



(Category 3), and 3,261.298 acres of dry grazing land (Category 5). The “home” parcel is improved with three (3) older residences, two (2) of which are occupied. The home parcel is further improved with various outbuildings and Quonsets, and includes nearly 480 acres of various agricultural land types. The home parcel is situated roughly two (2) miles from the county road and is accessed via a private driveway.

Appellant challenged both the assessed values of the residential improvements, as well as, the values for the different categories of agricultural land. Starting with the residences, Appellant questioned whether they had any market value at all. It was suggested county regulations would not permit the residences to be sold separately from the ranch because there is no public access to the home parcel. It is effectively land-locked by the surrounding ranch. This access issue was also attributed to the high likelihood no lending institution would finance the residences and no title insurance company would issue a title insurance policy. Appellant acknowledged an easement could be granted to permit access to the home parcel from the county road, however, such an arrangement would be disruptive to the ranch operation. In Appellant’s view, the only scenario under which the residences could be sold would be if a buyer purchased the entire ranch operation. In that scenario, Appellant thought it likely a new owner would demolish the residences and start fresh.

Regarding the valuations for subjects’ agricultural land, Appellant discussed each category in turn. The common argument for each was that Respondent should not use the cash rent method to develop the land assessment rates, but rather the formula should be based on specific yields. For subjects’ irrigated land, it was explained an irrigation system was installed which has helped crop production, however, the growing season in the Bone area is

shorter than in other parts of the county. According to Appellant, subjects' irrigated acres sit roughly 5,600 feet above sea level, which results in a two (2) to three (3) week shorter growing season. This means not as many cuttings of alfalfa can be harvested. In fact, an incident this past July was referred to where the Bone area experienced an overnight freeze, while the irrigation pivot was left running. The freezing temperatures effectively killed the portion of the field over which the pivot ran during the night. Due to the lower yield potential and increasing fuel and fertilizer costs, it was contended the irrigated acres were over-assessed.

For the non-irrigated agricultural land, Appellant again argued the cash rent method should not be used. Altitude was again cited as an obstacle to production. Subjects' non-irrigated acres sit at an elevation of roughly 6,500 feet, which negatively impacts crop yield. Appellant reported an average barley yield of about twenty (20) bushels per acre, whereas it was noted the assessment model uses a yield rate of thirty-five (35) bushels per acre.

Lastly Turning to the dry grazing land, Appellant reported the assessed values increased between 100% and 200% for the current year. Again, the current assessment methodology was challenged. In this instance, Appellant suggested Respondent adopt a model similar to the one used by the Bureau of Land Management (BLM) when it leases land to a private rancher. Specifics concerning the BLM model were not offered, however, Appellant stressed the importance of the fact the model is tied to the beef market. Therefore lease rates decrease when the beef market is down. Appellant reported the beef market had been relatively flat the past couple years, so dry grazing assessments shouldn't have increased like they did.

Respondent addressed the residential improvements separately from the land actively

devoted to agriculture. Concerning the residential improvements and outbuildings, it was explained this Board ordered a reduction of roughly \$39,000 for the 2018 assessment year. The decision stated the reduction was to be applied to the outbuildings and the unoccupied residence. The county was given the discretion over the specific allocation. Because the unoccupied residence was only valued at \$28,450, Respondent applied most of the adjustment to the outbuildings. This caused their combined value to be reduced to \$38,115. The same values were ultimately carried forward to the current 2019 assessment.

With the residences, Respondent maintained the assessed values were reasonable and do take into account the unique location and access challenges, as well as the condition of these improvements. For the main house, it was explained a comparable residence in a different part of the county would be assessed at nearly \$140,000, not the \$74,036 value currently assessed. In similar fashion, the other two (2) residences would be valued at roughly \$85,000 and \$150,000, instead of \$28,450 and \$79,149, respectively. In a different comment, it was noted the subject residences were valued at about one-half ( $\frac{1}{2}$ ) the average sale price for similar residences. A list of ten (10) sales from 2017 and 2018 was provided which confirmed the subject residences are assessed lower than any of the sales on the list.

Turning to subjects' agricultural land values, Respondent first explained the cash rent method is not used in the county. Rather, Respondent uses a crop-share model commonly used around Idaho for assessing agricultural land. It was noted the capitalization rate for the legal formula is provided annually by the Idaho State Tax Commission. As for other inputs, such as crop yield, commodity prices, management fees and crop expenses, it was explained these inputs are derived from annual surveys sent to agricultural land owners. Respondent

highlighted crop yields for subjects' non-irrigated ag land was obtained from surveys specific to the local Bone area, not the broader county. Other inputs, such as commodity prices and operational expenses were determined from broader county surveys. For dry grazing, Respondent's model includes six (6) different land classes, depending on soil type and production capabilities. The top class is assessed at \$200 per acre. Subjects' non-irrigated land includes acres in several different land classes, but mostly below the top Class 1 level.

