

**PROPERTY TAX RULES COMMITTEE  
AGENDA**

The Committee convenes on Thursday July 19, 2018, at 9:00 a.m. at:

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

Welcome & Introductions

*Committee Chair Alan Dornfest*

Approval of Minutes – July 10, 2018

*Committee Chair Alan Dornfest*

Rules Status Report – Today, July 19, 2018

*Rick Anderson*

Rules:

- 1) Rules 613, 614 – Speculative Value for Agricultural Land and Examples
- 2) Rule 600 – Property tax exemption – Provisional exemption (HB559)
- 3) Rule 630 – New Capital Investments – (adds operating property, (HB591)
- 4) Rule 702 – Veteran’s Benefit – Continued Eligibility After Death of Claimant (HB492)
- 5) Rule 962 – (HB462) Forest Land Taxation Rule – Re-classification process to be determined by the Committee on Forest Land Taxation Methodology

Next Meeting Date

Adjourn Meeting

*For more information, please contact the Committee Chair, or the Rules Coordinator at [kimberlee.stratton@tax.idaho.gov](mailto: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  
July 19, 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
<b>005</b>	No, None	Contact Information	4/04/18, <del>2018-14</del>	4/06/18	<del>Tabled until the July meeting</del>	Draft 2, 5/15/18	Address Change, verify other contact information – Addresses for field offices verified; need confirmation on P. O. Box # Deleted – Rule will be updated by Administration	
<b>006</b>	No, None	Incorporation by Reference	2/26/18, 2018-1	3/19/18	<b>Committee approved July 10</b>	Draft 1, 3/20/18	Standard updates – prepared synopsis of change; so far only the rail-road register dates need updating	
<b>312</b>	Yes, May 2	Partial Year Assessment	2/26/18, 2018-2	3/6/18	<b>Committee approved June 12</b>	Draft 2, 5/25/18	Government property transferred to private sector to be taxed based on quarterly proration of value per I.C. 63-602Y; corrected subsection number	
<b>408</b>	Yes, May 2	Assessor's review of Operating Property	2/23/18, 2018-3	3/6/18	<b>Committee approved June 12</b>	Draft 1, 5/2/18	Final value - change to Preliminary value	
<b>600</b>	Yes,	General Exemptions Rules	4/13/81	4/30/18	<b>Tabled until today's meeting</b>	Draft 2, 7/16/18	Adds provisional exemption procedures to general exemption rule; <b>New draft two dated 7/16. July Bulletin: Comment period ends July 26</b>	
<b>600T</b>	No	General Exemptions Rules	4/13/18	4/30/18	<b>Approved - 6/13 open meeting</b>	Draft 1, 5/29/18	Adds provisional exemption procedures to general exemption rule; Defines "property that is being constructed" and explains "property owner".	
<b>610</b>	Yes, May 2	Partial owner-ship - HOE	2/26/18, 2018-4	3/6/18	<b>Committee approved June 12</b>	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	

Rule No.	Neg? notice date	Subject Matter	Date Sent/ DFM Track No.	Date- DFM-ARRF Approve	Rule Status	Most Recent Draft	Comments	Date Sent For Publication
613	Yes, May 2	Spec. value – agricultural land	3/7/18, 2018-10	3/19/18	On today's agenda	2 - Full Com, draft 1a, July 10	Includes an example for the calculation of the income attributable to exempt irrigation equipment in new subsection .02; <b>Some changes marked in red – paragraph 03.b (economic rent) re-worked.</b>	
614	Yes, May 2	Spec. value – agricultural land - Examples	3/7/18, 2018-11	3/19/18	On today's agenda	Full Com, draft 2, July 12	New table and updated tables are presented separately and subsection .05 will become subsection .06; <b>Math calculations have been proofed.</b>	
616	Yes, June 6	Ag. M&E exemption	6/1/18, 2018-51	6/6/18	<b>Pending Special Com. Review</b>	None	needs to be a clear line drawn between the production of field crops and the processing of field crops [HB594]. <b>No rule is anticipated but a committee will review possible solutions.</b>	
630	Yes, May 2	New Capital Investments – The Billion \$ to qualify	4/4/18, 2018-13	4/4/18	On Today's Agenda – Cont. review	Draft 6a, 7/13/18	HB591 – IC 63-4502, exemption expanded to include operating property; in paragraph 06.b replace “real and personal” with “locally assessed” [property]; <b>Ken McClure and Alan Dornfest produced a new draft – draft 6a</b>	
702	Yes, June 6	100% SCD Veterans Benefit -	5/22/18	5/22/18	On Today's agenda – Cont. review	Draft 3, 7/13/18	HB492 Veterans benefit– Continued eligibility after the death of the claimant – Pam has sent a copy to veterans organization(s); <b>Draft 3 is ready for approval.</b>	
709	Yes, May 2	Partial owner-ship - PTR	4/3/18, 2018-12	4/4/18	<b>Committee approved June 12</b>	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	

