

**PROPERTY TAX RULES COMMITTEE
AGENDA**

The Committee convenes on Tuesday May 22, 2018, at **9:00 a.m.** at:

Idaho State Tax Commission
Room 1CR5 / Plaza IV / 800 Park Ave / Boise, Idaho

| | |
|---|--------------------------------------|
| Welcome & Introductions | <i>Committee Chair Alan Dornfest</i> |
| Approval of Minutes – Feb.27 & April 3, 2018 | <i>Committee Chair Alan Dornfest</i> |
| Temporary Rules Report – 600, 802 & 803 | <i>Committee Chair Alan Dornfest</i> |
| Rules Status Report – Today, May 22, 2018 (3-5) | <i>Rick Anderson</i> |

Rules:

- 1) Rule 005 – Future change of address for the ISTC (6)
- 2) Rule 312 - Application of I.C. 63-602Y to property owned by the government transferred to private party (7-9)
- 3) Rule 408 - Assessor's request to re-examine operating property value must be filed before July 15 (10-11)
- 4) Rule 600 – Property tax exemption – Provisional exemption (HB459) (12-13)
- 5) Rule 610 & Rule 709 - Clarification that HOE and Circuit Breaker partial ownership rules apply only when the deed does not contain specific allocation percentages (14-18)
- 6) Rules 613, 614 – Speculation Value for Agricultural Land and Examples – Subcommittee report (19-32)
- 7) Rule 630 – New Capital Investments – (adds operating property, HB591) ((33-38)

- 8) Rule 802 – 1) HB559 deduct provisional exemption 2) New districts or districts newly annexed into RAAs with respect to increment value to be added as new construction later (39-45)
- 9) Rule 803 – 1) HB559 – provisional exemption 2) HB392 – change solar date 3) HB 567a- cemetery (46-54)
- 10) Rule 804 – Definition of “base assessment roll” [(I.C. 50-2903(4)] in respect to exempt property becoming taxable (55-66)
- 11) Rule 962 – (HB462) Forest Land Taxation Rule – Re-classification process to be determined by the Committee on Forest Land Taxation Methodology (67-72)

Discussion Items:

- 1) Veterans’ benefit program – surviving spouse (73)
- 2) Agricultural equipment exemption – HB 594a (74-78)

Next meeting date: Does Tuesday June 12 work?

Meeting adjourned

For more information, please contact the Committee Chair, or the Rules Coordinator at kimberlee.stratton@tax.idaho.gov, or at 208.334.7544. All agendas and rules related documents are posted on our website under the appropriate committee.

**Property Tax Rules Status Report
2018 – 2019 Rules
May 22, 2018**

| Rule No. | Neg? notice date | Subject Matter | Date Sent/ DFM Track No. | Date-DFM-ARRF Approved | Rule Status | Most Recent Draft | Comments | Date Sent For Publication |
|-----------------|-------------------------|---|---------------------------------|-------------------------------|--|--------------------------|--|----------------------------------|
| 005 | No, None | Contact Information | 4/04/18, 2018-14 | 4/06/18 | On Today's Agenda – Cont. review | Draft 2, 5/15/18 | Address Change, verify other contact information – Addresses for field offices verified; need confirmation on P. O Box # | |
| 006 | No, None | Incorporation by Reference | 2/26/18, 2018-1 | 3/19/18 | Tabled - July | Draft 1, 3/20/18 | Standard updates – prepared synopsis of change; so far only the rail-road register dates need updating | |
| 312 | Yes, May 2 | Partial Year Assessment | 2/26/18, 2018-2 | 3/6/18 | On Today's Agenda – Cont. review | Draft 1, 5/2/18 | Government property transferred to private sector to be taxed based on quarterly proration of value per I.C. 63-602Y | |
| 408 | Yes, May 2 | Assessor's review of Operating Property | 2/23/18, 2018-3 | 3/6/18 | On Today's Agenda – ready for approval | Draft 1, 5/2/18 | Final value; change to Preliminary value | |
| 600 | Yes, | General Exemptions Rules | 4/13/81 | 4/30/18 | Discussion only – need to publish | None | Adds provisional exemption procedures to general exemption rule; same content as 600T. | |
| 600T | No | General Exemptions Rules | 4/13/18 | 4/30/18 | 5/23 open meet. | Draft 1, 5/1/18 r-18-01 | Adds provisional exemption procedures to general exemption rule | |
| 610 | Yes, May 2 | Partial owner-ship - HOE | 2/26/18, 2018-4 | 3/6/18 | On Today's Agenda – Cont. review | Draft1, 5/15/18 | HOE Clarification: Clarify when examples are to be considered - If specified in the deed, the ownership interest are determined as specified | |

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| 613 | Yes, May 2 | Spec. value – agricultural land | 3/7/18, 2018-10 | 3/19/18 | Sub-committee Report | First Draft | Petition received plus additional review | |
| 614 | Yes, May 2 | Spec. value – agricultural land - Examples | 3/7/18, 2018-11 | 3/19/18 | Sub-committee Report | First Draft | Petition received plus additional comments | |
| 630 | Yes, May 2 | New Capital Investments – The Billion \$ to qualify one | 4/4/18, 2018-13 | 4/4/18 | On Today's Agenda – Cont. review | Draft 1, 5/2/18 | HB591 – IC 63-4502, exemption expanded to include operating property | |
| 702 | Yes,? | 100% SDC Veterans Benefit - | | None | Arrf Prepared | Need to publish | HB492 Veterans benefit– Continued eligibility after the death of the claimant | |
| 709 | Yes, May 2 | Partial owner-ship - PTR | 4/3/18, 2018-12 | 4/4/18 | On Today's Agenda – Cont. review | Draft 1, 5/15/18 | Circuit Breaker Clarification: Clarify when examples are to be considered - If specified in the deed, the ownership interest are determined as specified – see Rules 610 | |
| 802 | Yes, May 2 | Budget Certification – New | 2/21/18, 2018-5 | 3/6/18 | On Today's Agenda – Cont. review | Draft 1, 5/2/18 | HB 559 – Provisional exemption Deduction – Plus how new construction is counted when a dissolving RAA that has expanded into a taxing district or when a taxing district has expanded into the RAA. | |
| 802T | No | Budget Certification – New Construction | 4/5/18, 2018-18 | 4/6/18 | 5/23 open meet. | Resol. 18-01 | HB 559 – Provisional exemption – New Construction Deduction | |

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| 803 | Yes, May 2 | Budget Certification-Dollar Amount (L2) | 3/30/18, 2018-16 | 4/6/18 | On Today's Agenda – Cont. review | Draft 1, 5/2/18 | HB559 – provisional exemption; HB392 - solar farm date change; HB567a – cemetery district consolidations. | |

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|------|------------|---|------------------|--------|----------------------------------|----------------------|---|--|
| 803T | No | Budget Certification-Dollar Amount (L2) | 4/5/18, 2018-17 | 4/6/18 | 5/23 open meet. | Resol. 18-01 | HB 559 administration. Provisional exemption. | |
| 804 | Yes, May 2 | Urban Renewal | 2/23/18, 2018-6 | 4/4/18 | On Today's Agenda – Cont. review | Draft 1, 5/2/18 | C. 50-2903(4) – says that property that becomes taxable after the date of the base assessment roll is added to the base? Does this mean only [exempt] property that existed when the base was formed – But what about new [exempt] property added later? 602NN exemption | |
| 962 | Yes, May 2 | Forest Land Taxation – process to change productivity class | 3/30/18, 2018-15 | 4/6/18 | CFTM sub-committee is working- | <u>Coming</u> | HB462 directs the CFTM to designate a process to follow when the assessor changes the productivity classifications which shall be implemented by administrative rule. At a minimum, the process must address landowner notification, inspector qualifications, and records retention. | |
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Other Open Items for Discussion

| Issue | Rule |
|--|---|
| Agricultural equipment exemption – HB 594a | None - Hops, mint, etc. – work on new rule or rely on current statute |
| Annexation Value | Rule Computation of operating property value in an annexation |

005. OFFICE -- OFFICE HOURS -- STREET AND MAILING ADDRESSES -- PHONE AND FACSIMILE NUMBERS -- E-MAIL ADDRESS (Rule 005).

01. Main Office. The State Tax Commission main office is located at ~~800 Park Blvd., Plaza IV-11321~~Chinden Blvd., Building 2, Boise, Idaho ~~83712-7742~~ 714. The correspondence mailing address is P.O. Box 36, Boise, Idaho 83722-0410. The State Tax Commission's Website is www.tax.idaho.gov. The telephone number for Taxpayer Services is (208) 334-7660, or toll free 1-800-972-7660, and the facsimile number is (208) 334-~~7846~~ 7629. The State Tax Commission's e-mail is taxrep@tax.idaho.gov. Main Office hours are from 8 a.m. to 5 p.m. Monday through Friday except for legal holidays. (3-15-02)(____)

02. Regional Field Offices. The address and phone number for each regional field office is listed in IDAPA 35.02.01.005, "Tax Commission Administration and Enforcement Rules," Rule 005. (3-15-02)

03. Hearing Impaired. Hearing impaired individuals may contact any State Tax Commission office by using the Idaho Relay Service Number 1-800-377-3529. (3-15-02)

312. PARTIAL YEAR ASSESSMENT OF REAL AND PERSONAL PROPERTY (Rule 312).

Sections 63-311 and 63-602Y, Idaho Code

01. Quarterly Assessment. For each partial year assessment of any non-transient personal property, the assessment shall comply with the quarterly schedules provided in Sections 63-311 and 63-602Y, Idaho Code. (5-3-03)

02. Change of Status. The real or personal property that has a change of status as described in Section 63-602Y, Idaho Code, does ~~not~~ include federal or state of Idaho property. The property of the United States, ~~except when taxation thereof is authorized by the Congress of the United States,~~ the state, counties, cities, urban renewal agencies, school districts, and other taxing districts that is transferred to a private, non-exempt owner becomes taxable and is to be assessed as described in Section 63-602Y, Idaho Code ~~continues to maintain a non-taxable status until January 1 of the year immediately after transfer. However, property owned by an urban renewal agency that is transferred to a private owner is subject to property tax according to the proration as described in Section 63-602Y, Idaho Code.~~ (3-29-12)()

03. Cross Reference. The partial year assessment of any non-transient personal property shall comply with the Idaho Supreme Court decision in Xerox Corporation v. Ada County Assessor, 101 Idaho 138, 609 P.2d 1129 (1980). When assessing all non-transient personal property, each assessor should be aware of the following quotation from this decision: "Where the county undertakes to update its initial (personal property) declarations during the course of the tax year, it cannot increase a taxpayer's tax burden to reflect the taxpayer's acquisition of non-exempt property without decreasing that tax burden to reflect the fact that property reported by the taxpayer in an earlier declaration was no longer subject to the county's ad valorem tax." (Clarification added.) (5-3-03)

From: George R. Brown [<mailto:George.Brown@tax.idaho.gov>]
Sent: Tuesday, November 14, 2017 10:45 AM
To: Mike McDowell <mmcdowell@kcgov.us>
Cc: Alan Dornfest <Alan.Dornfest@tax.idaho.gov>; Steve Fiscus (sfiscus@tax.idaho.gov) <sfiscus@tax.idaho.gov>; Richard Houser <rhouser@kcgov.us>
Subject: RE: Rule regarding 63-602Y

Hi Mike,

The question is: Does any Idaho law, besides current administrative rule, preclude the application of the provisions of Idaho Code 63-602Y to property transferred from government ownership into an otherwise non-exempt status at some point during the year.

I believe that it is legal for government property to be rolled on (for lack of a better term for pro rating a year when exempt status is lost) just like any other exempt property under Idaho Code 63-602Y, and property tax rules can be modified accordingly.

There has been a thought espoused that government property could not constitutionally be included under that provision, but I am unable to find where that thought is supported. One argument I continue to hear in support of that notion is that government property is “non-taxable” instead of being “exempt.” I’m not sure there is a legal difference in those two terms. That may be irrelevant, however, because both the Idaho Constitution and Idaho Code provide for an “exemption” for governmental property from taxation and both are otherwise silent on the issue.

My predecessor here at the Commission, Carl Olsson, is often identified as the precedent setter for this train of thought. I have not had a detailed conversation with him about it, but my understanding from those still at the Commission is that he identified *Hoover v. Minidoka County*, 50 Idaho 419 (1931) as determinative of the issue. That case discusses in fair detail (and, to its credit, fair modern English for an older case) the fact that prior and current taxes and associated liens are expunged on any property when it is transferred into government ownership. *Hoover* does discuss the issue at hand, albeit in broader terms, because that case really determined if a lien on land that was subsequently foreclosed by a governmental entity would spring back into being when the government transferred the land to a non-exempt owner. The *Hoover* Court correctly determined that, no, tax liens do not survive the government ownership and, while getting to that conclusion, cites its own precedent from a contemporary case, *Winton Lumber v. Shoshone County*, 294 P. 529 (1931) that concluded that property could not become taxable during a year in which it was originally exempt. The *Hoover* Court further quotes *Clearwater Timber Co. v. Nez Perce County* (C.C.) 155 F. 633 (Dist. Idaho, Northern Div., 1907) and identifies that case as establishing the doctrine it chose to follow in *Winton Lumber*. The judge in *Clearwater Timber* based that conclusion on a reasonable analysis of the policy involved and the fact that there was no statute allowing for assessment of property for only part of the year at that time. This may be where the divergence of my opinion and the basis of our current rule lies.

My understanding is the current rule disallowing part year assessment of property transferred away from government ownership is based on the reading of the case law above to deny such assessment. This is in conflict with the current Idaho Code 63-602Y, which allows for such part year assessment without any exclusion of property owned by the government. I think what has been missed is that the case law behind such a reading existed before the provisions of 63-602Y existed. The language of 63-602Y was originally promulgated as 63-105(20) in House Bill no. 231 in 1949, 18 years after the *Hoover*

case was decided. Before House Bill 231, any exemption of property would result in a full years exemption, regardless of transfers into non-exempt status during the year, unless there was some other statute governing the issue. The judge in *Clearwater Timber* points out that there were such statutes existing at the time, but not for transfers of real estate. Also, there was clearly not a differentiation in the law between property owned by the government and that owned by any other exempt entity at that time because the example he used in the *Clearwater* opinion was not a transfer from the government but, instead, a transfer of property exempted due to its ownership by a widow. Reading that case without taking into consideration the change in the law could lead to the conclusion that government ownership at any point during a year excludes property from taxability for the whole year.

There is a body of mostly federal case law I have dipped into that discusses government property being “non-taxable.” Those cases, in general, stand for the conclusion that property owned for “public purposes” is never taxable, but property owned by the government but not used for “public purposes” is taxable without further exemption. One could read into that body of law a difference in treatment of governmental property because if the property was owned by the government on the date of assessment (January 1) it would never be assessable for the year. Idaho Code 63-602Y only speaks to exempt property and not “non-taxable” property. One would have to make the leap that the non-taxable status (if it really exists as a separate status) would somehow create a situation that precluded a county from later picking up property to be taxed during the year. I cannot identify any precedent that would indicate the non-assessable nature of the property on the date of assessment would create a shield for what would otherwise be taxable property later in the year.

At this point, I see no reason to interpret 63-602Y as precluding the part year taxation of property the government transfers sometime during the year. That exception to 63-602Y exists only in administrative rule and, as has been discussed recently in the rules committee meetings here at the Tax Commission, doesn’t really make sense. I would enjoy hearing any other reading of this issue that someone might have out there before a decision on a new rule is made.

Thanks,

George R. Brown • Deputy Attorney General

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408. RE-EXAMINATION OF VALUE -- COMPLAINT BY ASSESSOR (RULE 408).

01. Request for Reexamination of Value. Section 63-408, Idaho Code, entitles the assessor (complainant) of any county in which the value of operating property is apportioned, to request that the State Tax Commission reexamine the valuation. (7-1-99)

02. Information to be Provided by the State Tax Commission. After ~~final~~ preliminary values are established and sent to the respective taxpayers, the State Tax Commission shall send to each County Assessor a statement of the value allocated to Idaho for each centrally assessed taxpayer, together with the previous year's Idaho value for that taxpayer. ~~(7-1-99)~~(____)

03. Complaint. On or before July 15, a complainant may file a complaint under Section 63-408, Idaho Code. A complaint by an assessor to the State Tax Commission to examine the valuation and allocation of value of operating property must be in writing and contain clear and concise questions regarding the valuation and allocation in question. The State Tax Commission shall send a copy of the complaint promptly to the taxpayer. (7-1-99)

04. Meeting to Examine Valuation and Allocation. Upon receipt of a complaint under Section 63-408, Idaho Code, the staff of the State Tax Commission shall schedule a meeting between the staff appraiser(s) who performed the valuation and allocation and the complainant. Notice of this meeting shall be sent to the taxpayer in question. At this meeting, the staff appraiser(s) shall answer the complainant's questions to the best of his knowledge. The taxpayer or representative may participate in this meeting. (7-1-99)

| From the Assessor's Calendar | | |
|-------------------------------------|---|--|
| FIRST WEEK IN JULY | <p>Notice of Operating Property Value – During this week, the state tax commission will notify each operating property owner of the value, appeal rights, and August 1 deadline for filing an appeal.</p> <p>Operating Property Values to Counties – During this week, the state tax commission will provide preliminary operating property values by district to county auditors and by county to assessors for examination.</p> | <p>§ 63-407 Rule 407 § 63-408 Rule 408</p> |
| JULY 15 | Deadline to File for Re-Examination of Value – No later than this date, any assessor wanting to request a re-examination of the value of any operating property must submit a written request to the state tax commission. | § 63-408 Rule 408 |
| THIRD MONDAY IN JULY | Operating Property Annexation Values Reported – The state tax commission shall report to the county auditor the preliminary operating property annexation values. | Rule 800 |

Rule 408

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600. PROPERTY EXEMPT FROM TAXATION.

