

**PROPERTY TAX RULES COMMITTEE
AGENDA**

The Committee convenes on Tuesday, February 25, 2014, at **9:30 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

Alan Dornfest

Legislative Report:

Alan Dornfest

Rules Status Report

Rick Anderson

Rules Discussion (Property Tax Rules)

Rule 120 – Investigation of Written Complaints

Rule 508 – Notification of Personal Property Exempt Value

Rule 509 – Personal Property Exempt Value Listed on the Abstracts of Value

Rule 609 – Property Exempt from Taxation - Homestead

Rule 645 – Land Actively Devoted to Agriculture Defined

Rule 803 – Budget Certification – Dollar Certification Form

Rule 804 – Tax Levy - Certification - Urban Renewal Districts

Rule 988 – Qualified Property for Exemption (QIE)

Rule 995 – Certification of Sales Tax Distribution

Next meeting date:

Meeting adjourned

For more information, please contact the Committee Chair, or the Rules Coordinator at 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

January 30, 2014 ~ 10:00 am – 12:30 pm 1CR5

ATTENDEES:

Committee Members:	Alan Dornfest, Rick Anderson, Betty Dressen, Dwayne Hines, Gene Kuehn, Sharon Worley, Glenna Young, Janet James, Kathlynn Ireland, Erick Shaner, Jan Barnard, Steve Fiscus
Commissioners:	Ken Roberts, Tom Katsilometes, Rich Jackson
Rules Coordinator:	Sherry Briscoe
State Tax Commission Staff:	Michael Chakarun
Guests:	Bob McQuade, Brad Vanderpool, Brent Adamson, Katrina Basye, Ron Fisher, Terry Accordino, Brody Aston, Seth Grigg

MINUTES: The August 21, 2013 minutes were unanimously approved.

Alan discussed that neither the House nor Senate has heard any of the property tax rules as of yet. Alan also mentioned that it is the consensus of the other rules committees, to not take votes at a meeting. All discussions would remain the same, but no official vote will be called for. The topic of summary vs verbatim minutes was also brought up, with the option of putting the audio recording on the website. This is still under discussion.

LEGISLATIVE REPORT: Rick reviewed the House and Senate Bill tracking report for property tax.

HB 376 –	this bill is a technical correction pertaining to occupancy tax.
HB 383 –	amends existing Idaho Code 63-803(4) and has some important levy correction language.
S 1213 –	Senator Rice does not want to require application for the well exemption.
S 1236 –	we are just monitoring this bill.
	Commissioner Roberts suggested writing a white paper on why moving the date of the Homeowner’s exemption is not practical. Alan will work on this.

STATUS REPORT: Rick presented a brief status report on the rules, indicating that we are currently reviewing 7 rules, all to be discussed on today’s agenda.

006	Draft 1 – updates standard reference manuals and guides
120	Draft 1 – investigation of complaints rule
217	Market value rule – fee simple provision discussion
803	Draft 1 – budget certification-602KK exemption adjustments
804	Draft 1 – urban renewal, annexation base value
995P	Draft 1 – adjust market value for assess purposes for pers. property exemption (negotiated)
995T	Draft 1 - adjust market value for assess purposes for pers. property exemption (non-negotiated)

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Rules 508, 509, and 988 were added to the Agenda.

RULES DISCUSSION:

Rick suggested to also add the Homeowner's Exemption – maintaining the chain of eligibility, to the discussion section.

Rule 006:	INCORPORATION BY REFERENCE. This is moved to the July agenda. (non-negotiated)
Rule 120:	Rules INVESTIGATION OF WRITTEN COMPLAINTS. Rule needs to clarify investigation procedure. (negotiated)
Rule 803:	Budget Certification – Dollar Certification Form (L-2 Form). Clarifies that personal property replacement money is to be included with other replacement money. (Non-negotiated)
Rule 804:	Tax Levy – Certification – Urban Renewal Districts. Do we need to reestablish a subcommittee? It would also be good to get some input from the mapping folks. Issues to be addressed include clarifying whether property in annexed area is included in base or increment. (negotiated)
Rule 995T:	Certification of Sales Tax Distribution. Temporary and Proposed Cities are the stake holders of this issue of whether to include exempt personal property. Invite Association of Idaho Cities to discuss this rule. (negotiated)
Rule 508:	Notification of Personal Property Exempt Value By Taxing District or Unit. It was suggested to delete this entire rule. (non-negotiated)
Rule 509:	City, County, School District, and Special District or Unit of Government Abstracts of Value and Identification of Urban Renewal Increment and Partial Exemption Values. We need to wait and revisit this rule after the legislative session. (non-negotiated)
Rule 988:	Qualified Property for Exemption. We will revisit this next month. Terry Accordino will also look at this. Issue relates to reporting of exempt personal property.