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
<b>802</b>	Yes, May 2	NC Budget Certification	2/21/18, 2018-5	3/6/18	<b>Committee approved July 10</b>	Draft 3, 6/13/18	HB 559 – Provisional exemption Deduction – how NC is counted when a dissolving RAA that has expanded into a taxing: Draft 2 addresses new 602NN property; <b>draft 3 includes op prop. annexation value</b>	
<b>802T</b>	No	Budget Certification – New Construction	4/5/18, 2018-18	4/6/18	5/23 open meet - approved	Resol. 18-01	HB 559 – Provisional exemption – New Construction Deduction	
<b>803</b>	Yes, May 2	Budget Certification- Dollar Amount (L2)	3/30/18, 2018-16	4/6/18	<b>Committee approved July 10</b>	Draft 2, 7/3/18	HB559 – provisional exemption; HB392 - solar farm date change; HB567a – cemetery district consolidations; <b>draft 2 adds back billing information</b>	

<b>803T</b>	No	Budget Certification- Dollar Amount (L2)	4/5/18, 2018-17	4/6/18	5/23 open meet - Approved	Resol. 18-01	HB 559 administration. Provisional exemption.	
<b>804</b>	Yes, May 2	Urban Renewal	2/23/18, 2018-6	4/4/18	<b>Committee approved July 10</b>	Draft 3, 6/13/18	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; <b>draft 3 presents new language</b>	

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
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-		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.	
Other Open Items for Discussion								
Issue					Rule			
None								

**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 ~~agreement~~, or a crop share rental agreement. ~~The rent attributable to exempt irrigation equipment is not included in economic rent. Only the rent solely attributable to the agricultural land is included in economic rent.~~ (4-7-11)( )

**d.** Net Income. Net income is determined by deducting the landlord's share of ~~current~~ typical expenses, ~~including and~~ any income attributable to irrigation equipment, from the economic rent per acre. (4-5-05)( )

**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 expenses, from the immediate preceding year, 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.** Rent of irrigated cropland. To determine the 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 system 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 a part of a whole farm or individual crop specific cash rent, or crop share rental agreement. ( )
- h. The following table demonstrates the calculations of the income attributable to irrigation equipment given hypothetical data:

<u>Replacement Cost New of the Irrigation Equipment</u>	<u>\$40,000</u>
<u>Acres Serviced by the Irrigation Equipment</u>	<u>40 Acres</u>
<u>Irrigation Equipment Cost Per Acre</u>	<u>\$40,000 ÷ 40 Acres = \$1,000 Per Acre</u>
<u>Reserves for Replacement</u>	<u>\$1,000 ÷ 30 Year Economic Life = \$33.33</u>
<u>5 Yr Interest Rate (63-602K)</u>	<u>5.84%</u>
<u>Local Levy Rate</u>	<u>1.12%</u>
<u>Capitalization Rate</u>	<u>6.96%</u>
<b>Formula: Income = Value X Capitalization Rate</b>	
<u>Income Attributable to Exempt Irrigation Equipment</u>	<u>\$33.33 X 6.96% = \$2.32</u>

( )

**023. 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 from individual crop cash rents or whole farm cash rents typical to the Agricultural Area over the immediate past five (5) growing seasons as reported by local farmers. If data from local farmers is unavailable, data typical to the Agricultural Area from third party providers such as the United States Department of Agriculture (USDA), or the National Agricultural Statistics Service (NASS), may be used.

