Responding to Appellant's ideas and arguments on the proper valuation of farmland, Respondent reported seeking input from local farmers by mailing each an annual questionnaire. The response rate on the questionnaire was noted to be 7% with many surveys reportedly sent back blank or incomplete. It was noted a majority of the survey response did not always support the local farming positions argued by Appellant. An example was noted concerning cash rent agreements and the associated cost sharing arrangement for irrigation.

Respondent explained it would prefer to use the cash rent approach overall, which is relatively easier and "cleaner", but explained it would require more information from farmers. The lack of sufficient local information was the reason the state's complete data

was used. It was explained the choice of method and information sources is reviewed annually, and depending on the developed and available data, the decision is made on what to use for farmland assessments.

Respondent reviewed its crop share modeling used to arrive at base values for particular soil types countywide. To the base values, field-specific appraisal adjustments might be made, though the subject lands appeared to have none. Though generally reviewed, the specific assessment calculations for the subject soils, and the underlying data, were not provided to the record by Appellant. Respondent reported achieving uniformity in the values for similar properties was a prime need driving the assessment work.

It was observed by Respondent no two (2) farm operations were exactly alike. Respondent purported to annually seek more data, and more precise data, that would represent the farmers and farmland involved. Appellant's one (1) example, styled Adjusted Rural Investment Land Data Worksheet, was noted to be quite close to the assessed value, which Respondent felt validated the numerous decisions made in its modeling. This calculation changed the model and a number of inputs for the OII soil type.

Other key data sources for Respondent included the state tax commission for average crop prices and interest rate data, and the University of Idaho for crop enterprise costs. Soil survey information identifying different soil types on county lands, and other production information, came from the federal government. In closing, Respondent acknowledged Appellant shared good information at hearing and repeated the interest in

obtaining more cash rent information in the future.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a correct assessment determination. At issue here is a valuation determination pursuant to Idaho Code § 63-602K. 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.

Property is assessed annually on January 1<sup>st</sup>. Pursuant to Idaho Code Section 63-205 the assessment date for the current 2017 tax year is January 1, 2017. Subject's 38.16 acres of irrigated cropland received an exemption for 2017 where the land was found to be actively devoted to agricultural.

The law provides the taxable value of agricultural land be calculated by a statutory formula resembling an income approach to value. On appeal, the parties' disputed some of the correct inputs for the formula. By statute the formula is summarized as the "capitalization of economic rent or long-term average crop rental . . . ." In the accompanying administrative rules, specifically Property Tax Administrative Rule 613.01.a (IDAPA 35.01.03.613.01.a), the law provides the following definition, "[t]he taxable value of agricultural land shall be the landlord's share of net income per acre, capitalized by the annual rate required by Section 63-602K, Idaho Code, plus a component for the local tax rate." Subsection 01.d of Rule 613 provides net income is determined "by deducting the landlord's share of current expenses from economic rent." Current expenses and other

more detailed aspects of the formula are regulated by further administrative rule.

We begin by finding neither party presented detailed calculations of value for the two (2) soil types present on subject. However, Appellant did submit a copy of Respondent's summary valuation worksheet for the OII soil type. Appellant also submitted proposed adjustments to this valuation worksheet together with several pages of supporting exhibit materials. Respondent's explanation of its valuation modeling was more verbal than documentary.

Besides Appellant's select adjustments to Respondent's modeling and inputs, it was alleged Respondent was effectively using a 10-year average, where the law provides for a rolling 5-year average for the crop prices input. In the record before us, we did not find good evidence to support this contention.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. Although Appellant presented a large amount of relevant evidence relating to local farming operations, including gross income and expense information, we did not find the burden of proof satisfied. Respondent also presented extensive evidence, which on the whole was deemed to represent a more comprehensive and reliable result, notably respecting different soil types and their inherent production capability. In the end, Respondent's valuation consideration was judged to be the more reliable and suitable for subject's 2017 assessment. It was not erroneous to rely on statewide averages information when more local information was limited, inconsistent between different farmers, untimely, or less

comprehensive than the information available from state level sources.

In the end, Appellant was not found to have presented a supported valuation for the 38.16 acres of irrigated cropland. Further Appellant's proposed modeling appeared to present a hybrid mix between the share crop and cash rent alternatives. We read Rules 613 and 614 to provide for one or the other method, and not some combination of the two (2).

For the reasons expressed, the decision of the Twin Falls County Board of Equalization is affirmed.

#### DICTA

We are motivated to say Appellant was articulate in raising concerns and in describing alternative information sources. We also note Respondent's expressed interest to work with local farmers to obtain better inputs and to address areas of taxpayer concern. We state here our hope and expectation such communications continue beyond this case.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Twin Falls County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 16<sup>th</sup> day of February, 2018.