Discussion items included the Homeowner's Exemption; the fee simple provision found in Rule 217, mapping rules and if there is a need for the topic of ownership to be included in a rule. It was suggested that there needs to be clarification of the eligibility provisions of the homeowners exemption, and that our mapping rule may need to be updated and that the general topic of property ownership did not need to be addressed by rule. There was no suggestion that the fee simple provision in Rule 217 be modified.

Next Meeting Date: February 25, 2014.

Alan Dornfest
Chairman

Sherry Briscoe
Rules Coordinator

**2014-2015
Property Tax Rules Status Report
February 25, 2014**

Rule No.	Rule Description and Proposed Change	Draft No. and date	Status of Proposed Administrative Rules Form			Comments/Status	Date Sent For Publication
			PARF Approved By Agency	Date DFM Sent to (ISTC Number)	Date Approved By DFM		
006	Incorporation by Reference – Update dates of publications that are referenced in the Property Tax Rules	1, Jan 22, 2014	Note: No approvals to date			Tabled until the July Meeting	
120 (NR) ¹	Investigation of written complaints – Confines subject of investigation to property tax assessment or administration matters but not personnel matters or matters relating to expenditure of funds. Restricts complainant to past or present employees or contractors or to one who resides or owns property in the county. Provides time frame for hearing the complaint	2, Feb 4, 2014				Draft 2 adds subsection 5 – budget and levy investigations. Discussion continuing at next rules meeting	
508	Notification of personal property exempt value- Deletes entire rule because this is covered by Rule 626	1, Jan.29, 2014				Discussion continuing at next rules meeting; this is covered in Rule 626(13)	
509	Reporting values on the abstract; Deletes personal property (602KK) reporting requirement	1, Jan.29, 2014				Discussion continuing at next rules meeting.	

1/ Denotes a Negotiated Rule

Rule No.	Rule Description and Proposed Change	Draft No. and date	PARF Approved By Agency	Date DFM Sent to (ISTC Number)	Date Approved By DFM	Comments/Status	Date Sent For Publication
609 (NR)	HOE – Provides for optional removal if by April 15 the home is no longer owned by the applicant	1, Feb.4, 2014	Note: No approvals to date				
645 (TBA)	Land Actively Devoted to Agriculture	None				Net vs gross income for 5Acres or less. For discussion purposes	
803	Budget Certification Form (L-2) Provide instructions to report personal property replacement funds	2, Feb 4, 2014					
804 (NR)	Tax Levy Certification -Urban Renewal – dealing with annexation base value and property splits and the handling of the PP exemption	1, Jan 17, 2014				Discuss at next meeting	
988 (TBD)	(QIE) Designation of property for which the exemption is elected.	2, Feb 6, 2014				Discuss at next meeting	
995T	Certification of Sales Tax Distribution – Defining Market Value for Assessment Purposes – include the 602KK(2) exemption	1, Jan 22, 2014				Adjust market value for assessment purposes to include pp exemption? Discuss at next meeting Need legal review? Affects distribution of sales tax to cities.	
995 (NR)	Certification of Sales Tax Distribution – Defining Market Value for Assessment Purposes – include the 602KK(2) exemption	1, Jan 22, 2014				Adjust market value for assessment purposes to include pp exemption? Discuss at next meeting Need legal review? Affects distribution of sales tax to cities.	

1/ Denotes a Negotiated Rule

Discussion Issues

Issue	Comments
Rule 217 Market Value Rule – Fee Simple Instruction	See NY Standard - Property Interests and Rights
Rule 218 Assessors Plat Book - Review	Hold for IAAO Standard Review

1/ Denotes a Negotiated Rule

120. INVESTIGATION OF WRITTEN COMPLAINTS (RULE 120).

01. Definitions. ~~To investigate written complaints, the following terms are defined~~
:
(7-1-99)(____)

a. Complaint. Complaint means a signed, written statement submitted to the tax commission requesting that this agency for the State Tax Commission to investigate any actions by public county officials relating to property tax assessment or administration, provided such actions are not related to personnel matter or matters relating to the expenditure of funds.
(7-1-99)(____)

b. Complainant. Complainant means any individual making a complaint, provided the complainant is or has been an employee or contractor of the county or who resides in or owns property in the county about which the complaint is being made.
(7-1-99)(____)

c. Investigation. Investigation means observation and close examination of a public county official's application of property tax assessment or administration law and State Tax Commission rules. The investigation may require field inspections of property, analysis of public records or the interviewing of witnesses. The formal investigation will be focused or limited to specific issues identified in the complaint ~~cover only those issues raised by the complainant.~~
(7-1-99)(____)

d. Public County official. The term public county official means the elected or appointed official whose actions are the subject of the complaint.
(7-1-99)(____)