Previous text:

Economic Rent. Determine the average per acre gross income from individual crop rents or whole farm crop rents typical to the area over the immediate past five (5) growing seasons as reported by local farmers. If data from local farmers is unavailable, data typical to the Agricultural Area from third party providers such as the ~~from sources, such as predominantly local farmers, or data typical to the Agricultural Area provided by~~ the United States Department of Agriculture (USDA), or the National Agricultural Statistics Service (NASS), ~~as examples~~ may be used. ~~individual crop rents typical to the area 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~~ over the immediate past five (5) years. (4-5-00)(\_\_\_\_)

c. Landlord's Expenses. Determine the landlord's share of typically contracted expenses paid in the immediately preceding growing season. (4-5-00)( )

d. Landlord's Net Income. Subtract the landlord's share of typically contracted expenses from the average gross income per acre for the immediately preceding growing season to determine net income. (4-5-00)(\_\_\_\_)

**034. 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 ~~most recent~~ immediate past five (5) years growing seasons. (4-5-00)(\_\_\_\_)

c. Average Commodity Prices. Determine average commodity prices based on the ~~most recent~~ 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 Agricultural Area. (4-5-00)(\_\_\_\_)

f. Expenses. Determine the landlord’s share of water, ~~fertilizer, chemical, seed electricity, materials and application of materials, management and harvest~~ cost per acre for the immediately preceding growing season. ~~(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)

**045. 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 should be considered guidelines in determining net income, subject to modification based on local market data. ~~(4-6-05)~~(\_\_\_\_)

**056. 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 613.056.a. of this rule. Calculate the five (5) year rolling average Farm Credit System interest rate applying the formula in Paragraph 613.056.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 <sub>5</sub>	is the average Farm Credit System interest rate for the prior year.
R <sub>1</sub>	is the interest rate received for January of the prior year.
R <sub>2</sub>	is the interest rate received for February of the prior year.
R <sub>3</sub>	is the interest rate received for March of the prior year.
R <sub>4</sub>	is the interest rate received for April of the prior year.
R <sub>5</sub>	is the interest rate received for May of the prior year.
R <sub>6</sub>	is the interest rate received for June of the prior year.
R <sub>7</sub>	is the interest rate received for July of the prior year.

R <sub>8</sub>	is the interest rate received for August of the prior year.
R <sub>9</sub>	is the interest rate received for September of the prior year.
R <sub>10</sub>	is the interest rate received for October of the prior year.
R <sub>11</sub>	is the interest rate received for November of the prior year.
R <sub>12</sub>	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 <sub>5</sub>	is the average Farm Credit System interest rate for the prior year.
FCSIR <sub>4</sub>	is the average Farm Credit System interest rate for two (2) years ago.
FCSIR <sub>3</sub>	is the average Farm Credit System interest rate for three (3) years ago.
FCSIR <sub>2</sub>	is the average Farm Credit System interest rate for four (4) years ago.
FCSIR <sub>1</sub>	is the average Farm Credit System interest rate for five (5) years ago.

(3-30-07)

**067. 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)

**078. 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 as defined in Rule 613 of these rules 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.**

	<b>Tax Code Areas</b>	<b>Property Tax Rates</b>
	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%
<b>Average Property Tax Rate</b>		<b>1.1341015%</b>

(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	

<u>Cap Rate</u>	=	9.35%
<u>Value Per Acre</u>	=	\$1,020

(4-7-11)

**.03 Cash Rent Analysis Examples:**

Individual Crop Cash Rent Example.

<u>Crop</u>	<u>Contract Rents per Acre</u>	<u>Rotation in Percent</u>	<u>Weighted Income per Acre</u>
<u>Barley</u>	<u>\$150.00</u>	<u>14.00%</u>	<u>\$21.00</u>
<u>Beans</u>	<u>\$150.00</u>	<u>22.00%</u>	<u>\$33.00</u>
<u>Beets</u>	<u>\$300.00</u>	<u>11.00 %</u>	<u>\$33.00</u>
<u>Hay</u>	<u>\$150.00</u>	<u>23.00%</u>	<u>\$34.50</u>
<u>Potatoes</u>	<u>\$350.00</u>	<u>9.00%</u>	<u>\$31.50</u>
<u>Wheat</u>	<u>\$150.00</u>	<u>21.00%</u>	<u>\$31.50</u>
<u>Total Gross Income Per Acre</u>			<u>\$184.50</u>

<u>Total Gross Income Per Acre</u>	<u>\$184.50</u>
<u>Less Water Cost</u>	<u>\$26.00</u>
<u>Less Electricity Cost</u>	<u>\$20.00</u>
<u>Less Management (@ 5%)</u>	<u>\$9.22</u>
<u>Less Income Attributable to Exempt Irrigation Equipment</u>	<u>\$2.32</u>
<u>Total Net Income Per Acre</u>	<u>\$126.96</u>
<u>Cap Rate</u>	<u>6.96%</u>
<u>Individual Crop Cash Rent Value Per Acre</u>	<u>1824.13</u>

Whole Farm Cash Rent Analysis Example.

