

**PROPERTY TAX RULES COMMITTEE  
AGENDA**

The Committee convenes on Tuesday, January 26, 2016, at **9:30 a.m.** at:

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

Welcome & Introductions  
Approval of Minutes – December 1, 2015 Meeting  
Legislative update:  
Rules Status Report

*Committee Chair Alan Dornfest*  
*Committee Chair Alan Dornfest*  
*Committee Chair Alan Dornfest*  
*Rick Anderson*

**Property Tax Rules Discussion**

Rule 406 – Rules Pertaining to Market Value of Operating Property of Rate Regulated Electric Utility Companies – Flotation cost component within the discount rate

Rule 625 – Homeowners Exemption on Occupancy Tax Roll – Separate applications required

Rule 626 – Property Exempt from Taxation – Certain Personal Property – Application requirements for initial applicants for the exemption

Set Next meeting date:

Meeting adjourned

*For more information, please contact the Committee Chair, or the Rules Coordinator at [sherry.briscoe@tax.idaho.gov](mailto:sherry.briscoe@tax.idaho.gov) or at 208.334.7544. All agendas and rules related documents are posted on our website under the appropriate committee.*

# DRAFT

Idaho State Tax Commission  
**PROPERTY TAX RULES COMMITTEE**  
Meeting Minutes  
*December 1, 2015*  
9:30 am -Room 1CR5

**ATTENDEES:**

<b>Committee Members:</b>	Alan Dornfest, Rick Anderson, Betty Dressen, Christopher Rich, Dwayne Hines, Erick Shaner, Gene Kuehn, Jan Barnard, Kathlynn Ireland, Sharon Worley, Steve Fiscus
<b>Commissioners:</b>	Tom Katsilometes, Rich Jackson
<b>Rules Coordinator:</b>	Sherry Briscoe
<b>State Tax Commission Staff:</b>	Carly Wantulok, George Brown, Jeff Middleton, Mat Cundiff, Michael Chakarun
<b>Guests:</b>	Ben Davenport, Bob McQuade, Brad Vanderpool, Caitlin Rusche, Carlie Foster, Gwen Thomson, Jennie Kilcup, June Fullmer, Justin Baldwin, Linda Jones, Meghan Sullivan, Ron Fisher, Sue Leeper, Terry Accordino

Minutes from the June 23, 2015 meeting were approved (motion by Betty, second by Sharon).

Discussed each step in the rulemaking process, clarifying when ideas and drafts can be discussed.

<b>RULE 006</b>	<b>INCORPORATION BY REFERENCE.</b> It was acknowledge that this is a simple administerial rule. PARF will be sent.	Non-negotiated
<b>RULE 631</b>	<b>TAX EXEMPTION FOR INVESTMENT IN NEW PLANT AND BUILDING FACILITIES UPON COUNTY COMMISSIONERS' APPROVAL.</b> Bob suggested holding off for a year. George felt we should add a manufacturing definition. Alan suggested deferring action until February, and keeping this rule on the agenda.	
<b>RULE 804</b>	<b>TAX LEVY – CERTIFICATION – URBAN RENEWAL DISTRICTS.</b> The committee decided to watch this rule to see if there is any legislation on it this year.	
<b>RULE 809</b>	<b>CORRECTION OF ERRONEOUS LEVY.</b> The change to this rule is merely to conform with the statute change. A PARF will be sent.	Non-negotiated

**Next Meeting Date:** Tuesday, January 26, 2016, 9:30 a.m. in room 1CR5.

*Alan Dornfest*  
Chairman

*Sherry Briscoe*  
Rules Coordinator

**2016-2017  
Property Tax Rules Status Report  
January 26, 2016**

<b>Rule #</b>	<b>Date PARF Approved By Agency</b>	<b>Date Sent to DFM (ISTC Number)</b>	<b>Date Approved By DFM</b>	<b>Rule Status</b>	<b>Date of Draft</b>	<b>Comments</b>	<b>Date Sent For Publication</b>
006				Approved by the Committee 12/1/15	Draft 1, November 12, 2015	Hold until July for web site verification date; Adopts by reference –	
406				Discussion Only	None	Flotation costs: Method of computation	
625				Discussion Only	None	Separate applications required.	
626				Discussion Only	None	Initial eligibility for the personal property exemption	
809				Approved by the Committee 12/1/15	Draft 1, October 27, 2015	Correction of erroneous levy – 2013 HB 205 extended the date for notice of clerical error to Feb. 15 from Jan. 30	