Sections 63-602 and 63-1305C, Idaho Code

01. Burden of Proof. The burden of proof of entitlement to the exemption is on the person claiming exemption for the property. (4-4-13)

02. Notice of Decision. (4-4-13)

a. For property subject to local assessment with exemptions requiring annual application as specified in the statute providing the exemption or in Section 63-602(3), Idaho Code, the taxpayer must be notified of the decision of the county commissioners to grant or deny the exemption by May 15 unless a different date is prescribed in the law providing the exemption. (4-4-13)

b. For property subject to assessment by the State Tax Commission, application for any exemption shall be included with the operator's statement to be submitted as provided in Rule 404 of these rules. (4-4-13)

03. Confidentiality. Information disclosed as part of an application for an exemption is confidential to the extent provided by in Section 74-107, Idaho Code, or elsewhere in law. Information disclosed to the county commissioners as part of the application process for an exemption shall be deemed submitted to the assessor and entitled to any confidentiality that would have been conferred had such information been disclosed initially to the assessor (4-4-13)

04. Provisional Exemptions. The following definitions apply in determining the extent and process for applying for the provisional exemption provided in section 63-1305C, Idaho Code. (1/1/18)T&P

a. "Property that is being constructed". Property that is being constructed or renovated may include land, buildings, and associated personal property that would receive an exemption once the construction is complete and the property is used for exempt purposes. (1/1/18)T&P

i. If part of the land or other property owned by the entity seeking the exemption is to be used for non-exempt purposes, that part shall not be eligible for the provisional exemption. (1/1/18)T&P

ii. Land and existing buildings that will be considered exempt upon use of the property for exempt purposes, but that were taxable on January 1 of a tax year during which the provisional exemption was granted may be granted the provisional exemption beginning the immediately following tax year. Renovations and personal property related to the exempt purpose of the property, but that add value after the granting of the provisional exemption, shall not be taxed. (1/1/18)T&P

iii. Application for the provisional exemption may be filed with the county commissioners at any time once a building permit is issued or renovation begins. Deadlines for application and notification of the decision of the county commissioners found in Section 63-602(3) do not apply. (1/1/18)T&P

b. “Property owner”. The property owner may apply for the provisional exemption provided the intended use of the property is to fulfill a purpose that is exempt from property tax. The owner must apply for the exemption, but need not be an exempt entity or the intended user. (1/1/18)T&P

610. PROPERTY EXEMPT FROM TAXATION -- RESIDENTIAL IMPROVEMENTS -- SPECIAL SITUATIONS (RULE 610).

Sections 63-602G and 63-701(2), Idaho Code

01. Scope. This rule addresses issues relating to the homeowner's exemption as it applies to certain unusual factual situations. It states general principles applicable to unusual cases and provides some illustrative examples. The rule cannot address every conceivable situation that may arise, but the principles established may apply to the resolution of situations not addressed in the rule. (7-1-99)

02. Definitions. The following definitions apply to this rule: (4-7-11)

a. Dual Residency Couples. As used in this rule, "dual residency couple" means a husband and wife, each of whom has established a different dwelling place as his or her primary dwelling place as defined in Section 63-602G, Idaho Code, and Subsection 609.03 of these rules. (4-2-08)

b. Multidwelling or Multipurpose Building. "Multidwelling or Multipurpose Building" means a building which is the primary dwelling place of the owner and which has a portion used for any purpose other than the primary dwelling place of the owner. (4-7-11)

c. Related Land. "Related Land" means land, not to exceed one (1) acre, that is reasonably necessary for the use of the dwelling as a home. (4-7-11)

03. Dual Residency Couples -- General Principles. (7-1-99)

a. Whether a particular residential improvement is an individual's primary dwelling place is a question of fact for each individual. Each spouse of a dual residency couple can maintain a separate primary dwelling place for purposes of the homeowner's exemption. The test to be applied is the general test set out in Subsection 609.03 of these rules. (4-2-08)

b. If a residential improvement is community property, either the husband or wife may exercise full management or control over it, except that neither the husband nor the wife can sell or encumber the property without the written consent of the other. Thus, either the husband or the wife can file an application for the homeowner's exemption regarding community property on his or her own authority. The signature of the other spouse is not required on the application. See Section 32-912, Idaho Code. (7-1-99)

c. Neither spouse is a partial owner of community property. (This principle is an exception to laws generally governing community property interests. It applies only for matters relating to the homeowner's exemption or the circuit breaker property tax relief program. See Section 63-701(7) Idaho Code.) Thus, there is no authority to reduce the value of the improvement proportionally to reflect one (1) spouse's ownership in community property before determining the amount of the homeowner's exemption. For purposes of the homeowner's exemption, a community property interest is treated the same as a full ownership interest. (3-15-02)

d. An owner may apply only once for the homeowner's exemption. See Section 63-602G(c), Idaho Code. Thus, an application by one (1) spouse regarding a residential improvement that is community property, precludes the other spouse from making a second application on any other residential improvement whether held by the other spouse as community or separate property except as provided in Subsection 610.07. (3-15-02)

04. Example -- Both Residences are Community Property. (7-1-99)

a. Each member of a dual residency couple maintains his or her primary dwelling in a different residential improvement, each of which is owned by the couple as community property. Each applies for the homeowner's exemption for the residence in which he or she resides. (7-1-99)

b. The first application is valid. Any subsequent application, though filed by the other spouse, is not valid because the couple can not make more than one (1) application. The homeowner's exemption applies to the full

value of the first residential improvement to qualify without any proportional reduction. The other residential improvement does not qualify. (3-15-02)

05. Example -- One Residence Is Community Property, the Other Is Separate Property. (7-1-99)

a. Each member of a dual residency couple maintains his or her primary dwelling in a different residential improvement. One (1) is owned by the spouse who resides in it as his or her separate property, the other is owned by the couple as community property. Each applies for the homeowner's exemption for the residence in which he or she resides. (7-1-99)

b. The first application is valid. Any subsequent application, though filed by the other spouse, is not valid. If the first application relates to the community property, it is an application on behalf of both members of the community. Thus, the other spouse can not file a second application relating to his or her separate property. If the first application relates to the separate property, then the subsequent application relating to the community property is a second application by the spouse owning the separate property and is not valid. The homeowner's exemption applies to the full value of the first residential improvement to qualify without any proportional reduction. The other residential improvement does not qualify. (3-15-02)

06. Example -- Both Residences are Separate Property. (7-1-99)

a. Each member of a dual residency couple maintains his or her primary dwelling in a different residential improvement, each of which is owned by the spouse residing in it as his or her separate property. Each applies for the homeowner's exemption for the residence in which he or she resides. (7-1-99)

b. Both residential improvements qualify for the full homeowner's exemption. Neither application is a second application by the same owner. Each spouse is a sole owner of the residential improvement, so the proportional reduction provisions for partial ownership do not apply. (7-1-99)

07. Apportionment of Homeowner's Exemption by Dual Residency Couples. Both spouses of a dual residency couple may elect to equally apportion the homeowner's exemption between the two (2) residential improvements if each files a written election with the county assessor of the county in which each property is located. When the election is made each residential improvement shall be entitled to one-half (1/2) of the exemption applicable to that property alone. The total exempted value of both properties shall not exceed the amount of exemption available to the individual residential improvement with the greatest market value if no election were made. (4-5-00)

08. Multiple Ownerships Including Community Interests as Partial Owners. A community property interest in a residential improvement is a partial ownership when combined with the ownership of another individual who is not a member of the marital community. For example, if a deed conveys title to real property to a husband and wife and to an adult child of theirs, the husband and wife hold a community property interest in the improvement and the child is a tenant-in-common provided ownership interests are not specified in the deed. The parents collectively hold a one-half (1/2) partial interest and the child holds a one-half (1/2) partial interest in the property. Ownership interests specified in the deed supersede this guidance. Qualification of the property for the homeowner's exemption is as follows: (~~3-28-18~~)(____)

a. If the residential improvement is the primary dwelling of the husband and wife but not the child, the homeowner's exemption applies to one-half (1/2) of the value of the improvement. (3-28-18)

b. If the residential improvement is the primary dwelling of the child, but not of the husband or wife, the homeowner's exemption applies to one-half (1/2) of the value of the improvement. (3-28-18)

c. If the residential improvement is the primary dwelling of the husband, wife and child, the homeowner's exemption applies to the full value of the improvement. (3-15-02)

d. If the residential improvement is the primary dwelling of one (1) spouse but of neither the other

spouse nor the child, the homeowner's exemption applies to one-half (1/2) of the value of the improvement unless the residential improvement of the other spouse has previously qualified for the homeowner's exemption under the dual residency couple rules set out in Subsections 610.02 through 610.07. The one-half (1/2) qualification results from the statutory provision that a community property interest is not considered a partial interest of either spouse. See Paragraph 610.03.c. of this rule. (3-28-18)

e. If the residential improvement is the primary dwelling of one (1) spouse and the child, the homeowner's exemption applies to the full value of the improvement unless the residential improvement of the other spouse has previously qualified for the homeowner's exemption under the dual residency couple rules set out in Subsections 610.02 through 610.07. (3-15-02)

09. Determining the Qualifying Portion of a Multidwelling or Multipurpose Building and the Related Land. The portion of a Multidwelling or Multipurpose Building and Related Land used for the primary dwelling place of the owner qualifies for the homeowner's exemption. When determining the value of the qualifying portion, the assessor shall include the Related Land value. (4-7-11)

709. PROPERTY TAX REDUCTION BENEFIT PROGRAM -- SPECIAL SITUATIONS (RULE 709).
Section 63-701, Idaho Code

01. Scope. This rule addresses issues relating to the property tax reduction benefit program as it applies to certain unusual factual situations. It states general principles applicable to unusual cases and provides some illustrative examples. The rule cannot address every conceivable situation that may arise, but the principles established may apply to the resolution of situations not addressed in the rule. The following examples apply to qualified property tax reduction claimants. (3-30-01)

02. General Principles. Benefits under the property tax reduction program are only available to owners of property that have first qualified for the homeowner's exemption under Section 63-602G, Idaho Code. See Rule 610 of these rules. (3-15-02)

03. Dual Residency Couples. The definition of "dual residency couple" in Rule 610.02 of these rules applies to this rule. (3-15-02)

a. Example -- Both residences are community property. Property tax reduction is available in regard only to the residential improvement qualifying for the homeowner's exemption. See Rule 610.04 of these rules. (3-15-02)

b. Example -- One (1) residence is community property, the other is separate property. Property tax reduction is available in regard only to the residential improvement qualifying for the homeowner's exemption. See Rule 610.05 of these rules. (3-15-02)

c. Example -- Both residences are separate property. Property tax reduction is available in regard to both residential improvements. See Rule 610.06 of these rules. (3-15-02)

d. Household income. In the three (3) examples in Subsection 709.03, the household income upon which qualification is determined is the total of one-half (1/2) the community income plus any separate income of the spouse residing in the residence. (3-15-02)

04. Apportionment of Property Tax Reduction Benefits by Dual Residency Couples. If a dual residency couple makes the election provided in Subsection 610.07 of these rules and the applicable county assessor provided the State Tax Commission with a copy of the election required under that rule, each spouse shall be entitled to one-half (1/2) of the amount of any property tax reduction available to that spouse alone. The household income of the spouse shall be one-half (1/2) of the community income plus any separate income of the spouse residing in the residence. The total property tax reduction benefit shall not exceed the amount of benefit available to the individual spouse with the least household income if no election were made. (3-15-02)

05. Multiple Ownerships Including Community Interests as Partial Owners. Example: A deed conveys title to real property to a husband and wife and to an adult child of theirs. The husband and wife hold a community property interest in the improvement and the child is a tenant-in-common provided ownership interests are not specified in the deed. The parents collectively hold a one-half (1/2) partial interest and the child holds a one-half (1/2) partial interest in the property. Ownership interests specific in the deed supersede this guidance. For clarification of the calculation of the net taxable value, see Rule 700.05.b. of these rules. Qualification for the property tax reduction is as follows: ~~(3-28-18)~~()

a. If the residential improvement is the primary dwelling of the husband and wife but not of the child, the claimant qualifies for full benefits applied on one-half (1/2) of the value of the property less the homeowner's exemption. Household income is the total of the community and separate income of the spouses. (3-28-18)

b. If the residential improvement is the primary dwelling of the qualifying child, but neither the husband or wife, the claimant qualifies for full benefits applied on one-half (1/2) of the value of the property less the homeowner's exemption. Household income is the total of the child's income. (3-28-18)

c. If the residential improvement is the primary dwelling of the husband, wife and a qualifying child, the claimant qualifies for the full benefits applied on full value of the property less the homeowner's exemption. Household income is the total of the community and separate income of the spouses and the income of the child.

(3-15-02)

d. If the residential improvement is the primary dwelling of one (1) spouse but of neither the other spouse nor the child, the claimant qualifies for full benefits applied on one-half (1/2) of the value of the property less the homeowner's exemption unless the residential improvement of the other spouse has qualified for the homeowner's exemption. Household income is the total income of both spouses.

(3-28-18)

e. If the residential improvement is the primary dwelling of one (1) spouse and a qualifying child, the claimant qualifies for the full benefits applied on the full value of the property less the homeowner's exemption unless the residential improvement of the other spouse has previously qualified for the homeowner's exemption.

Household income is the total income of both spouses plus the income of the child.

(3-15-02)

613. PROPERTY EXEMPT FROM TAXATION -- SPECULATIVE PORTION OF VALUE OF AGRICULTURAL LAND (RULE 613).

Section 63-602K, Idaho Code

01. Definitions. (4-5-00)

a. Taxable Value of Agricultural Land. The 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. The component for local taxes achieves the necessary allowance for the expense of property taxes. (4-5-00)

b. Speculative Portion. The speculative portion is the difference between the current market value and the taxable value of agricultural land. The market value of agricultural land is established from market sales of similar land. (4-5-00)

c. Economic Rent. Economic rent is the average gross income per acre received by a landlord from either a whole farm or individual crop cash rent, or crop share rental agreement. ~~The rent attributable to exempt irrigation equipment is not to be included in economic rent calculation. Only the rent solely attributable to the agricultural land is included in economic rent.~~ (4-7-11)

d. Net Income. Net income per acre is determined by deducting the landlord's share of ~~current~~ typical expenses, including any income attributable to irrigation equipment, from the economic rent.

e. Landlord's share of typical expenses. The landlord's share of expenses, as part of a whole farm or individual crop cash rent, or crop share rental agreement may include, but not limited to: water, electricity, materials and application of materials, management and harvest. The average expenses, from immediate past five (5) growing seasons, should be typical of local farming practices.

f. Agricultural Area. An Agricultural Area is an identified geographic area of like or comparable Agricultural land, which may have similar characteristics, such as: topography, crops grown, soil types, or irrigation practices.

02. Calculation of Rent Attributable to Exempt Irrigation Equipment. Rent attributable to exempt irrigation equipment is calculated in the following manner:

a. Cash rent of irrigated cropland. To determine the cash rents of irrigated cropland, free of income attributable to exempt irrigation equipment, find rents of cropland that utilize non-mechanized irrigation practices, such as gravity fed furrow. If no information is available, use the reserves for replacement calculation to determine the income attributable to the exempt irrigation equipment.

b. Irrigation system. Determine the irrigation systems typically found in the area.

- c. Reserves for replacement calculation of irrigation systems cost. Determine the replacement cost new of the irrigation system.
- d. Acres irrigated. Determine the number of acres irrigated by the irrigation system. To calculate the irrigation system cost per acre, divide the irrigation equipment cost by the number of acres serviced by the irrigation equipment.
- e. Reserves for replacement. To determine the reserves required to replace the irrigation system, divide the cost of the irrigation equipment per acre by the estimated number of years in the economic life of the irrigation system.
- f. Income attributable to the exempt irrigation system. Multiply the per acre reserves for replacement of the irrigation system by the five year rolling average interest rate required by 63-602K, plus a component for the local tax rate.
- g. The rent attributable to exempt irrigation equipment. The rent shall be deducted from the gross income received by the landlord as part of a whole farm or crop specific cash rent, or crop share rental agreement.

03. Calculation of Net Income from Cash Rent. Net Income from cash rent is calculated in the following manner: (4-5-00)

- a.** Crops Grown. Determine the crops typically grown in the area. (4-5-00)
- b.** Economic Rent. Determine the average per acre gross income over the immediate past five (5) years growing seasons from individual crop rents or the whole farm cash rent per acre as reported by local farmers, or third party providers such as the USDA. Gross income from individual crop rent is to be based on crops which are typically grown in the Agricultural area.(4-5-00)
- c.** Landlord's Expenses. Determine the landlord's share of typical contracted expenses paid in the immediate past five (5) years growing seasons. (4-5-00)
- d.** Landlord's Net Income. Subtract the landlord's share of typical contracted expenses from the average gross income per acre for the immediate past five (5) growing seasons to determine net income.

04. Calculation of Net Income from Crop Share Rent. Net income from crop share rent is calculated in the following manner. (4-5-00)

- a.** Crops Grown. Determine the crops typically grown in the area. (4-5-00)
- b.** Average Crop Production. Determine average crop production per acre based on the immediate past five (5) years growing seasons. (4-5-00)

c. Average Commodity Prices. Determine average commodity prices based on the immediate past five (5) years growing seasons. (4-5-00)

d. Gross Income. Multiply average crop production per acre times the average commodity price to determine gross income per acre. (4-5-00)

e. Landlord's Share of Gross Income. Determine the landlord's share of gross income per acre from a crop rotation typical to the area. (4-5-00)

f. Expenses. Determine the landlord's share of water, fertilizer, chemical, seed and harvest cost per acre for the immediate past five (5) growing seasons. (4-5-00)

g. Net Income. Subtract the landlord's share of expenses from the landlord's share of gross income to determine net income. (4-5-00)

05. Determination of Five Year Average Crop Prices. The State Tax Commission shall determine the five (5) year average crop prices ~~to be used in determining net income~~ by surveying publicly available data from various sources, including the annual crop summary published by the Idaho Agricultural Statistics Service. Average crop prices determined in this manner by the State Tax Commission may be considered guidelines in determining net income, subject to modification based on local market data. (4-6-05)

06. Farm Credit System Interest Rate. Annually, the State Tax Commission shall calculate the five (5) year rolling average Farm Credit System interest rate (FCSIR). Using the twenty (20) year fixed rate interest rates received bi-monthly from Northwest Farm Credit Services in Spokane, Washington, calculate the average Farm Credit System interest rate for the prior year applying the formula in Paragraph 613.06.a. of this rule. Calculate the five (5) year rolling average Farm Credit System interest rate applying the formula in Paragraph 613.06.b. of this rule. (3-30-07)

a. Formula for Calculating Average Farm Credit System Interest Rate for Prior Year.

$$FCSIR_5 = (R_1 + R_2 + R_3 + R_4 + R_5 + R_6 + R_7 + R_8 + R_9 + R_{10} + R_{11} + R_{12})/12.$$

b.

| | |
|--------------------|---|
| FCSIR ₅ | is the average Farm Credit System interest rate for the prior year. |
| R ₁ | is the interest rate received for January of the prior year. |
| R ₂ | is the interest rate received for February of the prior year. |
| R ₃ | is the interest rate received for March of the prior year. |

| | |
|-----------------|--|
| R ₄ | is the interest rate received for April of the prior year. |
| R ₅ | is the interest rate received for May of the prior year. |
| R ₆ | is the interest rate received for June of the prior year. |
| R ₇ | is the interest rate received for July of the prior year. |
| R ₈ | is the interest rate received for August of the prior year. |
| R ₉ | is the interest rate received for September of the prior year. |
| R ₁₀ | is the interest rate received for October of the prior year. |
| R ₁₁ | is the interest rate received for November of the prior year. |
| R ₁₂ | is the interest rate received for December of the prior year. |

(3-30-07)

b. Formula for Calculating Five (5) Year Rolling Average Farm Credit System Interest Rate. $FCSIR = (FCSIR_1 + FCSIR_2 + FCSIR_3 + FCSIR_4 + FCSIR_5)/5$.

| | |
|--------------------|--|
| FCSIR ₅ | is the average Farm Credit System interest rate for the prior year. |
| FCSIR ₄ | is the average Farm Credit System interest rate for two (2) years ago. |
| FCSIR ₃ | is the average Farm Credit System interest rate for three (3) years ago. |
| FCSIR ₂ | is the average Farm Credit System interest rate for four (4) years ago. |
| FCSIR ₁ | is the average Farm Credit System interest rate for five (5) years ago. |

(3-30-07)

07. Notification. In addition to providing notification of the Farm Credit System interest rate, the State Tax Commission will annually notify each county assessor of the most recent five (5) year average crop prices for the state. (4-6-05)

08. Cross Reference. For agricultural land taxable value calculation examples, see Rule 614 of these rules. For eligibility criteria, see Rule 645 of these rules. For information relating to Christmas tree farms, other annual forest products, and yield tax, see Rule 968 of these rules. (3-30-07)

614. SPECULATIVE PORTION OF VALUE OF AGRICULTURAL LAND - EXAMPLES (RULE 614).

Sections 63-602K and 63-604, Idaho Code. The following examples show calculations for the taxable value of agricultural land. The example in Subsection 614.01 of this rule shows one (1) calculation of an average property tax rate, the example in Subsection 614.02 of this rule shows one (1) calculation of a capitalization rate (cap rate), the example in Subsection 614.03 of this rule shows calculations using individual crop cash rent agreements, ~~and~~ the example in Subsection 614.04 of this rule shows calculations using crop share agreements, and the example in Subsection 614.05 of this rule shows calculations using a combination of both individual crop cash rent and crop share. Only the crops grown on a typical farm in an Agricultural Area should be included in the crop rotation. The choice to use cash rent or crop share analysis or a combination of both in determining the taxable value of agricultural land should be predicated on the quantity and quality of data available and the analysis that produces the most reliable and supportable value conclusion.