<u>Total Gross Income Per Acre from Whole Farm Cash Rent Data</u>	<u>\$200.00</u>
<u>Less Water Cost</u>	<u>\$26.00</u>
<u>Less Electricity Cost</u>	<u>\$20.00</u>
<u>Less Management (@ 5%)</u>	<u>\$10.00</u>
<u>Less Income Attributable to Exempt Irrigation Equipment</u>	<u>\$2.32</u>
<u>Total Whole Farm Cash Rent Net Income</u>	<u>\$141.68</u>
<u>Cap Rate</u>	<u>6.96%</u>
<u>Whole Farm Cash Rent Value Per Acre</u>	<u>\$2035.63</u>

**.04 Crop Share Analysis Example:**

<u>Crop</u>	<u>Yield</u>	<u>Price</u>	<u>Gross Income</u>	<u>Landlord Share</u>	<u>Landlord Share Gross Income to Land</u>	<u>Rotation Percent</u>	<u>Per Acre Share of Gross income to Land</u>
<u>Barley</u>	<u>130.00</u>	<u>\$3.00</u>	<u>\$390.00</u>	<u>50.00%</u>	<u>\$195.00</u>	<u>14.00%</u>	<u>\$27.30</u>
<u>Beans</u>	<u>25.00</u>	<u>\$27.00</u>	<u>\$675.00</u>	<u>50.00%</u>	<u>\$337.50</u>	<u>22.00%</u>	<u>\$74.25</u>
<u>Beets</u>	<u>38.00</u>	<u>\$45.00</u>	<u>\$1710.00</u>	<u>33.33%</u>	<u>\$569.94</u>	<u>11.00%</u>	<u>\$62.69</u>
<u>Hay</u>	<u>6.00</u>	<u>\$120.00</u>	<u>\$720.00</u>	<u>50.00%</u>	<u>\$360.00</u>	<u>23.00%</u>	<u>\$82.80</u>
<u>Potatoes</u>	<u>450.00</u>	<u>\$5.00</u>	<u>\$2250.00</u>	<u>33.33%</u>	<u>\$749.92</u>	<u>9.00%</u>	<u>\$67.49</u>
<u>Wheat</u>	<u>120.00</u>	<u>\$4.50</u>	<u>\$540.00</u>	<u>50.00%</u>	<u>\$270.00</u>	<u>21.00%</u>	<u>\$56.70</u>
<u>Total Gross Income Per Acre</u>							<u>\$371.23</u>

<u>Total Gross Income Per Acre</u>	<u>\$371.23</u>
<u>Less Water Cost</u>	<u>\$26.00</u>
<u>Less Electricity Cost</u>	<u>\$20.00</u>
<u>Less Management (@ 5%)</u>	<u>\$18.56</u>
<u>Less Landlord Share of Fertilizer Cost</u>	<u>\$60.00</u>
<u>Less Landlord Share of Chemicals Cost</u>	<u>\$32.00</u>
<u>Less Landlord Share of Seed Cost</u>	<u>\$27.00</u>
<u>Less Landlord Share of Harvest Cost</u>	<u>\$69.00</u>
<u>Less Income Attributable to Exempt Irrigation Equipment</u>	<u>\$2.32</u>
<u>Total Net Income Per Acre</u>	<u>\$116.35</u>

<u>Cap Rate</u>	<u>6.96%</u>
<u>Crop Share Value Per Acre</u>	<u>\$1671.69</u>

**.05 Combination of Cash Rent and Crop Share Analysis Example:**

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

<u>Crop</u>	<u>Contract Rents per Acre</u>	<u>Rotation in Percent</u>	<u>Weighted Income per Acre</u>
<u>Beets</u>	<u>\$300.00</u>	<u>11.00 %</u>	<u>\$33.00</u>
<u>Potatoes</u>	<u>\$350.00</u>	<u>9.00%</u>	<u>\$31.50</u>
	<u>Total</u>	<u>20.00%</u>	<u>\$64.50</u>