Subjects' irrigated acreage was assessed using the same process as the non-irrigated land. The acreage was valued according to its specific land class tied to the information obtained from the annual surveys.

Respondent explained the large increase in dry grazing values was directed by the Idaho State Tax Commission. The Tax Commission advised the county its dry grazing assessed values were too low and must be increased. To assist in the new valuation effort, Respondent collected information from dry grazing land owners across the county. In total, roughly 4,417 acres county-wide were reported as dedicated to dry grazing. Based on acres grazed, headcount, and months grazed, Respondent identified a rate of \$15.50 per animal unit month (AUM), which translated to a base value rate of \$85 per acre. Higher rates were used for superior grazing land and lower rates were utilized for lesser grazing land. The quality of subjects' dry grazing land varied, which is reflected in the respective assessments.

#### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support fair determinations 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.

The issues in these appeals concern the valuations of two (2) distinct property types; 1) residential property, which is assessed under the market value standard, and 2) land actively devoted to agriculture, which land is assessed specially pursuant to Idaho Code and administrative rule. We will address each property type in turn.

Non-exempt property is subject to annual assessment for purposes of taxation. Idaho Code § 63-205 requires this property be assessed at market value on January 1; January 1, 2019 in this case. 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. The three (3) primary methods for determining market value are the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant argued the residences and their underlying homesites effectively have zero value because they cannot be sold separately from the larger ranching operation due to an access situation. The “home” parcel is accessed via a privately-maintained road roughly two (2) miles in length. Appellant doubted any lending institution would finance a residence without direct public access and contended no title company would issue title insurance on such a property. While we agree the subject residences do present a unique appraisal question due to their remote location and access, it is difficult to accept the structures are worthless. After

all, two (2) of the residences are actually in use for their intended residential purpose. Further, Idaho Code § 63-208 requires property be assessed according to accepted appraisal techniques “. . . provided, that the actual and functional use shall be a major consideration when determining market value for assessment purposes.” The subject residences are dwellings and must be valued as such.

The challenge, however, is accurately estimating the residence's market values. Admittedly, the remote location and deferred maintenance issues make it difficult to identify good comparable sales. Though not the emphasis of Respondent's valuation case, a list of residential sales of similar quality and condition was provided. None of the sale properties were directly compared to subject. Though it was noted the subject residences were all assessed notably less than the reported sale prices. Instead of a direct sales comparison approach, it appears Respondent relied primarily on the cost approach and applied heavy depreciation and location adjustments to value the subject residences. Though the Board would have been interested in more details concerning the appraisal analysis, the information provided suggests the values of residences are reasonable. And as Appellant offered no competing market value or appraisal evidence to support a lower valuation, the Board is disinclined to disrupt the current valuations of the residences and outbuildings.

The remaining issue concerns the value of subjects' agricultural land. Appellant mostly disagreed with the methodology used to assess the land. It also argued the large one-year increase in the value of dry grazing land was excessive, particularly given the relatively flatter cattle market. Though we understand Appellant would prefer a different methodology, the assessor is bound by the requirements set forth in Idaho Code § 63-602K and its

administrative rules promulgated by the Idaho State Tax Commission. This law permits the Assessor to determine certain aspects of the formula and its inputs and we did not find where that discretion was abused. It was demonstrated Respondent actively endeavors to equitably and accurately assess all agricultural land by collecting surveys from local ranchers and farmers concerning crop yields, operating expenses, and other relevant information. Some of the data, as in the case of non-irrigated land, is broken into very specific areas within the county in an effort to recognize production variations. Other data, such as commodity prices, are applied on a county-wide basis. In short, the Board was strained to find how Respondent's agricultural land assessment methodology strayed from the legal requirements. That the values of dry grazing lands increased notably in a single year is not a sufficient basis upon which to reduce values.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subjects' valuations by a preponderance of the evidence. Given the record in this matter, we did not find the burden of proof satisfied. Appellant did not offer adequate support for a reduction in the assessed market values of the residential improvements. Nor was it demonstrated Respondent erred in its valuations of the agricultural land. The law requires a specific formula approach for valuing agricultural land and nothing in the record suggested Respondent deviated from this valuation methodology.

Based on the above, the value decisions of the Bonneville County Board of Equalization are affirmed.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value

decisions of the Bonneville County Board of Equalization concerning the subject parcels be,  
and the same hereby are, AFFIRMED.

DATED this 7<sup>th</sup> day of February, 2020.