(4-7-11)

01. Average Property Tax Rate Calculation Example.

| | Tax Code Areas | Property Tax Rates |
|----------------------------------|-----------------------|---------------------------|
| | 8 | 1.1323951% |
| | 9 | 1.1186222% |
| | 10 | 1.1226782% |
| | 11 | 1.1714841% |
| | 12 | 1.1674300% |
| | 13 | 1.0692041% |
| | 15 | 1.1603100% |
| | 16 | 1.1323951% |
| | 17 | 1.1323951% |
| Average Property Tax Rate | | 1.1341015% |

(3-30-07)

02. Capitalization Rate Calculation Example.

| | |
|---|--------------|
| Average Property Tax Rate | 1.13% |
| 5-Year Average Farm Credit Bank Interest Rate | 8.22% |
| Total Capitalization Rate (Cap Rate) | 9.35% |

(3-30-07)

03. Cash Rent Agreement Calculation Example.

| Crops | Contract Rents Per Acre (Land Only) | Rotation In Percent | Weighted Income Per Acre |
|------------------------------|--|----------------------------|---------------------------------|
| Barley | \$100.00 | 14.42% | \$14.42 |
| Beans | \$100.00 | 22.46% | \$22.46 |
| Beets | \$170.00 | 20.33% | \$34.56 |
| Corn/Grain | \$100.00 | 0.00% | \$0.00 |
| Corn/Silage | \$110.00 | 0.00% | \$0.00 |
| Hay/Alfalfa | \$120.00 | 21.32% | \$25.58 |
| Potatoes | \$200.00 | 0.00% | \$0.00 |
| Wheat | \$100.00 | 21.48% | \$21.48 |
| Peas | \$125.00 | 0.00% | \$0.00 |
| Oats | \$110.00 | 0.00% | \$0.00 |
| Total Income Per Acre | | | \$118.50 |

Value per acre equals net income per acre divided by Cap rate:

| | |
|------------------------|----------|
| Total Income Per Acre | \$118.50 |
| Less Water Costs | \$23.00 |
| Less Management (@ 5%) | \$5.93 |
| Net Income Per Acre | \$88.57 |
| Cap Rate | 9.35% |
| Value Per Acre | \$958 |

(4-7-11)

04. Crop Share Agreement Calculation Example:

| Crop | Yield | Price | Gross Income | Landlord Share | Landlord Share Gross Income to Land | Rotation Percent | Per Acre Share of Gross Inc. to Land |
|-----------------------|--------|---------|--------------|----------------|-------------------------------------|------------------|--------------------------------------|
| Barley | 100.00 | \$2.83 | \$283.00 | 33.33% | \$94.32 | 14.42% | \$13.60 |
| Beans | 20.00 | \$21.20 | \$424.00 | 33.33% | \$141.32 | 22.46% | \$31.74 |
| Beets | 23.00 | \$39.74 | \$914.02 | 25.00% | \$228.51 | 20.33% | \$46.46 |
| G/Corn | 0.00 | \$3.22 | \$0.00 | 33.33% | \$0.00 | 0.00% | \$0.00 |
| S/Corn | 0.00 | \$24.40 | \$0.00 | 33.33% | \$0.00 | 0.00% | \$0.00 |
| Hay | 5.50 | \$84.10 | \$462.55 | 50.00% | \$231.28 | 21.32% | \$49.31 |
| Potatoes | 0.00 | \$4.74 | \$0.00 | 25.00% | \$0.00 | 0.00% | \$0.00 |
| Wheat | 98.00 | \$3.73 | \$365.54 | 33.33% | \$121.83 | 21.48% | \$26.17 |
| Peas | 0.00 | \$8.68 | \$0.00 | 33.33% | \$0.00 | 0.00% | \$0.00 |
| Oats | 0.00 | \$1.66 | \$0.00 | 33.33% | \$0.00 | 0.00% | \$0.00 |
| Total Income Per Acre | | | | | | 100.00% | \$167.28 |

Value per acre equals net income per acre divided by Cap rate:

| Total Income Per Acre \$167.28 | | Expenses |
|--------------------------------|---|----------|
| Water | = | \$23.00 |
| Fertilizer | = | \$14.77 |
| Chemicals | = | \$9.04 |
| Seed | = | \$2.05 |
| Management | = | \$8.36 |
| Harvest | = | \$14.67 |
| Total Expense Per Acre | = | \$71.89 |
| Net Income | = | \$95.39 |

| | | |
|----------------|---|---------|
| Cap Rate | = | 9.35% |
| Value Per Acre | = | \$1,020 |

(4-7-11)

05. Combination Cash Rent and Crop Share Analysis Calculation Example:

Crops in the Rotation for which Cash Rent agreement data is available

| Crop | Contract Rents per Acre (Land Only) | Rotation in Percent | Weighted Income per Acre |
|-------|-------------------------------------|---------------------|--------------------------|
| Beets | \$170 | 20.33 % | \$34.56 |

| | |
|---|---------|
| Total gross income for Cash Rent Analysis | \$34.56 |
|---|---------|

Crops in the Rotation with Accurate Data for a Crop Share Agreement Analysis

| Crop | Yield | Price | Gross Income | Landlord Share | Landlord Share Gross Income to Land | Rotation Percent | Per Acre Share of Gross income to Land |
|--------|--------|---------|--------------|----------------|-------------------------------------|------------------|--|
| Barley | 100.00 | \$2.83 | \$283.00 | 33.33% | \$94.32 | 14.42% | \$13.60 |
| Beans | 20.00 | \$21.20 | \$424.00 | 33.33% | \$141.32 | 22.46% | \$31.74 |
| Hay | 5.50 | \$84.10 | \$462.55 | 50.00% | \$231.28 | 21.32% | \$49.31 |
| Wheat | 98.00 | \$3.73 | \$365.54 | 33.33% | \$121.83 | 21.48% | \$26.17 |

| | |
|--|----------|
| Total gross income for Crop Share Analysis | \$120.82 |
|--|----------|

| | |
|---|----------|
| Cash Rent + Crop Share Total Gross Income | \$155.38 |
| Less Water and Electricity Cost | \$23.00 |
| Less Management (@ 5%) | \$7.48 |
| Less Fertilizer Cost for Crop Share Portion | \$11.47 |
| Less Chemicals Cost for Crop Share Portion | \$7.02 |
| Less Seed Cost for Crop Share Portion | \$1.59 |
| Less Harvest Cost for Crop Share Portion | \$11.39 |
| Combined Cash Rent + Crop Share Net Income | \$93.43 |
| Cap Rate | 9.35% |
| Value Per Acre | \$999.25 |

06. Cross Reference. For definitions and general principles relating to the taxable value of land actively devoted to agriculture, see Rule 613 of these rules. For eligibility criteria, see Rule 645 of these rules. For information relating to Christmas tree farms, other annual forest products, and yield tax, see Rule 968 of these rules. (3-30-07)

Draft of May 15, 2018

.04 Crop Share Analysis Example:

| Crop | Yield | Price | Gross Income | Landlord Share | Landlord Share Gross Income to Land | Rotation Percent | Per Acre Share of Gross inc. to Land |
|----------|--------|----------|--------------|----------------|-------------------------------------|------------------|--------------------------------------|
| Barley | 130.00 | \$3.00 | \$390.00 | 50.00% | \$195.00 | 14.00% | \$27.30 |
| Beans | 25.00 | \$27.00 | \$675.00 | 50.00% | \$337.50 | 22.00% | \$74.25 |
| Beets | 38.00 | \$45.00 | \$1710.00 | 33.33% | \$569.94 | 11.00% | \$62.69 |
| G/Corn | 0.00 | \$0.00 | \$0.00 | 0.00% | \$0.00 | 0.00% | \$0.00 |
| S/Corn | 0.00 | \$0.00 | \$0.00 | 0.00% | \$0.00 | 0.00% | \$0.00 |
| Hay | 6.00 | \$120.00 | \$720.00 | 50.00% | \$360.00 | 23.00% | \$82.50 |
| Potatoes | 450.00 | \$5.00 | \$2255.00 | 33.33% | \$749.92 | 9.00% | \$67.49 |
| Wheat | 120.00 | \$4.50 | \$540.00 | 50.00% | \$270.00 | 21.00% | \$56.70 |
| Peas | 0.00 | \$0.00 | \$0.00 | 0.00% | \$0.00 | 0.00% | \$0.00 |
| Oats | 0.00 | \$0.00 | \$0.00 | 0.00% | \$0.00 | 0.00% | \$0.00 |

| | |
|--|----------|
| Total gross income for Crop Share Analysis | \$370.93 |
|--|----------|

| | |
|--|-----------|
| Total Gross Income | \$370.93 |
| Less Water Cost | \$26.00 |
| Less Electricity Cost | \$20.00 |
| Less Management (@ 5%) | \$18.54 |
| Less Landlord Share of Fertilizer Cost | \$60.00 |
| Less Landlord Share of Chemicals Cost | \$32.00 |
| Less Landlord Share of Seed Cost | \$27.00 |
| Less Landlord Share of Harvest Cost | \$69.00 |
| Less Income Attributable to Exempt Equipment | \$3.54 |
| Net Income | \$114.85 |
| Cap Rate | 7.00% |
| Value Per Acre | \$1640.00 |

05. Combination of Cash Rent and Crop Share Analysis Example

Crops in the Rotation for which Cash Rent agreement data is available

| Crop | Contract Rents per Acre (Land Only) | Rotation in Percent | Weighted Income per Acre |
|----------|-------------------------------------|---------------------|--------------------------|
| Beets | \$300.00 | 11.00 % | \$33.00 |
| Potatoes | \$350.00 | 9.00% | \$31.50 |

| | |
|---|--------|
| Total gross income for Cash Rent Analysis | \$64.5 |
|---|--------|

Crops in the Rotation with Accurate Data for a Crop Share Agreement Analysis

| Crop | Yield | Price | Gross Income | Landlord Share | Landlord Share Gross Income to Land | Rotation Percent | Per Acre Share of Gross inc. to Land |
|--------|--------|----------|--------------|----------------|-------------------------------------|------------------|--------------------------------------|
| Barley | 130.00 | \$3.00 | \$390.00 | 50.00% | \$195.00 | 14.00% | \$27.30 |
| Beans | 25.00 | \$27.00 | \$675.00 | 50.00% | \$337.50 | 22.00% | \$74.25 |
| Hay | 6.00 | \$120.00 | \$720.00 | 50.00% | \$360.00 | 23.00% | \$82.80 |
| Wheat | 120.00 | \$4.50 | \$540.00 | 50.00% | \$270.00 | 21.00% | \$56.70 |

| | |
|--|----------|
| Total gross income for Crop Share Analysis | \$241.05 |
|--|----------|

| | |
|--|-----------|
| Cash Rent + Crop Share Total Gross Income | \$305.55 |
| Less Water and Electricity Cost | \$46.00 |
| Less Management (@ 5%) | \$15.28 |
| Less Fertilizer Cost for Crop Share Portion | \$38.00 |
| Less Chemicals Cost for Crop Share Portion | \$14.00 |
| Less Seed Cost for Crop Share Portion | \$13.00 |
| Less Harvest Cost for Crop Share Portion | \$49.00 |
| Less Income Attributable to Exempt Equipment | \$3.54 |
| Combined Cash Rent + Crop Share Net Income | \$126.73 |
| Cap Rate | 7.00% |
| Value Per Acre | \$1810.42 |

05. Combination of Cash Rent and Crop Share Analysis Example

Crops in the Rotation for which Cash Rent agreement data is available

| Crop | Contract Rents per Acre (Land Only) | Rotation in Percent | Weighted Income per Acre |
|----------|-------------------------------------|---------------------|--------------------------|
| Beets | \$300.00 | 11.00 % | \$33.00 |
| Potatoes | \$350.00 | 9.00% | \$31.5 |
| | Total | 20.00% | \$64.50 |

| | |
|---|---------|
| Total Gross Income for Cash Rent Analysis | \$64.50 |
| Less Cash Rent Rotation % of Water Cost (20%) | \$5.20 |
| Less Cash Rent Rotation % of Electricity Cost (20%) | \$4.00 |
| Less Management (@ 5%) | \$3.23 |
| Less Income Attributable to Exempt Equipment (20%) | \$0.71 |
| Total Net Income for Cash Rent Analysis Portion | \$51.36 |

Crops in the Rotation with Accurate Data for a Crop Share Agreement Analysis

| Crop | Yield | Price | Gross Income | Landlord Share | Landlord Share Gross Income to Land | Rotation Percent | Per Acre Share of Gross inc. to Land |
|--------|--------|----------|--------------|----------------|-------------------------------------|------------------|--------------------------------------|
| Barley | 130.00 | \$3.00 | \$390.00 | 50.00% | \$195.00 | 14.00% | \$27.30 |
| Beans | 25.00 | \$27.00 | \$675.00 | 50.00% | \$337.50 | 22.00% | \$74.25 |
| Hay | 6.00 | \$120.00 | \$720.00 | 50.00% | \$360.00 | 23.00% | \$82.80 |
| Wheat | 120.00 | \$4.50 | \$540.00 | 50.00% | \$270.00 | 21.00% | \$56.70 |
| | | | | Total | | 80.00% | \$241.05 |

| | |
|---|----------|
| Total gross Income for Crop Share Analysis | \$241.05 |
| Less Crop Share Rotation % of Water Cost (80%) | \$20.80 |
| Less Cash Rent Rotation % of Electricity Cost (80%) | \$16.00 |
| Less Management (@ 5%) | \$12.05 |
| Less Fertilizer Cost for Crop Share Portion | \$38.00 |
| Less Chemicals Cost for Crop Share Portion | \$14.00 |

| | |
|--|---------|
| Less Seed Cost for Crop Share Portion | \$13.00 |
| Less Harvest Cost for Crop Share Portion | \$49.00 |
| Less Income Attributable to Exempt Equipment (80%) | \$2.83 |
| Total Net Income for Crop Share Analysis Portion | \$75.37 |

| | |
|--|-----------|
| Total Combined Cash Rent + Crop Share Net Income | \$126.73 |
| Cap Rate | 7.00% |
| Value Per Acre | \$1810.42 |

630. TAX EXEMPTION FOR NEW CAPITAL INVESTMENTS (Rule 630).

Section 63-4502, Idaho Code

01. Notification of New Capital Investment – Locally Assessed Property.

~~(3-29-12)~~(____)

a. Prior to receiving the benefit of the tax exemption, the taxpayer shall notify the county in which the project site is located that the taxpayer expects to meet the criteria of the New Capital Investments Tax exemption. Notification shall be accomplished by submitting a written declaration or notification with the board of county commissioners containing the following information: (4-4-13)

i. The name and address of the taxpayer; (3-29-12)

ii. A description of the new capital investment project; (3-29-12)

iii. The assessor's parcel number(s) identifying the location of the project site; (3-29-12)

iv. The date that the qualifying period began; (3-29-12)

v. A statement that the taxpayer will make a qualified new capital investment of at least one billion dollars (\$1,000,000,000) within the qualifying period, which shall be specified. (3-29-12)

b. The notification required hereunder may be submitted by the taxpayer to the board of county commissioners at any time after the qualifying period begins. However, if the notification is submitted after April 15 in a given year, a taxpayer may receive the benefit of the exemption only for tax years following the year in which the notification is filed. Submittal of the notification required hereunder shall constitute application for the exemption in compliance with Section 63-602, Idaho Code. Until the taxpayer meets all the requirements for the New Capital Investments Tax exemption, for each year after the first year in which the exemption is granted, the notice must identify the name and address of the taxpayer and the location of the project site, but does not need to provide additional information as required in Paragraph 630.01.a. of this rule. (4-4-13)

02. Notification of New Capital Investment – Centrally Assessed Operating Property. For taxpayers applying for the exemption for operating property subject to assessment by the state tax commission, the taxpayer shall notify the state tax commission, as part of the operator's statement required pursuant to Section 63-404, Idaho Code, and Rule 404 of these rules, that the taxpayer expects to meet the criteria of the New Capital Investments Tax exemption.

(____)

a. To be eligible for the exemption, information to be provided on the operator's statement must include: (____)

- i. A description of the new capital investment project; ()
- ii. The location of the project site, including county and tax code area(s); ()
- iv. The date that the qualifying period began; ()
- v. A statement that the taxpayer will make a qualified new capital investment of at least one billion dollars (\$1,000,000,000) within the qualifying period, which shall be specified. ()

b. The notification required hereunder may be submitted by the taxpayer to the state tax commission at any time after the qualifying period begins. However, if the notification is submitted after April 30 in a given year, a taxpayer may receive the benefit of the exemption only for tax years following the year in which the notification is filed. Submittal of the operator’s statement including notification information required hereunder shall constitute application for the exemption in compliance with Section 63-602, Idaho Code. Until the taxpayer meets all the requirements for the New Capital Investments Tax exemption, for each year after the first year in which the exemption is granted, the notice must identify the location of the project site, but does not need to provide additional information as required in Paragraph 630.02.a. of this rule.

03. **Notification of New Capital Investment – Taxpayers Applying on Behalf of Locally and Centrally Assessed Property.** A taxpayer may apply for this exemption on behalf of locally and centrally assessed property. In this case, the taxpayer must comply with notice requirements in Paragraphs 630.01 and 630.02 of this rule. The exemption will apply to the total value of the locally and centrally assessed property of the taxpayer within the county in which the project site is located. At the end of the project period, taxpayers wishing to continue receiving the exemption on behalf of both locally and centrally assessed property must comply with the notice requirements of Paragraphs 630.07 and 630.08 of this rule.