02. Investigation Procedure. The following procedures apply to an investigation of a complaint.
(7-1-99)

a. ~~Filed in writing. All complaints must be submitted to the State Tax Commission in writing and signed by the complainant.~~
(7-1-99)(____)

b. Examination of complaint. The complaint will be examined by the State Tax Commission to decide if a formal investigation will be conducted.
(7-1-99)

eb. ~~Notification of public official subject to investigation.~~ Within thirty (30) days of receipt of a complaint, the State Tax Commission will notify the complainant of the decision regarding initiation of an investigation. If an investigation is initiated, the affected county official(s) shall also be notified within this time frame ~~public official to review the complaint, as soon as a formal investigation is contemplated.~~
(7-1-99)(____)

dc. Delivery of investigation order. Within thirty (30) days of receipt of a complaint, the State Tax Commission will deliver to the public affected county official(s) a copy of the investigation order naming the investigators and outlining what is to be investigated.
(7-1-99)(____)

ed. Preliminary report. A preliminary report will be prepared by the investigator and

legal ~~counseel~~. The report will include findings and recommendations, and may include ~~responses~~ information from the ~~public~~ official(s). (7-1-99)()

fe. Presentation of preliminary report. The preliminary report will be presented to the complainant and the affected county ~~public~~ official(s). The State Tax Commission investigators will be present when the report is discussed with the affected county ~~public~~ official(s); ~~subject to investigation~~, and the complainant. (7-1-99)()

gf. Comment period. The complainant and the ~~public~~ county official(s) will be given a specified time to review and comment on the preliminary report, particularly to correct any errors of fact. (7-1-99)()

hg. Final report. At the end of the review by the complainant and the public official a final report will be prepared by the investigator and legal counseel and submitted to any affected county official(s) with any changes from the preliminary report highlighted. (7-1-99)()

03. Public County Official's' Response to Final Report. After the final report is completed, the ~~public~~ county official(s) shall outline how the investigator's recommendations will be implemented and provide a written explanation of why any recommendation has been rejected. (7-1-99)()

04. Conclusion of Investigation. The investigator's final report and the ~~public~~ county official's' written response to the report shall conclude the investigation. The conclusion of the investigation does not preclude the State Tax Commission from enforcing additional powers and duties as prescribed by law or the complainant and ~~public~~ county official(s) from exercising his or her right to appeal property valuations before a County Board of Equalization, the State Board of Tax Appeals or in District Court. (7-1-99)()

05. Special rules for investigation of complaints about property tax budgets or levies. When complaints are made about property tax budgets or levies of taxing districts, the results of any investigation will also be reported to the appropriate taxing district and the county prosecuting attorney. The tax commission's investigatory authority is limited to determining whether a levy rate or property tax budget increase exceeds any statutory maximum. Any such investigation must be conducted in accordance with the time constraints found in Section 63-809, Idaho Code. ()

~~508. NOTIFICATION OF PERSONAL PROPERTY EXEMPT VALUE BY TAXING DISTRICT OR UNIT (RULE 508).~~

~~Sections 63-510 and 63-602KK, Idaho Code. In addition to the requirements of Section 63-510, Idaho Code, for reporting of net taxable value for each taxing district or unit, the value of property exempt pursuant to Section 63-602KK, Idaho Code, shall be reported to the Tax Commission. The value of such exempt property that is included in the increment value within each tax code area in each revenue allocation area shall also be reported. This report shall be submitted by the August and March dates provided under Section 63-510, Idaho Code. (5-8-09)~~

Note – This is covered in rule 626(13) so this rule is no longer necessary.

509. CITY, COUNTY, SCHOOL DISTRICT, AND SPECIAL DISTRICT OR UNIT OF GOVERNMENT ABSTRACTS OF VALUE AND IDENTIFICATION OF URBAN RENEWAL INCREMENT AND PARTIAL EXEMPTION VALUES (RULE 509).

Sections 63-105A and 63-509, Idaho Code. (3-29-12)

01. Definitions. The following definitions apply for the purposes of testing for equalization under Section 63-109, Idaho Code, notification under Sections 63-301 and 63-308, Idaho Code, and reporting under Section 63-509, Idaho Code. (3-30-07)

a. Increment Value. Increment value means, as defined in Section 50-2903, Idaho Code, the total value calculated by summing the differences between the current equalized value of each taxable property in the revenue allocation area and that property's current base value on the base assessment roll, provided such difference is positive. (3-30-07)

b. Primary Category. Primary category means the categories established and described by Subsections 130.02 through 130.06 of these rules and used by the State Tax Commission to test for equalization under Section 63-109, Idaho Code. (3-30-07)

c. Secondary Category. Secondary category means the categories established and described by Rules 510, 511, and 512 of these rules and used by county assessors to list property values on the valuation assessment notice under Sections 63-301 and 63-308, Idaho Code, and report values to the State Tax Commission under Section 63-509, Idaho Code, and this Rule. Secondary categories may also be tested for equalization purposes, provided they meet the criteria in Rule 131.05 of these rules. (3-29-12)