<u>Total Gross Income for Cash Rent Portion</u>	<u>\$64.50</u>
<u>Less Cash Rent Rotation % of Water Cost (20%)</u>	<u>\$5.20</u>
<u>Less Cash Rent Rotation % of Electricity Cost (20%)</u>	<u>\$4.00</u>
<u>Less Management (@ 5%)</u>	<u>\$3.23</u>
<u>Less Income Attributable to Exempt Irrigation Equipment</u>	<u>\$0.46</u>
<u>Total Net Income for Cash Rent Portion</u>	<u>\$51.61</u>

Crops in the Rotation for a Crop Share Agreement Analysis.

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

<u>Total gross Income for Crop Share Portion</u>	<u>\$241.05</u>
<u>Less Crop Share Rotation % of Water Cost (80%)</u>	<u>\$20.80</u>
<u>Less Cash Rent Rotation % of Electricity Cost (80%)</u>	<u>\$16.00</u>
<u>Less Management (@ 5%)</u>	<u>\$12.05</u>
<u>Less Fertilizer Cost for Crop Share Portion</u>	<u>\$38.00</u>
<u>Less Chemicals Cost for Crop Share Portion</u>	<u>\$14.00</u>
<u>Less Seed Cost for Crop Share Portion</u>	<u>\$13.00</u>
<u>Less Harvest Cost for Crop Share Portion</u>	<u>\$49.00</u>
<u>Less Income Attributable to Exempt Irrigation Equipment (80%)</u>	<u>\$1.86</u>
<u>Total Net Income for Crop Share Portion</u>	<u>\$76.34</u>

<u>Total Combined Cash Rent + Crop Share Net Income</u>	<u>\$127.95</u>
<u>Capitalization Rate</u>	<u>6.96%</u>
<u>Value Per Acre</u>	<u>\$1838.36</u>

056. 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)



**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- or if the exemption is provisional, pursuant to Section 63-1305C, Idaho Code. (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. ( )

**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. ( )

**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. ( )

**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 otherwise taxable value during the tax year during which the provisional exemption is granted, shall not be taxed.

( )

**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. ( )

**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. ( )

**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 provide notice to the state tax commission no later than April 30 of the first year the exemption is sought, 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 both Locally and Centrally Assessed Property.** A taxpayer may apply for this exemption on behalf of both locally and centrally assessed property located in the same county.

**a.** The taxpayer must comply with notice requirements in Paragraph 630.01 of this rule for locally assessed property and Paragraph 630.02 of this rule for centrally assessed property. The April 30 filing deadline found in subparagraph 02.b of this rule shall apply instead of the date found in Paragraph 630.01 of this rule.

**b.** Once the taxpayer notifies the state tax commission as provided in Paragraph 630.02 of this rule, the state tax commission will notify the county commissioners and county assessor by the second Monday in May of the taxpayer’s new capital investment project property to be locally assessed and of the taxpayer’s filing an application for the exemption. By the later of the fourth Monday in July or the conclusion of the county board of equalization, as provided in Section 63-501, Idaho Code, the county clerk must provide to the tax commission a statement of the equalized assessed value of the taxpayer’s locally assessed property.

**c.** The exemption will be granted by the state tax commission, which will notify the county commissioners and taxpayer by the first Monday in September of the amount of the exemption and the remaining taxable value of the centrally assessed operating property of the taxpayer. This remaining value is to be calculated so that the sum of the centrally and locally assessed property of the taxpayer in the county in which the exemption is being granted does not exceed \$400 million.

**d.** The exemption will apply to the combined total value of the locally and centrally assessed property of the taxpayer within the county in which the project site is located. For continuation of the exemption for both locally and centrally assessed property, Paragraphs 630.07 and 630.08 of this rule shall apply, and, upon satisfaction of the requirements therein, the state tax

commission shall notify the county of the continuing exemption.