04 2. **Property of the Taxpayer.** Property of a taxpayer includes all real, ~~or~~ personal, or operating property that is owned by or leased to the taxpayer under an agreement that makes the taxpayer responsible for the payment of any property taxes on the property. (3-29-12)()

05 3. **New Construction.** Property taxable under Section 63-4502, Idaho Code and that qualifies for listing on the new construction roll as described by Section 63-301(A)3, Idaho Code, should be listed on the new construction roll. (3-29-12)

06 4. **Failure to Make the Qualifying New Capital Investment.** (4-4-13)

a. If the taxpayer fails to make the qualifying new capital investment during the qualifying period, the property shall lose the exemption granted by this section at the conclusion of the qualifying period. (4-4-13)

b. In the event that, at any time during the project period, the taxpayer receiving the exemption for real or personal property no longer intends to fulfill the qualified new capital investment requirements, the taxpayer must notify the county commissioners who shall notify the

county assessor. Upon receipt of such notification, the property shall be taxable for the remainder of the year in which the notification is provided, pursuant to Section 63-602Y, Idaho Code. Failure of the taxpayer to provide such notice does not prevent the county assessor from discovering the taxpayer's intent through alternate procedures and then notifying the county commissioners that the requirements for the exemption are no longer met. In such an instance, the taxpayer must be notified and may appeal loss of the exemption to the county board of equalization as provided in Section 63-501A, Idaho Code. (4-4-13)()

c. In the event that, at any time during the project period, the taxpayer receiving the exemption for operating property no longer intends to fulfill the qualified new capital investment requirements, the taxpayer must notify the state tax commission. Upon receipt of such notification, the property previously granted the exemption shall be taxable. If the notification is received by before the state tax commission has completed the assessment of the operating property for a given year, the exemption shall not be granted for that year. If the notification is received after the assessment is completed, the exemption shall be rescinded beginning the following tax year. ()

07 5. Continuation of Tax Exemption Following the End of the Project Period – Locally Assessed Property. (4-4-13)()

a. At any time during the qualifying period, but not later than ninety (90) days after the conclusion of the qualifying period, the taxpayer must provide notice to the county commissioners with sufficient evidence to prove that the required qualifying new capital investment has been made. (4-4-13)

b. Once the taxpayer has successfully met all the requirements pursuant to Section 63-4502, Idaho Code, and provided notice to the county commissioners pursuant to Paragraph 630.07 5.a. of this rule, the county commissioners shall notify the county assessor and taxpayer of the taxpayer's continuing qualification for the exemption for all years thereafter. The county assessor shall retain this notice. (4-4-13)()

c. After the year in which the taxpayer has been notified of continuing qualification as provided in Paragraph 630.07 5.b. of this rule, the taxpayer must continue to notify the county annually to identify the property to be exempted pursuant to Subsection 630.05. Failure to make such notification will not invalidate the exemption; the county assessor must then apply the exemption against the assessed value of the taxpayer's highest value parcel within the county. (4-4-13)()

08. Continuation of Tax Exemption Following the End of the Project Period – Centrally Assessed Operating Property. ()

a. At any time during the qualifying period, but not later than ninety (90) days after the conclusion of the qualifying period, the taxpayer must provide notice to the state tax commission with sufficient evidence to prove that the required qualifying new capital investment has been made. ()

b. Once the taxpayer has successfully met all the requirements pursuant to Section

63-4502, Idaho Code, and provided notice to the state tax commission pursuant to Paragraph 630.08.a. of this rule, the state tax commission shall notify the taxpayer that the exemption will continue to be granted in perpetuity, provided the taxpayer annually identifies the property qualifying for the exemption in its annual operator's statements. Failure to provide such notification will not invalidate the exemption; the state tax commission must then apply the exemption against the assessed value of the taxpayer's highest value parcel within the county.

()

09 6. Cross Reference. For an explanation of the treatment of new construction relating to Sections 63-802 and 63-301A, Idaho Code, see Rule 802 of these rules. (3-29-12)

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 591

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO TAX EXEMPTIONS FOR NEW CAPITAL INVESTMENTS; AMENDING SECTION 63-4502, IDAHO CODE, TO REVISE DEFINITIONS OF "QUALIFYING NEW INVESTMENT," "QUALIFYING PERIOD" AND "PROJECT SITE," TO PROVIDE APPLICATION TO OPERATING PROPERTY AND TO MAKE TECHNICAL CORRECTIONS.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-4502, Idaho Code, be, and the same is hereby amended to read as follows:

63-4502. TAX EXEMPTION FOR NEW CAPITAL INVESTMENTS. (1) For calendar years beginning on or after January 1, 2008, the net taxable value of all property of a taxpayer, whether acquired before, during or after the qualifying period, in excess of four hundred million dollars (\$400,000,000) located within a single county in Idaho shall be exempt from property taxation and any special assessment, but only if the taxpayer makes a qualifying new capital investment as defined in subsection (2) of this section.

(2) For purposes of this section, the following definitions shall apply:

(a) "Qualifying new capital investment" means an investment of at least one billion dollars (\$1,000,000,000) made during the qualifying period by the acquisition, construction, improvement or installation of real, operating or personal property related to new plant and building facilities at a project site located within the county referred to in subsection (1) of this section.

(b) "New plant and building facilities" means:

(i) Qualified investments as defined in section 63-3029B, Idaho Code; or

(ii) Buildings or structural components of buildings, including equipment, materials and fixtures thereof, whether used at a project site or temporarily stored off-site in the county referred to in subsection (1) of this section and intended for use at a project site.

(c) "Qualifying period" means an eighty-four (84) month period of time beginning ~~at with the first inspection of the~~ issuance of a building permit for a permanent building structure at a project site following issuance of the building permit, but in no case earlier than January 1, 2008, and ending no later than eighty-four (84) ~~full months after such inspection takes place thereafter.~~

(d) "Project site" means an area or areas at which the new plant and building facilities described in subsection (2) (b) of this section are built, installed or constructed.

(3) The property included in the calculation for purposes of determining a qualifying new capital investment value shall include all real or op-

1 erating property owned, and all personal property owned, leased or rented.
2 With respect to leased or rented personal property, only that portion of the
3 property for which a taxpayer is contractually liable for payment of prop-
4 erty taxes thereon, shall be included in the calculation of the investment.

5 (4) Notwithstanding the exemption provided in subsection (4) of sec-
6 tion 63-3029B, Idaho Code, no other exemption from property tax or any spe-
7 cial assessment provided by the statutes of this state shall be applicable
8 to any property described in subsection (2) of this section with respect to a
9 year in which the incentives set forth in subsection (1) of this section ap-
10 ply to any of the same property.

11 (5) Property subject to the provisions of this section shall not be
12 included on any property roll or any new construction roll prepared by the
13 county assessor in accordance with section 63-301 or 63-301A, Idaho Code,
14 respectively.

15 (6) The state tax commission shall adopt all rules that may be necessary
16 to implement the provisions of this section.

802. BUDGET CERTIFICATION RELATING TO NEW CONSTRUCTION AND ANNEXATION (RULE 802).

Sections 63-802, 63-301A, 63-602W, and 63-602NN, Idaho Code

01. Definitions. (4-5-00)

a. “Change of Land Use Classification.” “Change of land use classification” shall mean any change in land use resulting in a secondary category change and in a change in taxable land value to be reflected on the current property roll. (4-7-11)

b. “Incremental Value as of December 31, 2006.” “Incremental value as of December 31, 2006” means the total of the increment values on the property roll, subsequent property roll, missed property roll, and operating property roll for the 2006 tax year. (4-7-11)

c. “Nonresidential Structure.” “Nonresidential structure” shall mean any structure listed by the assessor in any secondary category not described as residential, manufactured homes, or improvements to manufactured homes in Rule 511 of these rules. (4-2-08)

02. New Construction Roll Listing. “Listing” shall mean a summary report of the net taxable value of property listed on the new construction roll. This listing shall include the taxable value of qualifying new construction throughout each taxing district or unit, but shall not include otherwise qualifying new construction, the value of which will be included in the increment value of any revenue allocation area (RAA) within any urban renewal district encompassed by the taxing district or unit. In addition, new construction related to change of land use classification, but required by section 50-2903(4) to be added to the base assessment roll, cannot be added to any new construction roll. This report is to summarize the value reported on the new construction roll by taxing district or unit. Taxing districts and units shall be listed in the same order that is used for the certification of value required pursuant to Section 63-510(1), Idaho Code. (3-29-12)

a. Qualifying new construction which is valued by the State Tax Commission shall be reported to the county assessor for each applicable taxing district by October 1 and shall be listed by the assessor on the immediate next new construction roll. (3-25-16)

b. Previously allowable new construction that has never been included. When a taxing district proves new construction described by Section 63-301A(3), Idaho Code, occurred during any one of the immediately preceding five (5) years and has never been included on a new construction roll, the county assessor must list that property on the immediate next new construction roll at the value proven by the taxing district. Any such additional new construction must also be separately listed for each taxing district or unit. The taxing district has the burden of proving the new construction was omitted from a new construction roll and the value that would have been listed for that property had it been listed on the appropriate new construction roll. No taxing district shall ever be granted any increase in budget authority greater than the amount that would have resulted had the property been listed on the appropriate new construction roll. Regardless of the year that the new construction should have been listed on the appropriate new construction roll, additional budget authority resulting from new construction previously omitted from a new construction roll and listed on the current year’s new construction roll shall be permitted only if the taxing district is in compliance with the budget hearing notification requirements of Section 63-802A, Idaho Code, for the current year. (3-29-12)

c. Reporting the amount of taxable market value to be deducted. For each taxing district or unit, the new construction roll listing shall separately identify the total amount of taxable market value to be deducted as required in Section 63-301A(1)(f), Idaho Code and Subparagraph 02(c) of this rule. In addition to other requirements, the amount of value deducted shall never exceed the amount originally added to a new construction roll.

~~(3-29-12)~~()T&P

d. Determining the amount of taxable market value to be deducted - appeals. The amount of taxable market value to be deducted under Section 63-301A(1)(f)(i), Idaho Code, shall be determined by the highest authority to which the assessment is ultimately appealed. Accordingly, adjustments should not be made until there has been a final decision on any appeal. In addition, the deduction for lower values resulting from appeals shall be made only for

property that was placed on a new construction roll within the immediately preceding five (5) years.

(3-29-12)() T&P

e. Determining the amount of taxable market value to be deducted – provisional exemptions. The amount of taxable market value added to the 2016 or 2017 new construction rolls for property subsequently granted a provisional exemption under Section 63-1305C, Idaho Code, shall be deducted from the taxable market value otherwise included on the immediate next new construction roll prepared following the granting of the provisional exemption.

(3-29-12)() T&P

03. Special Provisions for Value Increases and Decreases. Special provisions for value increases and decreases related to change of land use classification as defined in Paragraph 802.01.a. of this rule or increases in land value resulting from loss of the exemption provided in Section 63-602W(4), Idaho Code. (4-4-13)

a. Value increases. Certain related land value increases are to be included on the new construction roll. (4-7-11)

i. Except as provided in Subparagraph 802.03.a.iii., increases in land value shall be reported on the new construction roll in the year in which the new category appears on the current property roll. (4-4-13)

ii. Except as provided in Subparagraph 802.03.a.iii., the increase in taxable land value to be reported shall be computed by subtracting the taxable land value, had the land remained in its previous use category, from the taxable land value in the current use category. (4-4-13)

iii. Subject to the limitations found in Paragraph 802.06.a. of this rule, increases in land value resulting from loss of the exemption provided in Section 63-602W(4), Idaho Code, shall be reported on the new construction roll in the year the exemption is lost, provided this occurs no later than June 30 of that year. If the exemption is lost after June 30 of a given year, the resulting increase in land value shall be reported on the new construction roll in the immediate following year. (4-4-13)

b. Value decreases. Certain related land value decreases are to be included on the new construction roll and subtracted from total new construction value for any taxing district. The amount of decrease in any one year shall never exceed the amount of value originally added to the new construction roll for the same property. (4-4-13)

i. Value decreases are to be reported only for land for which taxable market value was reduced as a result of change of land use classification or granting of the exemption for site improvements provided in Section 63-602W(4), Idaho Code, during any one (1) of the immediately preceding five (5) years and for which an increase in value due to addition of site improvements or change of land use classification during the same five-year period had been added to a new construction roll. For the site improvement exemption provided in Section 63-602W(4), Idaho Code, the five-year period shall commence with the year following the year the exemption is first granted. For example, if a parcel first received the exemption in 2012, any site improvement related addition to a new construction roll for 2008 or more recently must be subtracted from the 2013 new construction roll, unless the exemption is lost by June 30, 2013, in which case there is no subtraction and no addition to the new construction roll for the loss of this exemption. (4-4-13)

ii. If the current land category is the same as the category prior to the change that resulted in an addition to the new construction roll, the amount to be subtracted shall equal the amount originally added. For example, a dry grazing land parcel that would have had a value of ten thousand dollars (\$10,000) became commercial land and was assessed at fifty thousand dollars (\$50,000). The forty thousand dollar (\$40,000) difference was reported on the new construction roll in year one (1). In year two (2), the parcel is reclassified as dry grazing land and is to be assessed at fifteen thousand dollars (\$15,000). The forty thousand dollar (\$40,000) difference that was added to the year one (1) new construction roll must be deducted from the value shown on the new construction roll in year two (2). (4-7-11)

iii. If the current land category is different than the category prior to the change that resulted in an addition to the new construction roll, the amount to be subtracted shall be the lesser of the amount originally added or the amount that would have been added had the first change in land use been from the current land category. For example, a dry grazing land parcel that would have had a value of ten thousand dollars (\$10,000) became commercial

land and was assessed at fifty thousand dollars (\$50,000). The forty thousand dollar (\$40,000) difference was reported on the new construction roll in year one (1). In year two (2), the parcel is reclassified as irrigated agricultural land and would have had a value in year one (1) of twenty thousand dollars (\$20,000). The amount to be subtracted from the value shown on the new construction roll in year two (2) is thirty thousand dollars (\$30,000). (4-7-11)

iv. Provided the criteria in Subparagraph 802.03.b.i. are met, value decreases resulting from previously included land value becoming exempt are to be reported and subtracted. (4-4-13)

v. Except as provided in Subparagraph 802.03.b.vi., only land value decreases that meet the criteria listed in Subparagraphs 802.03.b.i. or 802.03.b.iv. of this rule and include and result from a change in land secondary category can be considered. (4-4-13)

vi. Provided the criteria in Subparagraph 802.03.b.i. are met, land value decreases resulting from the exemption provided in Section 63-602W(4), Idaho Code, are to be subtracted from the new construction roll in the year immediately following the most recent year in which the exemption has been granted. To comply with the budget adjustments required by Section 63-802, Idaho Code, which limits taxing district budgets based on the highest amount of property tax revenue requested during the previous three (3) years, such subtraction shall be required for up to three (3) years, provided the property continues to receive the exemption. For example, a property for which five hundred thousand dollars (\$500,000) was added to the 2011 new construction roll for site improvements that were added and taxable at that time receives a five hundred thousand dollar (\$500,000) exemption pursuant to Section 63-602W(4), Idaho Code, in 2012. The property continues to receive the exemption in the same amount in 2013, but the exempt amount increases to five hundred twenty thousand dollars (\$520,000) in 2014. The property loses the exemption before June 30, 2015. However, the 2015 value of the site improvements has been determined to be only four hundred thousand dollars (\$400,000) because of market value changes. Therefore, only four hundred thousand dollars (\$400,000) in value is added as a result of the loss of the exemption. Table A shows the effect on each year's new construction roll, while Table B shows the effect on a hypothetical taxing district's maximum allowable property tax budget. (4-4-13)

vii. Table A - Effect on New Construction Roll:

| Table A - Effect on New Construction Roll | | |
|--|---|---|
| Year | Occurrence | Effect on New Construction Roll (for that year) |
| 2011 | Site improvements added and taxable | + \$500,000 |
| 2012 | Site improvements exempt | NA (no prior year's exemption) |
| 2013 | Site improvements exempt | - \$500,000 |
| 2014 | Site improvements exempt | - \$500,000 |
| 2015 | Loses site improvement exemption before June 30 | + \$400,000 |

(4-4-13)

viii. In Table B, assume that the taxing district has a tax levy rate of zero point zero zero two five (0.0025) in 2010, a total taxable value of one hundred million dollars (\$100,000,000) in 2010 and a property tax budget in 2010 that is two hundred fifty thousand dollars (\$250,000) and was the highest of the preceding three (3) years. The total amount of new construction is the amount due to the site improvements and no other value change occurs in the district during the period shown. There are no property tax replacement monies for this district. Beginning in 2011 the taxing district levies the maximum it is allowed each year. The factor of one point zero three (1.03) shown in Table B is used to calculate the allowable three percent (3%) increase. (4-4-13)

ix. Table B - Effect on Hypothetical Taxing District's Maximum Allowable Property Tax Budget:

| Table B - Effect on Hypothetical Taxing District's Maximum Allowable Property Tax Budget | | | | |
|--|---|---|---------------------------------------|--|
| Year | Occurrence | Effect on New Construction Roll (for that year) | Maximum Allowable Property Tax Budget | Calculations |
| 2011 | Site improvements added and taxable | + \$500,000 | \$258,750 | $(\$250,000 \times 1.03) + (\$500,000 \times 0.0025)$ (tax levy rate = $\$258,750 / \$100,500,000 = 0.002574627$) |
| 2012 | Site improvements exempt | NA (no prior year's exemption; no new construction value) | \$266,512 | $\$258,750 \times 1.03$ (tax levy rate = $\$266,512 / \$100,000,000 = 0.002665120$) |
| 2013 | Site improvements exempt | - \$500,000 | \$273,174 | $(\$266,512 \times 1.03) - (\$500,000 \times 0.002665120)$ (tax levy rate = $\$273,174 / \$100,000,000 = 0.002731744$) |
| 2014 | Site improvements exempt | - \$500,000 | \$280,003 | $(\$273,174 \times 1.03) - (\$500,000 \times 0.002731744)$ (tax levy rate = $\$280,003 / \$100,000,000 = 0.002800033$) |
| 2015 | Loses site improvement exemption before June 30 | + \$400,000 | \$289,523 | $(\$280,003 \times 1.03) + (\$400,000 \times 0.002731744)$ (tax levy rate = $\$289,523 / \$100,400,000 = 0.002883696$) |

(4-4-13)

04. Manufactured Housing. "Installation" of new or used manufactured housing shall mean capturing the net taxable market value of the improvement(s) that did not previously exist within the county. (7-1-97)

05. Partial New Construction Values. Except as provided in Subsection 802.06 of this rule, the net taxable market value attributable directly to new construction shall be reported on the new construction roll in the tax year it is placed on the current assessment roll. Except as provided in Subsection 802.06 of this rule, any increase in a nonresidential parcel's taxable value, due to new construction, shall be computed by subtracting the previous year's or years' partial taxable value(s) from the current taxable value. If any of this difference is attributable to inflation, such value, except as provided in Subsection 802.06 of this rule, shall not be included on the new construction roll.