**Other Open Discussion Issues**

<b>Issue</b>	<b>Comments</b>
63-602NN exemption – Rule 631	<b>Hold until February</b>

**406. RULES PERTAINING TO MARKET VALUE OF OPERATING PROPERTY OF RATE REGULATED ELECTRIC UTILITY COMPANIES (RULE 406).**

Section 63-105(2) and Section 63-205(1), Idaho Code

**01. Valuation of Operating Property of Rate Regulated Electric Utility Companies.** The market value for assessment purposes of operating property of rate regulated electric utility companies shall be determined by the State Tax Commission using statute, these rules as referenced in Rule 001 of these rules, any other applicable law, and the following:

(3-20-14)

**a.** Depending on the weighting placed on the income approach, as described in Subsection 406.01.d. of this rule, no more than twenty percent (20%) weight will be placed on the cost indicator when utilizing the Historic Cost Less Depreciation (HCLD) method in the system value correlation.

(3-20-14)

**b.** In the income approach, income to be capitalized will be normalized, utilizing the Gross Domestic Product Implicit Price Deflator found in Table 1.1.9 from the United States Department of Commerce, Bureau of Economic Analysis [www.bea.gov/national/txt/dgpa.txt](http://www.bea.gov/national/txt/dgpa.txt) last accessed August 12, 2013, by using an average of at least the previous four (4) years' net operating incomes and by adjusting each year's net operating income for unusual non-recurring items.

(3-20-14)

**c.** In the income approach, a market discount rate will be determined and will include a flotation cost component supported by nationally recognized sources.

(3-20-14)

**d.** A weighting between eighty percent (80%) and one hundred percent (100%) will be placed on the income approach in the system value correlation.

(3-20-14)

**e.** Within the market approach, as prescribed in Rule 405 of these rules, a sales comparison approach may be used if reliable data is available and appropriate comparison adjustments can be made. No weight will be placed on a stock and debt approach in the system value correlation.

(3-20-14)

**f.** For rate regulated electric utility companies, the weightings prescribed in this rule shall supersede any weightings in the system correlation prescribed in Subsection 405.08 of this rule.

(3-20-14)

**02. Accounting For Obsolescence.** Subsection 406.01.a. of this rule shall be construed to mean that the use of no more than twenty percent (20%) weight placed on the cost indicator, when utilizing HCLD method to calculate the cost approach, accounts for any and all forms of depreciation, including any and all forms of obsolescence, and the appraiser shall not consider any further obsolescence as provided for in Subsection 405.05 of these rules.

(3-20-14)

*Existing Property Tax Rule 217 – Market Value*

**217. RULES PERTAINING TO MARKET VALUE DUTY OF COUNTY ASSESSORS (RULE 217).**

Section 63-208 Idaho Code

**01. Market Value Definition.** Market value is the most probable amount of United States dollars or equivalent for which a property would exchange hands between a knowledgeable and willing seller, under no compulsion to sell, and an informed, capable buyer, under no compulsion to buy, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment. (7-1-97)

**a.** The assessor shall value the full market value of the entire fee simple interest of property for taxation. Statutory exemptions shall be subtracted. (7-1-97)

**b.** Personal property shall be valued at retail level. (7-1-93)

**02. Appraisal Approaches.** Three (3) approaches to value will be considered on all property. The three (3) approaches to market value are: (3-30-07)

**a.** The sales comparison approach; (3-30-01)

**b.** The cost approach; and (3-30-01)

**c.** The income approach. (3-30-01)

**03. Appraisal Procedures.** Market value for assessment purposes shall be determined through procedures, methods, and techniques recommended by nationally recognized appraisal and valuation associations, institutes, and societies and according to guidelines and publications approved by the State Tax Commission. The appraisal procedures, methods, and techniques using the income approach to determine the market value for assessment purposes of income producing properties must use market rent, not contract rent. (3-29-10)



# Idaho Statutes

## TITLE 63 REVENUE AND TAXATION

### CHAPTER 2 DEFINITIONS -- GENERAL PROVISIONS

63-205B. ASSESSMENT OF OPERATING PROPERTY OF RATE REGULATED ELECTRIC UTILITY COMPANIES. (1) In the assessment of the operating property of rate regulated electric utility companies, the market value shall be determined by the state tax commission by applying applicable law, statutes, property tax administrative rules and the following criteria:

(a) Depending on the weighting placed on the income approach, as described in subsection (1)(d) of this section, no more than twenty percent (20%) weight shall be placed on the cost indicator when utilizing the historic cost less depreciation (HCLD) method in the system value correlation.