**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 qualifying project period, the taxpayer receiving the exemption for ~~real or personal locally assessed~~ 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 previously granted the exemption shall become 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 qualifying 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 become taxable. If the notification is received 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. If the taxpayer owns centrally and locally assessed property, the tax commission will also notify the county commissioners and assessor of the rescinding of the exemption. (    )

**07 5. Continuation of Tax Exemption Following the End of the Qualifying 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 630.075.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 630.075.b. of this rule, the taxpayer must continue to notify the county annually to identify the property to be exempted pursuant to Subsection 630.057. 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 Qualifying Period – Centrally Assessed Operating Property.** (\_\_\_\_)

**a.** At any time during the qualifying period after the requirements for this exemption have been met, 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, and shall notify the taxpayer annually prior to the due date for the operator's statement that they must identify the property qualifying for the exemption in these statements. Failure to provide either notification will not invalidate the exemption; the state tax commission must then apply the exemption against the assessed value of the taxpayer's operating property within the county. Centrally assessed taxable property otherwise permitted to be included on the new construction roll will be reported to the county assessor for inclusion on the next available new construction roll. (\_\_\_\_)

**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)

**702. VETERAN'S BENEFIT – CONTINUED ELIGIBILITY AFTER DEATH OF CLAIMANT (Rule 702).**

Sections 63-701 and 63-705A, Idaho Code

**01. Surviving Spouse.** The veteran's benefit applies to the qualifying homestead, as defined in Section 63-701(2), Idaho Code, of the veteran and surviving spouse. The surviving spouse may not transfer the benefit to a different homestead. ( )

**02. Application By Surviving Spouse.** The surviving spouse may file an application on behalf of the deceased spouse **if the deceased spouse** qualified or would have qualified as a claimant on January 1 or before April 15 of the year in which the claim is filed. ( )

**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)

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 462

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO FOREST LANDS TAXATION; AMENDING SECTION 63-1705, IDAHO CODE,  
2 TO PROVIDE FOR A PRODUCTIVITY CLASSIFICATION OF A FOREST LAND PARCEL  
3 TO REMAIN OR REVERT TO ITS JANUARY 1, 2016, CLASSIFICATION STATUS, TO  
4 AFFIRM TAXES DUE UNDER THE PREVIOUS CLASSIFICATION STATUS, TO AUTHO-  
5 RIZE THE COMMITTEE ON FOREST LAND TAXATION METHODOLOGIES TO DEVELOP A  
6 PROCESS BY WHICH A COUNTY ASSESSOR MAY SEEK TO CHANGE THE PRODUCTIVITY  
7 CLASSIFICATION OF A FOREST LAND PARCEL, TO REQUIRE RULEMAKING AND TO  
8 MAKE TECHNICAL CORRECTIONS; AND DECLARING AN EMERGENCY.  
9

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

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

13 63-1705. TAXATION OF FOREST LANDS UNDER THE PRODUCTIVITY OPTION. (1)  
14 In order to encourage private forest landowners to retain and improve their  
15 holdings of forest lands and to promote better forest management, forest  
16 lands subject to this option shall be appraised, assessed and taxed as real  
17 property under the provisions of this section.

18 (2) The forest land value shall be determined by the timber productiv-  
19 ity valuation process, as provided for in the committee on forest land taxa-  
20 tion methodologies (CFTM), user's guide to the timber productivity option's  
21 valuation method - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), re-  
22 ferred to in this chapter as the "user's guide," on file with the Idaho state  
23 tax commission, available on the website of the Idaho state tax commission,  
24 and which shall be made available in the office of each county assessor,  
25 which values the net wood production over a reasonable rotation period plus  
26 other agricultural-related income, if any, less annualized custodial ex-  
27 penses as defined in section 63-1701, Idaho Code. Pursuant to the provisions  
28 of this section, the inventory of forest products shall not be included as  
29 part of the valuation of the forest land as provided in section 63-602W,  
30 Idaho Code. The state tax commission shall promulgate rules relating to the  
31 timber productivity valuation process, including custodial expenses, as  
32 provided for in the user's guide and the provisions of this chapter.

33 (3) (a) The market value for assessment purposes shall be determined an-  
34 nually by the county assessor using the timber productivity valuation  
35 process developed by the CFTM, and as further prescribed in rule. Ef-  
36 fective January 1, 2012, the forest land values for taxation purposes  
37 will be floored at the 2011 valuation level of all four (4) of the for-  
38 est value zones for the next ten (10) year period. The ceiling for tax-  
39 ation purposes for forest land values during such ten (10) year period  
40 will be capped at thirty percent (30%) above the 2011 forest land val-  
41 ues. The annual changes for taxation purposes shall be limited to not  
42 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.