Example: Assume a partially completed, nonresidential improvement was assessed at ten thousand dollars (\$10,000) as of January 1, 2009. The improvement was occupied February 2, 2009. Assume the ten thousand dollar (\$10,000) value was on the 2009 new construction roll. Assume that in 2010 the improvement is assessed at ninety thousand dollars (\$90,000). Assume there has been no inflation. The value that can be reported on the 2010 new construction roll is calculated as follows:

| | |
|--|------------|
| 2010 Value | \$90,000 |
| 2009 Value Already Reported on New Construction Roll | <\$10,000> |
| 2010 New Construction Roll Value (this improvement) | \$80,000 |

(4-7-11)

06. Change in Status.

(4-2-08)

a. A previously exempt improvement which becomes taxable shall not be included on the new construction roll, unless the loss of the exemption occurs during the year in which the improvement was constructed or unless the improvement has lost the exemption provided in Section 63-602W(3) or (4), Section 63-602E(3), or Section 63-602NN, Idaho Code. For any such property, the amount that may be included on the new construction roll shall be the value of the portion of the property subject to the exemption at the time the exemption was first granted. Examples of special cases for the exemption provided in Section 63-602W(4), Idaho Code, follow: (4-4-13)

i. If the exemption is lost by June 30 of the year in which the exempt amount was to be subtracted from the new construction roll, then there shall be no subtraction, nor shall the formerly exempt amount be added, to the new construction roll, unless it had been previously subtracted from a new construction roll. For example, the property first became exempt in 2012, but lost the exemption by June 30, 2013. The 2013 new construction roll was not adjusted downward, so any previous inclusion of the exempt value would not be added in the future. Had the property lost the exemption later in 2013, there would have been a subtraction from the 2013 new construction roll and a subsequent addition to the 2014 new construction roll. (4-4-13)

ii. If the exemption was granted to property for which no value had been added to any new construction roll, the value of the property (site improvements) at the time the exemption was first granted may be added to the new construction roll following loss of the exemption. (4-4-13)

b. Except as provided in paragraph (06)(e) of this rule, uUpon receipt by the State Tax Commission of a resolution recommending adoption of an ordinance for termination of an RAA under Section 50-2903(5), Idaho Code, any not previously included positive difference of the most current increment value minus the “incremental value as of December 31, 2006,” or the entire current increment value, if there was no such value as of December 31, 2006, shall be added to the appropriate year’s new construction roll. Upon the effective date of any de-annexation of a portion of an RAA, the immediate prior year’s increment value associated with the parcels in the de-annexed area is to be included in the appropriate year’s new construction roll as described in Paragraph 802.06.d. of this rule, provided such value has not been previously included on any new construction roll. When this information is received after the fourth Monday in July, this positive net increment value shall be added to the following year’s new construction roll. (~~3-29-17~~)()

c. Upon receipt by the State Tax Commission of an attestation indicating that an urban renewal plan has been modified in such a way as to result in resetting the base value in an RAA, as provided in Section 50-2903A, Idaho Code, increases in base value due to the addition of previously determined increment value may be added to the new construction roll as described in Section 63-301A(3)(j), Idaho Code, provided such value has not previously been included on any new construction roll. In such a case, at termination of the RAA, only new additional increment value following the reset of the base value shall be included on the new construction roll. (3-29-17)

d. When a portion of an RAA is de-annexed, the following steps must be used to determine the amount to be added to the current year’s new construction roll and the amount to be subtracted from the “incremental value as of December 31, 2006.” (4-7-11)

i. Step 1. For the parcels in the de-annexed area, determine the December 31, 2006, increment value. (4-7-11)

ii. Step 2. Subtract the increment value determined in Step 1 from the immediate prior year’s increment

value for the parcels in the de-annexed area. (3-29-17)

iii. Step 3. Add any positive difference calculated in Step 2 to the current year's new construction roll value. (4-7-11)

iv. Step 4. Adjust the "incremental value as of December 31, 2006" for the RAA by subtracting the increment value determined in Step 1. (4-7-11)

v. The following table shows the amount to be added to the current year's new construction roll and the amount to be subtracted from the "incremental value as of December 31, 2006" applicable to the adjusted remaining RAA. The table assumes an area is de-annexed from an original RAA effective December 31, 2016.

| Steps (as designated in Paragraph 802.06.c.) | Area | Value |
|--|---|---------------|
| | December 31, 2006, increment value of the original RAA | \$10,000,000 |
| Step 1 | December 31, 2006, increment value of the de-annexed area | \$1,000,000 |
| | December 31, 2015, increment value of the de-annexed area | \$3,000,000 |
| Steps 2 and 3 | Amount related to the de-annexed area to be added to the 2017 new construction roll | \$2,000,000 |
| Step 4 | Adjustment amount to be deducted from the original RAA's "incremental value as of December 31, 2006" | <\$1,000,000> |
| | Adjusted "incremental value as of December 31, 2006" for the remaining RAA (base for future new construction roll additions upon dissolution of all or part of remaining RAA) | \$9,000,000 |

(3-29-17)

vi. If the de-annexation in the example in sub-paragraph v. had taken effect prior to the fourth Monday of July, 2016, the 2015 increment value for the affected parcels would have been added to the 2016 new construction roll after subtracting the 2006 increment value. (3-29-17)

vii. The value of operating property increment value to be included on the new construction roll when a de-annexation occurs is computed as shown in the following example:

| | |
|---|---|
| Sum the previous year's increment values of the locally assessed parcels in the area to be de-annexed | \$15,000,000 |
| Divide this sum by the previous year's increment value of all locally assessed parcels in the RAA | $\$15,000,000 \div \$130,000,000 = .1154$ |
| Multiply by 100 to determine the percentage applicable to the locally assessed parcels located within the area to be de-annexed | $.1154 \times 100 = 11.54\%$ |
| Determine the difference between the operating property increment value in the whole RAA for the year preceding the de-annexation from the 2006 increment value of all operating in the whole RAA | $\$2,000,000 - \$500,000 = \$1,500,000$ |

| | |
|---|----------------------------------|
| Multiply the locally assessed percentage by the increase in the operating property increment value | 11.54% x \$1,500,000 = \$173,100 |
| The value of operating property increment to be included on the new construction roll when a de-annexation occurs | \$173,100 |

(3-29-17)

e. For taxing districts formed after December 31, 2006 or annexing into a revenue allocation area after that date, the amount of increment value to be added to the new construction roll will equal any positive difference between the increment value at the time of formation of the taxing district or annexation into the revenue allocation area and the increment value at the time of dissolution of the revenue allocation area or the increment value within the area deannexed from the revenue allocation area. ()

07. Limitation on Annexation and New Construction Roll Value. For any taxing district annexing property in a given year, the new construction roll for the following year shall not include value that has been included in the annexation value. When an annexation includes any part of a revenue allocation area, only taxable value that is part of the current base value of the taxing district is to be included in the annexation value reported for that taxing district for the year following the year of the annexation. (3-29-10)

08. Notification of New Construction Roll and Annexation Values. On or before the fourth Monday in July, each county auditor must report the net taxable values on the new construction roll and within annexed areas for each appropriate taxing district or unit to that taxing district or unit. (3-20-04)

803. BUDGET CERTIFICATION -- DOLLAR CERTIFICATION FORM (L-2 FORM) (RULE 803). Sections 63-602G(5), 63-802, 63-803, 63-3029B(4), 63-3502B, 50-2903A, 50-2913, ~~and~~ 63-3638(11) and (13), and 63-1305C, Idaho, Code.

01. Definitions. (4-5-00)

a. “Dollar Certification Form” (L-2 Form). The Dollar Certification Form (L-2 Form) is the form used to submit to the State Tax Commission the budget request from each board of county commissioners for each taxing district. This form shall be presumed a true and correct representation of the budget previously prepared and approved by a taxing district. The budget will be presumed adopted in accordance with pertinent statutory provisions unless clear and convincing documentary evidence establishes that a budget results in an unauthorized levy and action as provided in Section 63-809, Idaho Code. (4-6-05)

b. “Prior Year’s Market Value for Assessment Purposes.” Prior year’s market value for assessment purposes shall mean the value used to calculate levies during the immediate prior year. This value shall be used for calculating the permanent budget increase permitted for cities, pursuant to Section 63-802(1)(g~~f~~), Idaho Code. (4-2-08)

c. “Annual Budget.” For the purpose of calculating dollar amount increases permitted pursuant to Section 63-802(1), Idaho Code, the annual budget shall include any amount approved as a result of an election held pursuant to Sections 63-802(1)(g~~f~~) or 63-802(1)(h~~g~~), Idaho Code, provided that said amount is certified on the L-2 Form as part of the budget request. If the amount certified does not include the entire amount approved as a result of the election held pursuant to Sections 63-802(1)(g~~f~~) or 63-802(1)(h~~g~~), Idaho Code, then the amount not used shall be added to the foregone increase amount determined for the taxing district. See the following example.

| CERTIFIED PROPERTY TAX BUDGET LIBRARY DISTRICT* | | | | |
|---|----------|------------------|------------------|----------|
| | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
| Annual Budget | \$10,000 | \$10,000 | \$10,700 | \$11,621 |
| 3% Increase | \$0 | \$300 | \$321 | \$349 |
| Subtotal | \$10,000 | \$10,300 | \$11,021 | \$11,970 |
| 1999 Election Amount | \$0 | \$400 of \$1,000 | \$600 of \$1,000 | \$0 |
| Certified Budget | \$10,000 | \$10,700 | \$11,621 | \$11,970 |

*The Library District with zero dollars (\$0) in value for new construction and/or annexation approves an additional budget amount of one thousand dollars (\$1,000) in 1999, but only certifies four hundred dollars (\$400) for the year 2000. Note the example does not account for any foregone amount resulting from the district's decision to not increase its budget by three percent (3%) in 1997, 1998 or 1999. (4-6-05)()T&P

d. “Property Tax Funded Budget.” Property tax funded budget means that portion of any taxing district’s budget certified to the board of county commissioners, approved by the State Tax Commission, and subject to the limitations of Section 63-802, Idaho Code. (3-20-04)

e. “Recovered/Recaptured Property Tax and Refund Substitute Funds Tax List.” Recovered/recaptured property tax and refund substitute funds list means the report sent by the

county auditor to the appropriate taxing district(s)/unit(s) by the first Monday in August and to the State Tax Commission with the L-2 Forms, listing the amount of revenue distributed, or refunds charged, to each appropriate taxing district/unit ~~as recovery of property tax or other payments~~ during the twelve (12) month period ending June 30 each year under the following sections:

~~(5-8-09)~~ ()T&P

i. Section 63-602G(5), Idaho Code; ~~and~~ (5-8-09)

ii. Section 63-3029B(4), Idaho Code; ~~and~~ (5-8-09)

iii. Section 63-602KK(7), Idaho Code, for personal property exempted after 2013 for which no replacement money was paid; ~~and~~ (3-29-17)

iv. Section 63-3502B(2), Idaho Code, for distributions of gross earnings tax on solar farms; ~~and~~ (3-29-17)

v. Section 50-2903A(3), Idaho Code, for distributions of urban renewal allocations in excess of the amount necessary to pay indebtedness, when required; ~~and~~ (3-29-17)

vi. Section 50-2913(3)(c), Idaho Code, for distributions of urban renewal allocations in excess of the amount received during the immediate prior tax year, when required; ~~;~~
~~(3-29-17)~~()T&P

vii. Section 63-1302C(3), Idaho Code for revoked provisional property tax exemptions;
~~and~~ ()T&P

viii. Section 63-1305C(6), Idaho Code, for refunds related to provisional property tax exemptions.
()T&P

f. “Taxing District/Unit.” Taxing district/unit means any governmental entity with authority to levy property taxes as defined in Section 63-201, Idaho Code, and those ~~noncountywide~~ governmental entities without authority to levy property taxes but on whose behalf such taxes are levied ~~or allocated~~ by an authorized entity such as the county or city ~~for such entities as county road and bridge funds or urban renewal agencies, respectively.~~ (4-6-05)()T&P

g. “New Taxing District.” For property tax budget and levy purposes, new taxing district means any taxing district for which no property tax revenue has previously been levied. See the Idaho Supreme Court case of Idaho County Property Owners Association, Inc. v. Syringa General Hospital District, 119 Idaho 309, 805 P.2d 1233 (1991). (4-2-08)

02. Budget Certification. The required budget certification shall be made to each board of county commissioners representing each county in which the district is located by submitting the completed and signed L-2 Form prescribed by the State Tax Commission. Unless otherwise provided for in Idaho Code, budget requests for the property tax funded portions of the budget shall not exceed the amount published in the notice of budget hearing if a budget hearing notice is required in Idaho Code for the district. The levy approved by the State Tax Commission shall not exceed the levy computed using the amount shown in the notice of budget hearing. (3-20-14)

03. Budget Certification Requested Documents. Using the completed L-2 Form, each board of county commissioners shall submit to the State Tax Commission a budget request for each taxing district in the county that certifies a budget request to finance the property tax funded portion of its annual budget. The board of county commissioners shall only submit documentation specifically requested by the State Tax Commission. (3-29-17)

a. Forgone increase documentation. For any taxing district submitting a budget including previously forgone increases, required documentation includes a copy of the resolution certifying the amount of the forgone increase being included and the specific purpose for which this increase is being budgeted. Each such taxing district must submit the resolution to the board of county commissioners representing each county in which the district is located along with the L-2 Form. The board of county commissioners must attach a copy of the resolution to be submitted to the State Tax Commission along with the L-2 Form. Such submittal will constitute submittal to the State Tax Commission. (3-29-17)

b. Forgone increase disclaimer. Any resolution to disclaim the right to recover an annual increase in the forgone amount must state the amount of such forgone increase being disclaimed and must be submitted to the board of county commissioners representing each county in which the district is located along with the L-2 Form. The board of county commissioners must attach a copy of the resolution to be submitted to the State Tax Commission along with the L-2 Form. Such submittal will constitute submittal to the State Tax Commission. The following table illustrates calculation of the maximum forgone amount that may be disclaimed in 2018:

| Step | Description | Comments |
|------|--|--|
| 1 | 2017 maximum property tax \$10,000. This is an increase of \$1,000 from 2016. | The district has no prior forgone balance. |
| 2 | The district certifies \$9,800 in 2017. | The district now has \$200 in forgone balance. |
| 3 | 2018 maximum property tax \$11,000. (not including \$200 forgone) | |
| 4 | 2018 property tax budgeted (to be submitted for certification) is \$10,600 | This amount is approved to be levied and would generate \$400 in additional forgone balance. |
| 5 | 2018 maximum amount of forgone increase that may be disclaimed by the district is \$400. | If the district disclaims the full \$400, their forgone balance remains at \$200. |

(3-28-18)

04. L-2 Form Contents. Each taxing district ~~or unit~~ completing an L-2 Form shall include the following information on or with this form. (3-20-04)

a. “Department or Fund.” Identify the department or fund for which the taxing district is requesting a budget for the current tax year. (4-5-00)

b. “Total Approved Budget.” List the dollar amount of the total budget for each department or fund identified. The amounts must include all money that a taxing district has a potential to spend at the time the budget is set, regardless of whether funds are to be raised from property tax. (4-5-00)

c. “Cash Forward Balance.” List any money retained, but intended to fund the approved budget being certified on the L-2 form (4-11-15)

d. “Other Revenue not Shown in Column 5.” List the revenue included in the total approved budget to be derived from sources other than property tax or money brought forward from a prior year. For example, sales tax revenue is included. (3-15-02)

e. “Property Tax Replacement.” Report the following amounts received for the 12 month period ending June 30 of the current tax year: ~~(5-8-09)~~()T&P

i. The amount of money received annually under Section 63-3638(11), Idaho Code, as replacement revenue for the agricultural equipment exemption under Section 63-602EE, Idaho Code; (4-11-15)

ii. The amount of money received as recovery of property tax exemption under Section 63-602G(5), Idaho Code, and listed on the “Recovered/recaptured property tax and refund substitute funds list”; ~~(5-8-09)~~()T&P

iii. The amount of money received as recapture of the property tax benefit under Section 63-3029B(4), Idaho Code, and listed on the “Recovered/recaptured property tax and refund substitute funds list”; ~~(4-11-15)~~()T&P

iv. The amount of money received ~~annually~~ under Section 63-3638(13), for the personal property exemption under 63-602KK(2), Idaho Code; (3-29-17)

v. The amount of money received ~~annually~~ under Section 63-602KK(7), Idaho Code, for personal property exempted after 2013, for which no replacement money was paid, and listed on the “Recovered/recaptured property tax and refund substitute funds list”; ~~(3-29-17)~~()T&P

vi. The amount of money received ~~in the 12 month period ending June 30 of the current tax year~~ as a result of distributions of the gross earning tax on solar farms, as provided in Section 63-3502B(2), Idaho Code, and listed on the “Recovered/recaptured property tax and refund substitute funds list”; ~~(3-29-17)~~()T&P

vii. The amount of money received ~~in the 12 month period ending June 30 of the current tax year~~ as a result of distributions of urban renewal allocations in excess of the amount necessary to pay indebtedness, as provided in Section 50-2903A(3), Idaho Code, and listed on the “Recovered/recaptured property tax and refund substitute funds list”; ~~and (3-29-17)~~()T&P

viii. The amount of money received ~~in the 12 month period ending June 30 of the current tax year~~ as a result of distributions of urban renewal allocations in excess of the amount received by the urban renewal agency in the immediate prior year, as provided in Section 50-2913(3)(c),

Idaho Code and listed on the “Recovered/recaptured property tax and refund substitute funds list”;
and .” ~~(3-29-17)~~(____)T&P

ix. The amount of money received as a result of distributions of recovered property tax for
revoked provisional property tax exemptions pursuant to Section 63-1305C(3), Idaho Code.
____(____)T&P

f. “Balance to be Levied.” Report the amount of money included in the total approved
budget to be derived from property tax. (3-15-02)

g. Other Information. Provide the following additional information. (4-5-00)

i. The name of the taxing district or unit; (3-20-04)

ii. The date of voter approval (if required by statute) and effective period for any new or
increased fund which is exempt from the budget limitations in Section 63-802, Idaho Code;
(4-5-00)

iii. The signature, date signed, printed name, address, and phone number of an authorized
representative of the taxing district; and (5-3-03)

iv. For a hospital district which has held a public hearing, a signature certifying such action.
(4-5-00)

v. For any taxing district including previously forgone increases in their budget or
disclaiming any forgone increase, an attestation to having held the required public hearing on the
resolution to include or disclaim the forgone amount. (3-28-18)

h. Attached Information. Other information submitted to the county auditor with the L-2
Form. (4-6-05)

i. For all taxing districts, L-2 worksheet. (3-20-04)

ii. For newly formed recreation or auditorium districts, a copy of the petition forming the
district showing any levy restrictions imposed by that petition. (3-20-04)

iii. For any new ballot measures (bonds, overrides, permanent overrides, supplemental
maintenance and operations funds, cooperative service agency funds, and plant facility funds),
notice of election and election results. ~~(3-20-04)~~(____)

iv. Voter approved fund tracker. (3-20-04)

v. For fire districts, a copy of any new agreements with utility companies providing for
payment of property taxes by that utility company to that fire district. (3-20-04)

vi. For any city with city funded library operations and services at the time of consolidation with any library district, each such city must submit a certification to the board of county commissioners and the board of the library district reporting the dedicated portion of that city's property tax funded library fund budget and separately reporting any portion of its property tax funded general fund budget used to fund library operations or services at the time of the election for consolidation with the library district. (3-20-04)

vii. For any library district consolidating with any city that had any portion of its property tax funded budget(s) dedicated to library operations or services at the time of the election for consolidation, each such library district must submit to the board of county commissioners a copy of the certification from that city reporting the information provided for in Subparagraph 803.04.h.vi. of this rule. (4-6-05)

viii. For any taxing district including previously forgone increases in their budget or disclaiming any forgone increase, a copy of the resolution describing the amount of the forgone increase being disclaimed or the amount included and specific purpose for which it is being included. (3-28-18)

