

**BEFORE THE IDAHO STATE BOARD OF EQUALIZATION**

In the Matter of the 2024	)	
Operating Property Ad Valorem	)	
Valuation of	)	DOCKET NO. 0-792-519-680
	)	
PACIFICORP,	)	DECISION
	)	
Petitioner.	)	
	)	
	)	
	)	

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PACIFICORP (Petitioner) filed a timely protest of the value of its operating property on the basis that the Property Tax Division of the Idaho State Tax Commission (Staff) improperly and incorrectly appraised Petitioner’s property. David Crapo, Crapo Deeds PLLC, represented Petitioner. Matt Shriver, Deputy Attorney General, represented the Property Tax Division of the Idaho State Tax Commission (Staff).

DISCUSSION OF THE CASE AND FINDINGS

Petitioner’s property is operating property as defined in Idaho Code § 63-201(16). Operating property is assessed annually by the Idaho State Tax Commission acting as the Board of Equalization (Board) pursuant to Article 7, Section 12 of the Idaho Constitution. An owner of operating property may request a “hearing before the commission in relation to the assessment” of a property owner’s property. Idaho Code § 63-407. In these hearings, the property owner has an opportunity to contest the Staff’s recommended appraised values. *See* Property Tax Administrative Rule 407. The burden of proof is on the taxpayer challenging staff’s appraisal to show that they are entitled to the relief requested. *See* IDAPA 35.01.03.407.09.e; *PacifiCorp v. Idaho State Tax Comm’n*, 153 Idaho 759, 767, 291 P.3d 442, 450 (2012); Idaho Code § 63-409(2).

### **Valuation issues**

Petitioner presented two specific issues in their appeal asserting errors regarding equalization and the Net Operating Income (NOI) estimate. Petitioner argues that Staff did not follow Idaho Code § 63-205B when it replaced Petitioner's operating expense with an amount meant to achieve average gross-profit margin based on the years 2013 through 2022. Further, Petitioner argued that wildfire expenses for the past year should be classified as "recurring." They also generally argued that the Staff failed to properly estimate the cost of capital and that they failed to remove obsolescence from the cost approach.

Staff defended their appraisal with explanation that the methods the Staff used are generally accepted and standard practice in the appraisal industry. Staff reassured that compliance with Idaho Code § 63-205B is met because the statute sets forth that the income approach be "normalized ... by using an average of *at least* the previous four (4) years' net operating incomes and by adjusting each year's net operating income for unusual nonrecurring items." Also, Staff argued that Petitioner's 2023 wildfire liability expenses as a "unusual nonrecurring item."

This Board finds that the value set forth in Staff's appraisal should be upheld because the Board does not agree with Petitioner's position as to the 2023 wildfire liability expenses. Although wildfires occur from year to year, the amount of the 2023 expense was highly unusual and outside the norm compared to the past 12 years of expenses Petitioner incurred. Further, it was proper for the Staff to use an average of more than 4 years of net operating incomes, as Idaho Code § 63-205B allows in Petitioner's circumstance.

### **4-R Act Issue**

Petitioner asked for their assessed value to be reduced by the same amount that it would be reduced under the federal 4-R Act if Petitioner were a railroad. The 4-R Act requires states to use ratio studies to test whether commercial and industrial property has been assessed at a level that is

more than five percent below the ratio of market value at which the railroads were assessed and to grant railroads relief if commercial and industrial property is found to be below 95%. In May 2023, the Idaho Supreme Court held that Idaho's constitutional uniformity requirement entitles owners of operating property that qualify the same relief that railroads receive under the 4-R Act. *Idaho Power Company v. Idaho State Tax Commission*, 530 P.3d 672 (2023).


Tax Commission staff prepared a report applying the same methodology to all operating property in Idaho as is applied to the railroads. This report uses ratio studies based on the commercial and industrial property values in the counties where the railroad (or in this case, Petitioner's property) is present to determine whether a reduction should be granted under the 4-R Act. The Board took up this issue generally on August 14, 2024, and decided to grant the reductions shown in Tax Commission staff's report for all operating properties in Idaho. Pursuant to that decision, Petitioner is receiving a 9.13 percent reduction to the appraised value.

#### CONCLUSION AND DECISION

We, the Idaho State Tax Commission, sitting as the State Board of Equalization, reduce the recommended value of \$655,935,132, as contained in the Tax Commission property tax staff's appraisal report, by 9.13 percent based on the 4-R Act claim. The board hereby assesses \$596,048,254 to be the taxable value of Petitioner's operating property.

DATED this 26<sup>th</sup> day of August 2024.

IDAHO STATE TAX COMMISSION

  
\_\_\_\_\_  
Jeff McCray  
Commissioner

  
\_\_\_\_\_  
Jared Zwygart  
Commissioner

  
\_\_\_\_\_  
Janet Moyle  
Commissioner

CERTIFICATE OF SERVICE

I hereby certify that on this 26<sup>th</sup> day of August 2024, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

DAVID CRAPO

Receipt No.

7019 2970 0000 3044 1584

A handwritten signature in blue ink is written over a horizontal line. The signature is cursive and appears to read "M. J. ...".