(b) In the income approach, income to be capitalized will be normalized, utilizing the gross domestic product implicit price deflator from the United States department of commerce, bureau of economic analysis, by using an average of at least the previous four (4) years' net operating incomes and by adjusting each year's net operating income for unusual nonrecurring items.

(c) In the income approach, a market discount rate will be determined and will include a flotation cost component supported by nationally recognized sources.

(d) A weighting between eighty percent (80%) and one hundred percent (100%) will be placed on the income approach in the system value correlation.

(e) Within the market approach, a sales comparison approach may be used if reliable data is available and appropriate comparison adjustments can be made. No weight will be placed on a stock and debt approach in the system value correlation.

(f) For rate regulated electric utility companies, the weightings prescribed in this section shall control the weightings used in the system correlation or reconciliation.

(2) Subsection (1)(a) of this section shall be construed to mean that the use of no more than twenty percent (20%) weight placed on the cost indicator, when utilizing the HCLD method to calculate the cost approach, accounts for any and all forms of depreciation, including any and all forms of obsolescence and the appraiser shall not consider any further obsolescence.

(3) The state tax commission is hereby authorized to promulgate rules to implement the provisions of this section.

#### History:

[63-205B, added 2014, ch. 76, sec. 1, p. 201.]

*Existing Property Tax Rule 625*

**625. HOMEOWNERS EXEMPTION ON OCCUPANCY TAX ROLL (RULE 625).**

Sections 63-317 and 63-602G, Idaho Code

**01. Eligibility for Multiple Exemptions.** Obtaining the exemption in Section 63-602G, Idaho Code, will not preclude a property owner from eligibility for the exemption granted by Section 63-317, Idaho Code. More than one (1) property may be eligible for this exemption provided that ownership and occupancy of the properties occurs at different times during the year and that each application is made on the owner's primary residence. (3-30-01)

**02. Separate Applications.** The application for this exemption shall not substitute for the application required by Section 63-602G, Idaho Code. (3-30-01)

*Excerpts from Property Tax Rule 626 dealing with application requirements for taxpayers  
with locally assessed property*

**626. PROPERTY EXEMPT FROM TAXATION -- CERTAIN PERSONAL PROPERTY (RULE 626).**

Sections 63-105(A), 63-201, 63-302, 63-308, 63-313, 63-602Y, and 63-602KK, Idaho Code.

(3-20-14)

**01. Locally Assessed Property - Application Required.**

(3-20-14)

**a.** The taxpayer must file one (1) or more of the lists of taxable personal property as required by Section 63-302, Section 63-313, or Section 63-602Y, Idaho Code if the total market value of the property to be listed is greater than one hundred thousand dollars (\$100,000). The filing of said list(s) shall constitute the filing of an application for exemption. For purposes of reporting personal property, the value is to be based on market value, not book value. (3-20-14)

**b.** Taxpayers establishing initial eligibility for the exemption provided in Section 63-602KK(2), Idaho Code, may in lieu of a list, file only an application attesting to ownership of otherwise taxable personal property having a cost of one hundred thousand dollars (\$100,000) or less. In providing such cost, newly acquired personal property items acquired at a price of three thousand dollars (\$3,000) or less, that are exempt pursuant to Section 63-602KK(1), Idaho Code, shall not be included. The application must be filed no later than April 15th of the first year for which the exemption is claimed. (3-20-14)

**04. Valuation Assessment Notice.** The valuation assessment notice required by Section 63-308, Idaho Code, must show the taxable market value before granting the exemption provided in Section 63-602KK(2), Idaho Code, the exempt market value pursuant to the exemption provided in Section 63-602KK(2), Idaho Code, and the net taxable market value of the personal property. **After the year of initial eligibility, if the net taxable market value is zero, no valuation assessment notice is required.** (4-11-15)