05. Special Provisions for Fire Districts Levying Against Operating Property. To prevent double counting of public utility property values, for any year following the first year in which any fire district increases its budget using the provision of Section 63-802(2), Idaho Code, such fire district shall not be permitted further increases under this provision unless the following conditions are met: (3-30-01)

a. The fire district and public utility have entered into a new agreement of consent to provide fire protection to the public utility; and (3-30-01)

b. Said new agreement succeeds the original agreement; and (3-30-01)

c. In the first year in which levies are certified following the new agreement, the difference between the current year's taxable value of the consenting public utility and public utility value used in previous budget calculations made pursuant to this section is used in place of the current year's taxable value of the consenting public utility. (3-30-01)

06. Special Provisions for Property Tax Replacement and Refunds Pursuant to Section 63-1305C(6), Idaho Code. Property tax replacement monies must be reported on the L-2 Form and separately identified on accompanying worksheets. Except as provided in Paragraph 803.06.f of this rule, for all taxing districts, these monies must be subtracted from or, in the case of refunds, not included in, the "balance to be levied". The reduced balance shall be used to compute levies; ~~but~~ The maximum amount permitted pursuant to Section 63-802(1), Idaho Code, shall be based on the sum of these property tax replacement monies including recoveries received pursuant to Section 63-1305C(3), Idaho Code, but excluding monies received pursuant to 63-3502B(2), Idaho Code, and the amount actually levied. Each taxing district's proportionate share of refunds pursuant to Section 63-1305C(6), Idaho Code, as reported in Paragraph 01(e) of this rule, must be subtracted from the maximum amount permitted pursuant to Section 63-802(1), Idaho Code. (3-29-17)()T&P

a. The State Tax Commission shall, by the fourth Monday of July, notify each county clerk if the amount of property tax replacement money, pursuant to Sections 63-3638(11) and (13), Idaho Code, to be paid to a taxing district changes from the amount paid in the preceding year. By the first Monday of May, the State Tax Commission shall further notify each school district and each county clerk of any changes in the amount of property tax replacement money to be received by that school district pursuant to Sections 63-3638(11) and (13), Idaho Code. (4-11-15)

b. By no later than the first Monday of August of each year, each county clerk shall notify each appropriate taxing district or unit of the total amount of property tax replacement monies, and the type of replacement money, as described in Paragraph 04(e) of this rule. For charter school districts subject to the provisions of Paragraph (06)(f) of this rule, the amount to be subtracted shall be reported. ~~(3-29-17)~~(____)

c. Except as provided in Paragraph 803.06.d. of this rule, the subtractions required in Subsection 803.06 of this rule may be from any fund(s) subject to the limitations of Section 63-802, Idaho Code. For school districts these ~~is~~ subtractions must be first from funds subject to the limitations of Section 63-802, Idaho Code, then from other property tax funded budgets. (5-8-09)

d. For taxing districts receiving distributions of the gross earning tax on solar farms described in Section 63-3502B(2), Idaho Code, the amount of any such distribution received during the 12 months ending June 30 of the current tax year shall be subtracted from the maximum amount of property tax revenue permitted pursuant to Section 63-802, Idaho Code. ~~In addition to the amounts reported as described in Paragraph (06)(b) of this rule, the county clerk shall, by the third Monday in August, notify each taxing unit of the total amount of the gross earnings tax on solar farms billed for the current tax year.~~ (3-29-17)(____)

e. Levy limits shall be tested against the amount actually levied. (3-15-02)

f. For charter school districts with a levy in 2013 for maintenance and operations, as provided in Section 33-802(6), Idaho Code, a portion of the property tax replacement money received for property subject to the exemption in Section 63-602KK, Idaho Code, is not required to be subtracted in determining the “balance to be levied.” Said portion shall be the amount calculated by applying the 2013 levy rate for the maintenance and operations levy amount, as authorized in the district’s charter, to the 2013 exempt value of personal property used to compute replacement money provided to the school district. (4-11-15)

g. For recovered personal property exemptions, as provided in Section 63-602KK(7), Idaho Code, for personal property exempted in 2013 for which replacement money was paid, recovered amounts shall be distributed to the State Tax Commission. Once received, the amount of future payments to the affected taxing districts shall be reduced by the amount received. (3-25-16)

07. Special Provisions for Library Districts Consolidating with Any City’s Existing Library Operations or Services. For any library district consolidating with any city’s existing library operations or services, the amount of the dedicated property tax funded general fund and

library fund budgets certified by the city under Subparagraph 803.04.h.vi., of this rule shall be added to that library district's property tax funded budget in effect at the time of the election for consolidation. This total shall be used as this district's property tax funded budget for the most recent year of the three (3) years preceding the current tax year for the purpose of deciding the property tax funded budget that may be increased as provided by Section 63-802, Idaho Code.

(4-6-05)

08. Special Provisions for Cities with Existing Library Operations or Services Consolidating with Any Library District. For any city with existing library operations or services at the time of consolidation with any library district, the amount of the dedicated property tax funded library fund budget included in the certification by the city under Subparagraph 803.04.h.vi., of this rule shall be subtracted from that city's total property tax funded budget in effect at the time of the election for the consolidation. This difference shall be used as this city's property tax funded budget for the most recent year of the three (3) years preceding the current tax year for the purpose of deciding the property tax funded budget that may be increased as provided by Section 63-802, Idaho Code.

(4-6-05)

09. Special Provisions for Calculating Total Levy Rate for Taxing Districts or Units with Multiple Funds. Whenever the "Calculated Levy Rate" column of the L-2 Form indicates that a levy rate has been calculated for more than one (1) fund for any taxing district or unit, the "Column Total" entry must be the sum of the levy rates calculated for each fund. Prior to this summation, the levy rates to be summed must be rounded or truncated at the ninth decimal place. No additional rounding is permitted for the column total.

(4-6-05)

10. Special Provisions for School Districts' Tort Funds - Hypothetical New Construction Levy. To calculate the new construction portion of the allowed annual increase in a school district's tort fund under Section 63- 802(1), Idaho Code, calculate a Hypothetical New Construction Levy. To calculate this hypothetical levy, sum the amount of the school district's tort fund levied for the prior year, the agricultural equipment replacement revenue, and personal property replacement revenue, then divide this sum by the school district's taxable value used to determine the tort fund's levy for the prior year. For the current year, the allowed tort fund increase for new construction is this Hypothetical New Construction Levy times the current year's new construction roll value for the school district.

(3-25-16)

11. Special Provisions for Interim Abatement Districts. When an interim abatement district transitions into a formally defined abatement district under Section 39-2812, Idaho Code, the formally defined abatement district shall not be considered a new taxing district as defined in Paragraph 803.01.g. of this rule for the purposes of Section 63-802, Idaho Code. For the formally defined abatement district, the annual budget subject to the limitations of Section 63-802, Idaho Code, shall be the amount of property tax revenue approved for the interim abatement district.

(4-02-08)

12. Special Provisions for Consolidating Cemetery Districts. When two or more cemetery districts consolidate, the first year in which the consolidated cemetery district levies property tax, the maximum budget subject to the limitations of section 63-802, Idaho Code, shall be computed as follows:

()

- a. Determine the highest levy rate of any of the former cemetery districts now consolidating, based on the sum of the immediate prior year’s levies subject to the limitations of section 63-802, Idaho Code. ()

- b. Multiply this levy rate by the current taxable value of property within the area of the former cemetery districts other than the district with the highest rate. ()

- c. Multiply this levy rate by the current taxable value of new construction, as reported on the new construction roll, within the area of the former cemetery district with the highest levy rate. ()

- d. Add: ()
 - i. the amounts computed in subparagraphs 12 (b) and (c), ()

 - ii. 3% of the highest amount of property taxes certified by the former cemetery district determined in subparagraph 12 (a) of this rule to have had the highest levy rate, for its annual budget, as defined in Section 63-802(1)(a), Idaho Code, ()

 - iii. any forgone amounts of the former cemetery districts now consolidating. ()

132. Cross Reference for School Districts with Tuition Funds. School district tuition fund levies are exempt from the limitations of Section 63-802, Idaho Code. See Section 33-1408, Idaho Code. (4-11-15)

804. TAX LEVY - CERTIFICATION – URBAN REVEWAL DISTRICTS (RULE 804).
Section 50-2908, 50-2033, 50-2903, 50-2903A, 50-2905A, 50-2913, 63-803, and 63-811, Idaho Code.

01. Definitions. (4-5-00)

a. “Urban renewal district.” An urban renewal district, as referred to in Section 63-215, Idaho Code, shall mean an urban renewal area formed pursuant to an urban renewal plan adopted in accordance with Section 50-2008, Idaho Code. Urban renewal districts are not taxing districts. (4-5-00)

b. “Revenue allocation area (RAA).” A revenue allocation area (RAA) as referred to in Section 50-2908, Idaho Code, shall be the area defined in Section 50-2903, Idaho Code, in which base and increment values are to be determined. A new urban renewal plan is required when an urban renewal agency establishes a new RAA. Revenue allocation areas (RAAs) are not taxing districts. (3-29-17)

c. “Current base value.” The current base value of each parcel in a taxing district or unit shall be the value of that parcel on the current base assessment roll as defined under Section 50-2903, Idaho Code. Current base value does not include value found on the occupancy roll. (4-5-00)

d. “Initial base value.” The initial base value for each parcel is the sum of the taxable value of each category of property in the parcel for the year the RAA is established. In the case of annexation to an RAA, initial base value of each annexed parcel shall be the value of that parcel as of January 1 of the year in which the annexation takes place. (4-11-15)

e. “Increment value.” The increment value is the difference between the current equalized value of each parcel of taxable property in the RAA and that parcel’s current base value, provided such difference is a positive value. (4-5-00)

f. “Revenue allocation financing provision.” A revenue allocation area (RAA) shall be considered to be a revenue allocation financing provision. (3-29-17)

02. Establishing and Adjusting Base and Increment Values. (4-5-00)

a. Establishing initial base value. If a parcel’s legal description has changed prior to computing initial base year value, the value that best reflects the prior year’s taxable value of the parcel’s current legal description must be determined and will constitute the initial base year value for such parcel. The initial base value includes the taxable value, as of the effective date of the ordinance adopting the urban renewal plan, of all otherwise taxable property, as defined in Section 50-2903, Idaho Code. Initial base value does not include value found on the occupancy roll. (4-5-00)

b. Adjustments to base value - general value changes. Adjustments to base values will be calculated on a parcel by parcel basis, each parcel being a unit and the total value of the unit

being used in the calculation of any adjustment. Base values are to be adjusted downward when the current taxable value of any parcel in the RAA is less than the most recent base value for such parcel. In the case of parcels containing some categories of property which increase in value and some which decrease, the base value for the parcel will only decrease provided the sum of the changes in category values results in a decrease in total parcel value. Any adjustments shall be made by category and may result in increases or decreases to base values for given categories of property for any parcel. Adjustments to base values for any real, personal, or operating property shall establish new base values from which future adjustments may be made. In the following examples the parcel's initial base value is one hundred thousand dollars (\$100,000), including Category 21 value of twenty thousand dollars (\$20,000) and Category 42 value of eighty thousand dollars (\$80,000). (4-5-00)

i. Case 1: Offsetting decreases and increases in value. One (1) year later the parcel has a one thousand dollar (\$1,000) decrease in value in Category 21 and a one thousand dollar (\$1,000) increase in Category 42 value. There is no change in the base value for the parcel. (4-5-00)

ii. Case 2: Partially offsetting decreases and increases in value. One (1) year later the parcel has a three thousand dollars (\$3,000) decrease in value in Category 21 and a one thousand dollars (\$1,000) increase in Category 42 value. The base value decreases two thousand dollars (\$2,000) to ninety-eight thousand dollars (\$98,000). (4-5-00)

iii. Case 3: Future increase in value following decreases. One (1) year after the parcel in Case 2 has a base value reduced to ninety-eight thousand dollars (\$98,000), the value of the parcel increases by five thousand dollars (\$5,000) which is the net of category changes. The base value remains at ninety-eight thousand dollars (\$98,000). (4-5-00)

c. Adjustments to base value - splits and combinations. Before other adjustments can be made, the most recent base value must be adjusted to reflect changes in each parcel's legal description. This adjustment shall be calculated as described in the following subsections. (4-5-00)

i. When a parcel has been split, the most recent base year value is transferred to the new parcels, making sure that the new total equals the most recent base year value. Proportions used to determine the amount of base value assigned to each of the new parcels shall be based on the value of the new parcels had they existed in the year preceding the year for which the value of the new parcels is first established. (4-11-15)

ii. When a parcel has been combined with another parcel, the most recent base year values are added together. (4-5-00)

iii. When a parcel has been split and combined with another parcel in the same year, the value of the split shall be calculated as set forth in Subsection 804.02.c.i. and then the value of the combination will be calculated as set forth in Subsection 804.02.c.ii. (4-5-00)

d. Adjustments to base values when exempt parcels become taxable. Base values shall be adjusted as described in the following subsections. (4-5-00)

i. Fully exempt parcels at time of RAA establishment. When a parcel that was exempt at the time the RAA was established becomes taxable, the base value is to be adjusted upwards to reflect the estimated value of the formerly exempt parcel as it existed at the time the RAA was established.

(4-5-00)

ii. Partially exempt parcels losing the speculative value exemption. When a partially exempt parcel with a speculative value exemption that applies to farmland within the RAA becomes fully taxable, the base value of the RAA shall be adjusted upwards by the difference between the taxable value of the parcel for the year in which the exemption is lost and the taxable value of the parcel included in the base value of the RAA. For example, assume a parcel of farmland within an RAA had a taxable value of five hundred dollars (\$500) in the year the RAA base value was established. Assume also that this parcel had a speculative value exemption of two thousand dollars (\$2,000) at that time. Two (2) years later the parcel is reclassified as industrial land, loses the speculative value exemption, and has a current taxable value of fifty thousand dollars (\$50,000). The base value within the RAA would be adjusted upwards by forty-nine thousand five hundred dollars (\$49,500), the difference between fifty thousand dollars (\$50,000) and five hundred (\$500). The preceding example applies only in cases of loss of the speculative value exemption that applies to land actively devoted to agriculture and does not apply to timberland. Site improvements, such as roads and utilities, that become taxable after the loss of the speculative value exemption are not to be added to the base value. For example, if, in addition to the fifty thousand dollars (\$50,000) current taxable value of the undeveloped land, site improvements valued at twenty-five thousand dollars (\$25,000) are added, the amount reflected in the base value remains fifty thousand dollars (\$50,000), and the additional twenty-five thousand dollars (\$25,000) is added to the increment value. In addition, this example applies only to land that loses the speculative value exemption as a result of changes occurring in 2010 or later and first affecting taxable values in 2011 or later. Parcels that lost speculative value exemptions prior to 2010 had base value adjustments as described in Subsection 804.02.d.iii. of this rule.

(3-29-12)

iii. Partially exempt parcels other than those losing the speculative value exemption. ~~W~~Except as provided in subparagraph vi of this rule, when a partially exempt parcel, other than one subject to the speculative value exemption that applies to farmland, within the RAA becomes fully taxable, the base value of the RAA shall be adjusted upwards by the difference between the value that would have been assessed had the parcel been fully taxable in the year the RAA was established and the taxable value of the parcel included in the base value of the RAA. For example, assume a residential parcel within an RAA had a market value of one hundred thousand dollars (\$100,000), a homeowner's exemption of fifty thousand dollars (\$50,000), and a taxable value of fifty thousand dollars (\$50,000) in the year the RAA base value was established. After five (5) years, this parcel is no longer used for owner-occupied residential purposes and loses its partial exemption. At that time the parcel has a taxable value of one hundred eighty thousand dollars (\$180,000). The base value within the RAA would be adjusted upwards by fifty thousand dollars

(\$50,000) to one hundred thousand (\$100,000) to reflect the loss of the homeowner's exemption, but not any other value increases. (3-29-12)

iv. Partially exempt properties for which the amount of the partial exemption changes. For partially exempt properties that do not lose an exemption, but for which the amount of the exemption changes, there shall be no adjustment to the base value, unless the current taxable value is less than the most recent base value for the property. For example, assume a home has a market value of two hundred thousand dollars (\$200,000) and a homeowner's exemption of one hundred thousand dollars (\$100,000), leaving a taxable value of one hundred thousand dollars (\$100,000), all of which is base value. The following year the homeowner's exemption limit changes to ninety thousand dollars (\$90,000), so the property's taxable value increases to one hundred ten thousand dollars (\$110,000). The base value remains at one hundred thousand dollars (\$100,000). Alternatively, assume the property in the preceding example increases in market value to two hundred twenty thousand dollars (\$220,000) and the homeowner's exemption drops to ninety thousand dollars (\$90,000) because of the change in the maximum amount of this exemption. The base value remains at one hundred thousand dollars (\$100,000). Finally, assume the property decreases in value to one hundred eighty-eight thousand dollars (\$188,000) at the same time the homeowner's exemption limit changes to ninety thousand dollars (\$90,000). The property now has a taxable value of ninety-eight thousand dollars (\$98,000), requiring an adjustment in the base value to match this amount, since it is lower than the original base value of one hundred thousand dollars (\$100,000). (3-29-12)

v. Change of exempt status. Except as provided in subparagraph vi of this rule, W when a parcel that is taxable and included in the base value at the time the RAA is established subsequently becomes exempt, the base value is reduced by the most current value of the parcel included in the base value. If this parcel subsequently becomes taxable, the base value is to be adjusted upward by the same amount that was originally subtracted. For example, assume a land parcel had a base value of twenty thousand dollars (\$20,000). One (1) year later the parcel has a value of nineteen thousand dollars (\$19,000), so the base value is reduced to nineteen thousand dollars (\$19,000). Three (3) years later, an improvement valued at one hundred thousand dollars (\$100,000) was added. The land at this later date had a value of thirty thousand dollars (\$30,000). Both land and improvements were purchased by an exempt entity. The base would be reduced by nineteen thousand dollars (\$19,000). Five (5) years later, the land and improvement will become taxable. The base value is to be adjusted upwards by nineteen thousand dollars (\$19,000). (4-11-15)()

vi. Special case for exemption provided in section 63-602NN, Idaho Code. Value exempted under the provisions of section 63-602NN, Idaho Code, must exceed the taxable value of the property granted the exemption in the year immediately preceding the first year of the exemption. The base and increment values of any parcel immediately prior to the first granting of the exemption pursuant to section 63-602NN, Idaho Code, are not to be reduced for that parcel as a result of the granting of this exemption. Upon loss of the exemption, any taxable value in excess of the taxable value of the property in the year immediately preceding the first year of the exemption is to be added to the increment value provided the property is within an RAA. ()

e. Adjustments to base values when property is removed. Base values are to be adjusted downward for real, personal, and operating property removed from the RAA. Property shall be considered removed only under the conditions described in the following subsections.

(4-5-00)

i. For real property, all of the improvement is physically removed from the RAA, provided that there is no replacement of said improvement during the year the original improvement was removed. If said improvement is replaced during the year of removal, the reduction in base value will be calculated by subtracting the value of the new improvement from the current base value of the original improvement, provided that such reduction is not less than zero (0).

(4-5-00)

ii. For personal property, all of the personal property associated with one (1) parcel is physically removed from the RAA or any of the personal property associated with a parcel becomes exempt. In the case of exemption applying to personal property, the downward adjustment will first be applied to the increment value and then, if the remaining taxable value of the parcel is less than the most current base value, to the base value. Assume, for example that a parcel consists entirely of personal property with a base value of twenty thousand dollars (\$20,000) and an increment value of ninety thousand dollars (\$90,000). The next year the property receives a one hundred thousand (\$100,000) personal property exemption. The increment value is reduced to zero and the base value is reduced to ten thousand dollars (\$10,000).

(4-11-15)

iii. For operating property, any of the property under a given ownership is removed from the RAA.

(4-5-00)

f. Adjustments to base value for annexation. When property is annexed into an RAA, the base value in the RAA shall be adjusted upwards to reflect the value of the annexed property as of January 1 of the year in which the annexation takes effect. As an example, assume that parcels with current taxable value of one million dollars (\$1,000,000) are annexed into an RAA with an existing base value of two million dollars (\$2,000,000). The base value of the RAA is adjusted upwards to three million dollars (\$3,000,000).

(4-11-15)

g. Adjustments to increment values. In addition to the adjustment illustrated in subsection (02)(e)(ii) of this rule, decreases in total parcel value below the initial base value decrease the base value for the parcel. This leads to greater increment value if the parcel increases in value in future years. For example, if a parcel with a initial base value of one hundred thousand dollars (\$100,000) decreases in value to ninety-five thousand dollars (\$95,000), but later increases to ninety-eight thousand dollars (\$98,000), an increment value of three thousand dollars (\$3,000) is generated. If the same parcel increases in value to one hundred two thousand dollars (\$102,000) after the decrease to ninety-five thousand dollars (\$95,000), the increment value would be seven thousand dollars (\$7,000).

(4-11-15)

h. Apportioning operating property values. For operating property, the original base value shall be apportioned to the RAA on the same basis as is used to apportion operating property to taxing districts and units. The operating property base value shall be adjusted as required under Section 50-2903, Idaho Code.

(4-5-00)

03. Levy Computation for Taxing Districts Encompassing RAAs Within Urban Renewal Districts. Beginning in 2008, levies shall be computed in one (1) of two (2) ways as follows: (5-8-09)

a. For taxing district or taxing unit funds other than those meeting the criteria listed in Subsection 804.05 of this rule, the property tax levy shall be computed by dividing the dollar amount certified for the property tax portion of the budget of the fund by the market value for assessment purposes of all taxable property within the taxing district or unit, including the value of each parcel on the current base assessment roll (base value), but excluding the increment value. For example, if the taxable value of property within a taxing district or unit is one hundred million dollars (\$100,000,000) but fifteen million dollars (\$15,000,000) of that value is increment value, the levy of the taxing district must be computed by dividing the property tax portion of the district's or unit's budget by eighty-five million dollars (\$85,000,000). (5-8-09)

b. For taxing district or taxing unit funds meeting the criteria listed in Subsections 804.05 and 804.07 of this rule, the property tax levy shall be computed by dividing the dollar amount certified for the property tax portion of the budget of the fund by the market value for assessment purposes of all taxable property within the taxing district or unit, including the increment value. Given the values in the example in Paragraph 804.03.a. of this rule, the levy would be computed by dividing the property tax portion of the fund by one hundred million dollars (\$100,000,000). (5-8-09)

04. Modification of an Urban Renewal Plan. Except when inapplicable as described in Paragraphs 804.04.a, b, or c, of this rule, when an authorized municipality passes an ordinance modifying an urban renewal plan containing a revenue allocation financing provision, for the tax year immediately following the year in which the modification occurs, the base value of property in the RAA shall be reset by being adjusted to reflect the current taxable value of the property. All modifications to boundaries of RAAs must comply with the provisions of Rule 225 of these rules. (3-29-17)

a. Modification by consolidation of RAAs. If such modification involves combination or consolidation of two (2) or more RAAs, the base value shall be determined by adding together independently determined current base values for each of the areas to be combined or consolidated. The current taxable value of property in an area not previously included in any RAA shall be added to determine the total current base value for the consolidated RAA. (4-5-00)

b. Modification by annexation. (5-8-09)

i. If an RAA is modified by annexation, the current taxable value of property in the area annexed shall be added to the most current base value determined for the RAA prior to the annexation. (5-8-09)

ii. For levies described in Paragraphs 804.05.b., c., or d. of this rule approved prior to December 31, 2007, and included within the boundaries of a revenue allocation area by a change in the boundaries of either the revenue allocation area or the area subject to the levy by the taxing

district or unit fund after December 31, 2007, the property tax levy shall be computed by dividing the dollar amount certified for the property tax portion of the budget of the fund by the market value for assessment purposes of all taxable property within the taxing district or unit, including the increment value. The example below shows the value to be used for setting levies for various funds within an urban renewal district “A” that annexes area “B” within a school district. Area (B) was annexed after December 31, 2007. Therefore, the Area (B) increment was added back to the base for all funds shown except the tort fund. The Area (A) increment value was added back to the base for the bond and override funds which were certified or passed after December 31, 2007.

| | | |
|------------------|-----------------------------|---------------|
| 2009 Value Table | School District (base only) | \$500 Million |
| | RAA (A) increment | \$40 Million |
| | RAA annex (B) increment | \$10 Million |

| | | |
|--|---|--------------------------------------|
| <p>School District Area \$500 M base</p> | 2009 School Levies | |
| | Fund | Value for Setting Levies \$ Millions |
| | Tort | 500 |
| | 2001 Plant | 510 |
| | 2008 Bond (Passed and first levied in 2008) | 550 |
| | 2009 Supplemental | 550 |

(4-11-15)

iii. An annexation permitted pursuant to section 50-2033, Idaho Code, to an RAA in existence prior to July 1, 2016 shall not change the status of the urban renewal agency or the RAA and its related plan regarding inapplicability of the base reset or attestation provisions found in section 50-2903A, Idaho Code. (3-29-17)

c. Other modifications – attestation requirements. Modification resulting in adjustment of base value to reflect the current taxable value of the property within the RAA shall not be deemed to have occurred when the urban renewal agency attests to having made no modifications to a plan or is not required to attest to plan modifications. Certain urban renewal agencies are required to attest annually to having made or not made plan modifications. These include: (3-29-17)

i. Urban renewal agencies that establish new RAAs on or after July 1, 2016, provided however that such agencies are only required to attest to having made or not made modifications with regard to any new RAA. (3-29-17)

ii. Urban renewal agencies that enact new plans including an RAA on or after July 1, 2016. (3-29-17)

d. Modifications when there is outstanding indebtedness. When any urban renewal agency attests to having had a plan modification that is not an exception identified in Paragraphs 804.04.a. or b. or c. of this rule or fails to provide the required attestation, the base value will be determined without regard to the modification, provided that the agency certifies to the State Tax Commission by June 30 of the tax year that there is outstanding indebtedness as defined in section 50-2903A(2), Idaho Code. In this case, the allocation of revenue to the urban renewal agency shall be limited to the amount certified as necessary to pay the indebtedness. Any additional revenue shall be distributed to each taxing district or unit in the same manner as property taxes. Such revenue shall be treated as property tax revenue for the purpose of the limitations in section 63-802, Idaho Code. The county clerk will notify the tax commission of the amount so distributed for each year beginning July 1 of the prior year and ending June 30 of the current tax year. (3-29-17)

e. Failure to submit attestation regarding plan modification. For any urban renewal agency subject to the requirements of section 50-2903A, Idaho Code, attestation of plan modification or attestation that there has been no plan modification is required to be made to the State Tax Commission by the first Monday of June each year. Except as provided in Paragraph 04.d of this rule, if such agency fails to provide the required attestation, the State Tax Commission will proceed to reset the base value or limit allocation of property tax to the urban renewal agency as otherwise required in section 50-2903A, Idaho Code. Provided there is no new plan, an urban renewal agency with a plan including one or more revenue allocation financing provisions (RAAs) in existence prior to July 1, 2016 shall only be required to provide this attestation or be subject to base resetting or other limitations for failure to submit this attestation with respect to new RAAs formed on or after July 1, 2016. If such an agency develops a new plan, on or after July 1, 2016, or provides for a new RAA under an existing plan, the agency shall be subject to the attestation requirements and other provisions of Section 50-2903A, Idaho Code, with respect to any RAAs formed July 1, 2016 or later. (3-28-18)

f. Notice of actions related to base reset or revenue allocation limitations. (3-29-17)

i. The State Tax Commission will notify any urban renewal agency within thirty (30) days of the time the State Tax Commission receives an attestation that an urban renewal plan has been modified, or by July 30 in any year in which an attestation is required but none is received, of the State Tax Commission's intent to initiate the process to reset the base value in the following tax year. Said notice will be provided to affected county commissioners and city officials. (3-29-17)

ii. In the case of base reset due to failure to attest to a modification or to having made no modification in an urban renewal plan, despite being required to provide this attestation, the agency and county and city officials will be so notified and will be given an opportunity to provide the necessary attestation. This further notice will provide that, if the State Tax Commission has not received the attestation by December 31 of the tax year, the base will be reset in the immediate following year. (3-29-17)

iii. In the case of a revenue allocation limitation pursuant to section 50-2913, Idaho Code, notice will be provided to the agency and county and city officials including the county assessor and county clerk, within thirty (30) days of the due date of the plan or plan update. (3-29-17)

iv. In the case of a revenue allocation limitation due to a plan modification but outstanding indebtedness, notice will be provided to the agency and county and city officials, including the county assessor and county clerk, within thirty (30) days of receipt by the tax commission of the certification of the amount needed to repay the indebtedness. (3-29-17)

v. Once decisions about base reset or revenue allocation limitations are final, additional notice will be sent to the agency and county and city officials, including the county assessor and county clerk, within thirty (30) days of any such final decision. Said notice will include an identification of the year in which the reset or revenue allocation limitation will take effect and the amount of any revenue allocation limitation. (3-29-17)

05. Criteria for Determining Whether Levies for Funds Are to Be Computed Using Base Value or Market Value for Assessment Purposes. Beginning in 2008, levies to be certified for taxing district or unit funds meeting the following criteria or used for any of the following purposes will be computed as described in Paragraph 804.03.b. of this rule. (5-8-09)

a. Refunds or credits pursuant to Section 63-1305, Idaho Code, and any school district judgment pursuant to Section 33-802(1), Idaho Code, provided the refunds, credits, or judgments were pursuant to actions taken no earlier than January 1, 2008; (5-8-09)

b. Voter approved overrides of the limits provided in Section 63-802, Idaho Code, provided such overrides are for a period not to exceed two (2) years and were passed after December 31, 2007, or earlier as provided in the criteria found in Paragraph 804.05.e.; (5-8-09)

c. Voter approved bonds and plant facilities reserve funds passed after December 31, 2007, or earlier as provided in the criteria found in Paragraph 804.05.e.; (5-8-09)

d. Voter approved school or charter school district temporary supplemental maintenance and operation levies passed after December 31, 2007; or (3-29-10)

e. Levies described in Paragraphs 804.05.b., c., or d. approved prior to December 31, 2007, and included within the boundaries of a revenue allocation area by a change in the boundaries of either the revenue allocation area or the area subject to the levy by the taxing district or unit fund after December 31, 2007; (3-29-10)

f. Levies authorized by Section 33-317A, Idaho Code, known as the cooperative service agency school plant facility levy. (3-29-10)

g. Levies authorized by Section 33-909, Idaho Code, known as the state-authorized plant facility levy. (4-11-15)

h. Levies authorized by Section 33-805, Idaho Code, known as the school emergency fund levy. (3-29-17)

06. Setting Levies When There is a Deannexation From an RAA. In any deannexation from an RAA, levies will be set using the base value and, as indicated in paragraph 05 of this rule, the appropriate amount of increment value associated with the parcels and operating property remaining in the RAA after the deannexation, provided that the deannexation is in effect no later than September 1 of the current tax year and provided further that the deannexation is approved by the State Tax Commission in accordance with Rule 225 of these rules. (3-29-17)

07. Setting Levies When There is a Refinancing of Bonded Indebtedness. Refinancing of bonded indebtedness in existence as of December 31, 2007 does not create new bonded indebtedness for any taxing district with respect to the levy setting criteria in Paragraph 05 of this rule. (3-28-18)

08. Cross Reference. The county auditor shall certify the full market value by taxing district as specified in Rule 995 of these rules. See also Rule 802 of these rules for calculation of new construction given deannexation from an RAA and see Rule 805 of these rules for penalties for failure to submit plans. (3-29-17)

From: Meghan Conrad [<mailto:msc@elamburke.com>]
Sent: Monday, February 26, 2018 8:42 PM
To: Alan Dornfest <Alan.Dornfest@tax.idaho.gov>
Subject: I.C. 63-602NN

Dear Mr. Dornfest,

I will plan to attend the Property Tax Rules Committee meeting tomorrow morning. The issue raised concerning the intersection of urban renewal and Idaho Code § 63-602NN likely raises more questions than answers. Please note these represent a few preliminary thoughts and additional analysis may be necessary:

1. The definition of “base assessment roll” does not adequately address the issue created by the interaction of a revenue allocation area and the expiration of the exemption granted pursuant to Idaho Code § 63-602NN. The clause at issue provides for adjustment of the base assessment roll, in part, as follows: “The equalized assessed valuation of the taxable property in a revenue allocation area as shown on the base assessment roll shall be increased by the equalized assessed valuation, as of the date of the base assessment roll, of taxable property in such revenue allocation area that becomes taxable after the date of the base assessment roll, provided any increase in valuation caused by the removal of the agricultural tax exemption from undeveloped agricultural land in a revenue allocation area shall be added to the base assessment roll.” The prior language does not appear to address an exemption on increment. Additionally, what amount of the value would be added to the base? The amount exempted (which could be less than the full amount)? What about inflationary growth? Is the value established by a look-back to the estimated base value as of the date of the base assessment roll? Finally, the statute specifically addressed what occurs when the ag exemption is removed; the value is added to the base. This is almost addressed as an exception. Arguably, if the exemption value under Idaho Code § 63-602NN was intended to be fully added to the base assessment roll, then it would be included in the definition of base assessment roll.
2. Additionally, as the exempted value under Idaho Code § 63-602NN within a RAA is applied only to the increment value it is unclear how a determination that upon expiration the value should be added to the base would impact the new construction roll.
3. Agencies could be at risk of default on reimbursement agreements, or other instruments due to loss of the anticipated revenue stream.
4. We have reached out to the members of the Redevelopment Association of Idaho. The agencies that responded are not in favor of an analysis that puts the exempted value into the base upon expiration of the exemption.

We are so appreciative of the opportunity to be able to weigh in on this issue. We look forward to continuing the discussion of this issue.

Thanks again, and see you in the morning.

Best,
Meghan



Meghan Sullivan Conrad

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IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 462

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO FOREST LANDS TAXATION; AMENDING SECTION 63-1705, IDAHO CODE, TO PROVIDE FOR A PRODUCTIVITY CLASSIFICATION OF A FOREST LAND PARCEL TO REMAIN OR REVERT TO ITS JANUARY 1, 2016, CLASSIFICATION STATUS, TO AFFIRM TAXES DUE UNDER THE PREVIOUS CLASSIFICATION STATUS, TO AUTHORIZE THE COMMITTEE ON FOREST LAND TAXATION METHODOLOGIES TO DEVELOP A PROCESS BY WHICH A COUNTY ASSESSOR MAY SEEK TO CHANGE THE PRODUCTIVITY CLASSIFICATION OF A FOREST LAND PARCEL, TO REQUIRE RULEMAKING AND TO MAKE TECHNICAL CORRECTIONS; AND DECLARING AN EMERGENCY.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-1705, Idaho Code, be, and the same is hereby amended to read as follows:

63-1705. TAXATION OF FOREST LANDS UNDER THE PRODUCTIVITY OPTION. (1) In order to encourage private forest landowners to retain and improve their holdings of forest lands and to promote better forest management, forest lands subject to this option shall be appraised, assessed and taxed as real property under the provisions of this section.

(2) The forest land value shall be determined by the timber productivity valuation process, as provided for in the committee on forest land taxation methodologies (CFTM), user's guide to the timber productivity option's valuation method - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), referred to in this chapter as the "user's guide," on file with the Idaho state tax commission, available on the website of the Idaho state tax commission, and which shall be made available in the office of each county assessor, which values the net wood production over a reasonable rotation period plus other agricultural-related income, if any, less annualized custodial expenses as defined in section 63-1701, Idaho Code. Pursuant to the provisions of this section, the inventory of forest products shall not be included as part of the valuation of the forest land as provided in section 63-602W, Idaho Code. The state tax commission shall promulgate rules relating to the timber productivity valuation process, including custodial expenses, as provided for in the user's guide and the provisions of this chapter.

(3) (a) The market value for assessment purposes shall be determined annually by the county assessor using the timber productivity valuation process developed by the CFTM, and as further prescribed in rule. Effective January 1, 2012, the forest land values for taxation purposes will be floored at the 2011 valuation level of all four (4) of the forest value zones for the next ten (10) year period. The ceiling for taxation purposes for forest land values during such ten (10) year period will be capped at thirty percent (30%) above the 2011 forest land values. The annual changes for taxation purposes shall be limited to not more than a five percent (5%) annual increase or decrease from the imme-

1 diate prior year based upon the 2005 user's guide valuation model, pro-
2 vided however, that no decrease shall be in an amount less than the es-
3 tablished floor nor increase above the established ceiling.

4 (b) Actual annual valuation calculations shall also be tracked, though
5 not necessarily utilized for taxation purposes. Actual annual valua-
6 tion calculations may drop below the floor or rise above the ceiling.
7 Forest land values derived by the model will be used as the forest land
8 value for taxation purposes only when the derived value is between the
9 floor and the ceiling. Furthermore, the actual annual valuation calcu-
10 lations shall not exceed a five percent (5%) adjustment from the previ-
11 ous year's valuation calculation. When the model-derived values for a
12 given year are below the floor, the forest land value for taxation pur-
13 poses will be equal to the floor value for that year. When the model-de-
14 rived values in a given year are above the ceiling, the forest land value
15 for taxation purposes will be equal to the ceiling for that year.

16 (4) On the effective date of this act, each forest land parcel shall
17 remain at or revert to the productivity classification it held on January
18 1, 2016; however, taxes assessed prior to the effective date of this act
19 shall be due and payable under the productivity classification in effect at
20 the time of assessment. The CFTM shall designate a process by which county
21 assessors may change a parcel's productivity classification. At a mini-
22 mum, the process shall set forth requirements for landowner notification,
23 inspector qualifications and document retention. The state tax commission
24 shall promulgate rules to implement the CFTM-designated process. After leg-
25 islative adoption of the rules, forest productivity classification may be
26 subject to change pursuant to the process set forth in the rules.

27 (5) Notwithstanding any other provision of law, the state tax commis-
28 sion is authorized to cite the user's guide in its rules and shall:

29 (a) Divide the state into appropriate forest valuation zones, with each
30 zone designated so as to recognize the uniqueness of marketing areas,
31 timber types, growth rates, access, operability, and other pertinent
32 factors of that zone;

33 (b) Establish a uniform system of forest land classification that con-
34 sider the productive capacity of the soil to grow forest products and
35 furnish other associated agricultural uses;

36 (c) Provide for the annual input to the timber productivity valuation
37 process including the stumpage value, rotation length, mean annual
38 increment, guiding discount rate, annualized custodial expenses, ap-
39 propriate property tax rates, and real price appreciation rate of
40 stumpage according to the user's guide. The guiding discount rate and
41 the real price appreciation rate for timber products shall remain con-
42 stant at four percent (4%) and one and one-quarter percent (1.25%),
43 respectively, until January 1, 2022;

44 (d) Upon the recommendation of the CFTM or when deemed appropriate by
45 the commission according to evidence of significant trends in custodial
46 expenses, conduct a forest management cost study; provided however,
47 that such forest management cost study shall be no more frequent than
48 five (5) years from the previous forest management cost study. The
49 forest management cost study and a report shall be provided to the
50 CFTM following a recommendation of any changes in custodial expenses

1 and the CFTM shall determine whether the cost study will be incorpo-
 2 rated into the forest land valuation process. The forest management
 3 cost allowance (FMCA) will continue to be calculated based on the 2004
 4 CFTM-negotiated custodial rates and indexed by the adjustment in the
 5 ten (10) year rolling average changes in the producer price index (PPI),
 6 as has been done by the Idaho state tax commission since 2005, and this
 7 will remain in effect until January 1, 2022; and

8 (e) Provide for any additional data as needed.

9 (46) The state tax commission shall, by March 1 of each year, furnish
 10 all input for the timber productivity valuation process to the county asses-
 11 sor.

12 (57) Stumpage values shall be based upon the preceding five (5) year
 13 rolling average value of timber harvested within the forest value zone from
 14 state timber sales and/or the best available data for the same five (5) year
 15 period. Average agricultural-related income and the average expense compo-
 16 nent for each forest value zone shall be determined for the same time period
 17 as the period used to determine average stumpage values.

18 (68) Forest lands upon which, at any time after January 1, 1982, the
 19 trees are destroyed by fire, disease, insect infestation or other natural
 20 disaster such that the lands affected will not meet minimum stocking re-
 21 quirements under rules adopted pursuant to chapter 13, title 38, Idaho Code,
 22 shall be eligible for a reduction in value for the first ten (10) property
 23 tax years following the loss. The amount of reduction shall be determined
 24 by dividing the average age of the trees destroyed by the rotation age for
 25 the specific forest productivity class appropriate for the affected acres.
 26 In no instance shall the annual reduction exceed eighty percent (80%) of
 27 the original forest value per year. In order to obtain a reduction, the
 28 landowner shall, on or before January 1 following the destruction, make
 29 written application to the assessor indicating the legal description of the
 30 lands in question and stating all pertinent facts. The assessor may inves-
 31 tigate the facts and may request assistance from the state tax commission in
 32 performing such investigations. If the requirements are met, such forest
 33 lands shall be assessed and taxed on the reduced basis herein provided.

34 (79) Buildings and other improvements, other than roads, located on
 35 forest lands shall be appraised, assessed and taxed as provided by applica-
 36 ble laws and rules.

37 (§10) There is created within the Idaho state tax commission the CFTM.
 38 The membership of the CFTM shall be:

39 (a) A nonvoting chairman who shall be the member of the Idaho state tax
 40 commission assigned to property tax matters;

41 (b) Four (4) members who are representing business entities owning no
 42 fewer than five thousand (5,000) acres of Idaho forest land, provided
 43 that there shall be only one (1) representative for each individual
 44 business entity and provided further that affiliated business entities
 45 shall be considered a single business entity for the purposes of this
 46 section. The business entity employing such member shall designate a
 47 successor member at its discretion. If a vacancy occurs among the rep-
 48 resentatives of forest landowners owning no fewer than five thousand
 49 (5,000) acres, a replacement member will be selected by the remaining
 50 members qualifying under the provisions of this section;

1 (c) One (1) member selected from the membership of the Idaho forest own-
2 ers' association;

3 (d) Five (5) members selected from the membership of the Idaho associa-
4 tion of counties; and

5 (e) The state superintendent of public instruction or his/her de-
6 signee, in a nonvoting capacity.

7 (11) The CFTM may retain a forest economist selected by a majority of its
8 members to advise the CFTM.

9 (12) The costs of each CFTM member shall be borne by the respective mem-
10 ber. The fees and costs of the forest economist shall be borne as determined
11 by the CFTM.

12 (13) The CFTM may prepare and deliver written reports to the house of
13 representatives revenue and taxation committee and the senate local govern-
14 ment and taxation committee of its findings and recommendations for legisla-
15 tion as the need may arise. The CFTM may meet periodically as determined by
16 its chairman or the CFTM.

17 SECTION 2. An emergency existing therefor, which emergency is hereby
18 declared to exist, this act shall be in full force and effect on and after its
19 passage and approval.

962. TAXATION OF FORESTLANDS UNDER THE PRODUCTIVITY OPTION (Rule 962).

Section 63-1705, Idaho Code

01. Forestland Valuation Process. The process used to determine the forestland value under the productivity option shall be as specified in the User's Guide referenced in Section 63-1701, Idaho Code. (4-11-06)

02. Forest Valuation Zones. The state shall be divided into four (4) forest valuation zones: (7-1-99)

a. ZONE 1 - Boundary, Bonner, Kootenai counties. (7-1-97)

b. ZONE 2 - Benewah, Shoshone, Latah, Clearwater, Nez Perce, Lewis, Idaho counties. (7-1-97)

c. ZONE 3 - Adams, Valley, Washington, Payette, Gem, Boise, Canyon, Ada, Elmore, Camas, Blaine, Gooding, Lincoln, Jerome, Minidoka counties. (7-1-97)

d. ZONE 4 - The remaining nineteen (19) counties. (7-1-97)

03. Classification of Forestlands. In all forest valuation zones, there shall be three (3) separate productivity classes of forestland: poor, medium, and good. These broad classes are related in the following manner by definition to the "Meyer Tables" published in "Yield of Even-Aged Stands of Ponderosa Pine" and "Haig Tables" published in "Second-Growth Yield, Stand, and Volume Table for the Western White Pine Type" as both documents are referenced in Rule 006 of these rules. These classes apply to forestland which may or may not be stocked with commercial or young growth timber. (4-11-06)

a. Poor productivity class is defined as forestland having a mean annual increment, MAI, of one hundred twenty-five (125) board feet per acre per year, based on a seventy-three (73) year rotation. This productivity class includes western white pine site index 35-45 and ponderosa pine site index 45-80. One hundred twenty-five (125) board feet per acre MAI shall be used in the valuation process. (4-11-06)

b. Medium productivity class is defined as forestland having a mean annual increment, MAI, of two hundred twenty-five (225) board feet per acre per year, based on an sixty-eight (68) year rotation. This productivity class includes western white pine site index 46-60 and ponderosa pine site index 81-110. Two hundred twenty-five (225) board feet per acre MAI shall be used in the valuation process. (4-11-06)

c. Good productivity class is defined as forestland having a mean annual increment, MAI, of three hundred fifty (350) board feet per acre per year, based on an sixty-three (63) year rotation. This productivity class includes western white pine site index 61 and above and ponderosa pine site index 111 and above. Three hundred fifty (350) board feet per acre MAI shall be used in the valuation process. (4-11-06)

d. For forest valuation zones 1 and 2, forestland shall be stratified into areas of similar productive potential using the habitat typing methodology described in “Forest Habitat Types of Northern Idaho: A Second Approximation,” referenced in Rule 006 of these rules. Within these stratified areas, site index trees will be selected and measured that will identify the site index to be used to place the land in one (1) of the three (3) productivity classes listed above. (5-3-03)

e. For forest valuation zones 3 and 4, the criteria for stratification shall be generally the same as that used in zones 1 and 2 based on the habitat typing methodology described in “Forest Habitat Types of Central Idaho,” as referenced in Rule 006 of these rules, with the following adjustments made in growth rates for lower moisture levels. Poor productivity class, one hundred twenty-five (125) board feet per acre MAI shall be used in the valuation process. Medium productivity class, two hundred thirteen (213) board feet per acre MAI shall be used in the valuation process. Good productivity class, three hundred twenty (320) board feet per acre MAI shall be used in the valuation process. (4-11-06)

04. Deficient Areas. Lakes, solid rock bluffs, talus slopes, and continuously flooded swampy areas, larger than five contiguous acres in size which can be identified through remote sensing shall be valued at forty percent (40%) of the poor bare land value as defined in Section 63-1706, Idaho Code. These areas are defined as being incapable of growing trees. (4-11-06)

Rule 702 (?) for HB492, new section of code 63-705a

63-705a(3)

In the event that a qualified veteran applies for the special property tax reduction in this section but then dies, the veteran's surviving spouse is entitled to receive the special property tax reduction in that year and subsequent years, until such time as the surviving spouse remarries, dies or no longer has property tax levied on the homestead.

Rule 702

1. The surviving spouse's right to apply continues only as long as they own the same homestead that was originally granted the benefit.

Or,

2. The veterans benefit can only be applied to the qualifying homestead of the veteran. The surviving spouse may not transfer the benefit to a different homestead.

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 594, As Amended in the Senate

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO PROPERTY EXEMPT FROM TAXATION; AMENDING SECTION 63-602EE, IDAHO CODE, TO REVISE THE DEFINITION OF "AGRICULTURAL MACHINERY AND EQUIPMENT"; REPEALING SECTION 63-602EE, IDAHO CODE, RELATING TO CERTAIN TANGIBLE PERSONAL PROPERTY EXEMPT FROM TAXATION; AMENDING CHAPTER 6, TITLE 63, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 63-602EE, IDAHO CODE, TO PROVIDE THAT CERTAIN TANGIBLE PERSONAL PROPERTY IS EXEMPT FROM TAXATION; AND DECLARING AN EMERGENCY, PROVIDING RETROACTIVE APPLICATION AND PROVIDING EFFECTIVE DATES.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-602EE, Idaho Code, be, and the same is hereby amended to read as follows:

63-602EE. PROPERTY EXEMPT FROM TAXATION -- CERTAIN TANGIBLE PERSONAL PROPERTY. The following property is exempt from taxation: class 2 property that is agricultural machinery and equipment and exclusively used in agriculture during the immediately preceding tax year. For purposes of this section:

(1) "Agricultural machinery and equipment" shall mean any machinery and equipment that is used in:

(a) Production of field crops including, but not limited to, grains, feed crops, fruits and vegetables or the production of or caring for nursery stock as defined in section 22-2302, Idaho Code; ~~or~~

(b) Production of hop crops including, but not limited to, stationary picking machines, drying kilns, fans and burners, conveyors and other equipment to move hop crops and baling equipment; hop crops including, but not limited to, rhizomes, bines, leaves, stems and cones; or

(c) The grazing, feeding or raising of livestock, fur-bearing animals, fish, fowl and bees to be sold or used as part of a net profit-making agricultural enterprise or dairy.

(2) Buildings shall not be considered to be agricultural machinery and equipment.

SECTION 2. That Section 63-602EE, Idaho Code, be, and the same is hereby repealed.

SECTION 3. That Chapter 6, Title 63, Idaho Code, be, and the same is hereby amended by the addition thereto of a NEW SECTION, to be known and designated as Section 63-602EE, Idaho Code, and to read as follows:

63-602EE. PROPERTY EXEMPT FROM TAXATION -- CERTAIN TANGIBLE PERSONAL PROPERTY. The following property is exempt from taxation: class 2 property that is agricultural machinery and equipment and exclusively used in agri-

1 culture during the immediately preceding tax year. For purposes of this sec-
2 tion:

3 (1) "Agricultural machinery and equipment" shall mean any machinery
4 and equipment that is used in:

5 (a) Production of field crops including, but not limited to, grains,
6 feed crops, fruits and vegetables or the production of or caring for
7 nursery stock as defined in section 22-2302, Idaho Code; or

8 (b) The grazing, feeding or raising of livestock, fur-bearing animals,
9 fish, fowl and bees to be sold or used as part of a net profit-making
10 agricultural enterprise or dairy.

11 (2) Buildings shall not be considered to be agricultural machinery and
12 equipment.

13 SECTION 4. An emergency existing therefor, which emergency is hereby
14 declared to exist, Section 1 of this act shall be in full force and effect on
15 and after passage and approval, and retroactively to January 1, 2018. Sec-
16 tions 2 and 3 of this act shall be in full force and effect on and after Jan-
17 uary 1, 2020.

ORS 307.394 FARM MACHINERY AND EQUIPMENT

SYNOPSIS

Certain farm machinery and equipment are exempt from taxation.

FILING REQUIREMENT

None.

ADDITIONAL CONSIDERATIONS

ORS

307.394 Farm machinery and equipment; personal property used in farm operations; limitation. (1) The following tangible personal property is exempt from ad valorem property taxation:

(a) Farm machinery and equipment used primarily in the preparation of land, planting, raising, cultivating, irrigating, harvesting or placing in storage of farm crops;

(b) Farm machinery and equipment used primarily for the purpose of feeding, breeding, management and sale of, or the produce of, livestock, poultry, fur-bearing animals or bees or for dairying and the sale of dairy products;

(c) Machinery and equipment used primarily to implement a remediation plan as defined in ORS 308A.053 for the period of time for which the remediation plan is certified; or

(d) Farm machinery and equipment used primarily in any other agricultural or horticultural use or animal husbandry or

any combination of these activities.

(2)(a) Items of tangible personal property, including but not limited to tools, machinery and equipment that are used predominantly in the construction, reconstruction, maintenance, repair, support or operation of farm machinery, and equipment and other real or personal farm improvements that are used primarily in animal husbandry, agricultural or horticultural activities, or any combination of these activities, are exempt from ad valorem property taxation.

(b) An item of tangible personal property described in paragraph (a) of this subsection is exempt from ad valorem property taxation only if the person that owns, possesses or controls the item also:

(A) Owns, possesses or controls the farm machinery, equipment and other real and personal farm improvements for which the item is used; and

(B) Carries on the animal husbandry, agricultural or horticultural activity, or

combination of activities, in which the farm machinery, equipment or other real and

personal farm improvements are used.
[2001 c.753 §15; 2009 c.776 §8]

308A.053 (5) "Remediation plan" means a plan certified by an extension agent of the Oregon State University Extension

Service to remediate or mitigate severe adverse conditions on farmland.

OAR

150-307.394

Personal Property Used for Placing Farm Crops in Storage

(1) Definitions:

(a) "Storage of farm crops" refers to the holding area in which a product is placed before processing begins.

(b) "Processing" is altering the crop in any way such as: washing, icing, sorting, grading, waxing, boxing, slicing, or cutting.

(c) "Primary" is the leading use or the use involving the highest percentage of time relative to all the various uses.

Example: If an unlicensed farm vehicle is used 45 percent of the time to move cleaned, sorted, washed and bagged carrots ready for market (PRODUCT); 30 percent of the time to move freshly-picked carrots from the field to the warehouse or cold storage facility; and 25 percent of the time sitting idle, then the vehicle is used primarily in a nonexempt status and is

fully assessable, even though that use is not 50 percent or more of the time available.

(2) Machinery and equipment used to place a farm crop in storage are exempt from taxation. However, once processing of the crop is begun, it is no longer a crop, but a product. When the same machinery and equipment are used for both placing in storage and processing the primary use is what determines its assessment status.

Example: Apples are picked and go directly into cold storage. This would be considered "placing in storage of farm crops." When these same apples are sorted, washed or boxed it becomes a product and placing back into cold storage until sold is not considered "placing in storage of a farm crops." At this point apples change from a crop to a product.

Stat. Auth.: ORS 305.100
Stats. Implemented: ORS 307.400
Hist.: RD 8-1992, f. 12-29-92, cert. ef. 12-31-92; REV 4-2002, f. & cert. ef. 7-29-02, Renumbered from 150-370.400

CASE NOTES

Inventory exemption applies only to items that will become physical part of taxpayer's stock in trade and not to items merely used in process of producing merchandise. *Ore. Portland Cement Co. v. Dept. of Rev.*, 4 OTR 545 (1971), aff'd 262 Or 617, 500 P2d 1044 (1972), SC-5

Stores of nuclear fuel and fuel oil held for use in generating electricity were not inventory within meaning of this section. *Portland Gen. Elec. Co. v. Dept. of Rev.*, 7 OTR 33 (1977), TC-19

Farm Machinery and Equipment

Center pivot sprinkler systems, devices for farm irrigation, were “inventory” within subsection (3) of this section and entitled to partial exemption. *Eastern Ore. Farming Co. v. Dept. of Rev.*, 7 OTR 74 (1977), TC-20

Property used in oyster raising operation was not “farm machinery used in the planting, cultivating, or harvesting of farm crops” eligible for partial exemption of this section. *Oregon Oyster Co. v. Dept. of Rev.*, 7 OTR 308 (1978), TC-24

Taxpayer was not eligible for inventory exemption from personal property taxation where he proved only that he was engaged in casual sales conducted sporadically for profit and not sale of equipment in ordinary course of business. *Simpson v. Dept. of Rev.*, 299 Or 282, 702 P2d 399 (1985), SC-18

Are mushroom plant’s growing beds eligible for exemption. Real v. Personal Property. *West Foods v. Dept. of Rev.*, 10 OTR 7 (1985), TC-35

Legislature intended that exemption from ad valorem taxes now codified in this section apply only to category of tangible personal property defined in ORS 307.020 (3). *Saunders v. Dept. of Rev.*, 300 Or 384, 711 P2d 961 (1985), SC-22

Is machinery “moveable.” Real v. Personal Property. *Seven-Up Bottling v. Dept. of Rev.*, 10 OTR 400 (1987), TC-41

Tangible personal property used in plaintiff’s fish farming and ranching operations qualifies for exemption under this section. *Anadromous, Inc. v. Dept of Rev.*, 11 OTR 272 (1989), TC-45

Tax exemption for inventory applies only to inventory of business that purchases, sells and replenishes its stock in ordinary course of business. Tax exemption for inventory does not apply to business that sells its operating equipment or fixtures. *Douglas County Assessor v. Dept. of Rev.*, 12 OTR 248 (1992), TC-50

Videos for rental are not exempt as “inventory.” *H-P Ventures (Adventures Video) v. Dept. of Rev.*, 13 OTR 330 (1995), TC-68

Machinery and equipment utilized in winery are not “farm machinery and equipment.” *King Estate Winery, Inc. v. Dept. of Rev.*, 14 OTR 169 (1997), TC-74