02. Indicate Increment and Exemption Values. In addition to the value of exemptions required under Section 63-509, Idaho Code, any increment value and the value of any exemption provided under Sections 63-602W(4), 63-602GG, 63-602HH, 63-602II, 63-602KK, 63-602NN, ~~63-602OO~~, 63-4502, 63-606A, and 63-3029B, Idaho Code, shall be indicated and subtracted from the taxable value shown for each secondary category of property on each city, and county abstract, and the Boise School District abstract. Increment value and the value of the exemptions found in this subsection shall also be indicated and subtracted from the taxable value for each secondary category subject to taxation by special districts and units of government which do not levy property tax against all otherwise taxable property. (3-29-12)(____)

03. Submittal of Corrections to Erroneous Abstracts or Related Documents. When completing the procedures set forth in Section 63-810, Idaho Code, boards of county commissioners should submit the corrections to the taxable values submitted on the abstracts or related documents under provisions of Section 63-509, Idaho Code, and this rule, no later than when they submit the corrected levies under Section 63-810, Idaho Code. (4-2-08)

04. Cross Reference. See Rule 115 of these rules for requirements to submit city, Boise School District, and special district or unit of government abstracts. For the descriptions of the categories used to test for equalization, see Subsections 130.02 through 130.06 of these rules. For descriptions of secondary categories used to list and report land values, see Rule 510 of these rules, used to list and report the value of improvements, see Rule 511 of these rules, or used to

list and report all property values other than that for land or improvements, see Rule 512 of these rules. For information relating to notification of corrections to erroneous levies, see Sections 63-809 and 63-810, Idaho Code, and Rule 809 of these rules. (3-29-12)

609. PROPERTY EXEMPT FROM TAXATION -- HOMESTEAD (RULE 609).

Sections 63-602G, 63-701, 63-703, and 63-3077, Idaho Code. (3-30-07)

01. Homestead Exemption. The Homestead Exemption granted in 63-602G, Idaho Code shall also be known as the homeowner's exemption. (3-30-07)

02. Idaho Annual House Price Index Change. The successor to the United States Office of Federal Housing Enterprise Oversight is the Federal Housing Finance Agency. Annually, the State Tax Commission shall calculate the maximum dollar-value limit for the homeowner's exemption based on the annual change in the Idaho House Price Index-All-Transactions, published by the Federal Housing Finance Agency or its successor. The following procedure shall be used: (4-7-11)

a. Step 1. Calculate the average Idaho House Price Index-All-Transactions of the four (4) most recently available quarters as of September 15. (4-7-11)

b. Step 2. Calculate the average Idaho House Price Index-All-Transactions of the four (4) quarters immediately preceding the earliest quarter used in Step 1. (4-7-11)

c. Step 3. Divide the Step 1 average by the Step 2 average to determine a factor. (3-30-07)

d. Step 4. Multiply the factor determined in Step 3 by the current maximum dollar-value limit on the homeowner's exemption to produce the new dollar-value limit. (3-30-07)

03. Partial Ownership. Any partial ownership shall be considered ownership for determining qualification for the homeowner's exemption; however, the amount of the exemption shall be decided on the reduced proportion of the value commensurate with the proportion of partial ownership. The proportional reduction shall not apply to the ownership interests of a partner of a limited partnership, a member of a limited liability company or a shareholder of a corporation when that person has no less than five percent (5%) ownership interest in the entity unless any ownership interest is shared by any entity other than the limited partnership, limited liability company or corporation. For tenants in common with two (2) improvements located on one (1) parcel of land, determine the applicable value for the homeowner's exemption using the procedure shown in Example 1 of Paragraph 609.03.a., of this rule unless the owner-occupant provides documented evidence of a different ownership interest in the improvement. See Examples 2, 3, and 4 in Paragraphs 609.03.b., 609.03.c., and 609.03.d. of this rule for additional partial ownership guidance. To calculate property tax reduction benefits when partial ownership exists, see Paragraph 700.05.b. of this rule. (4-2-08)

a. Example 1. John Smith and Bob Anderson own a property as tenants in common with two (2) residential improvements located on the property. Each residential improvement is owner occupied by one (1) of the tenants in common. The homeowner's exemption is calculated as follows:

Description	Value	Notes
Land	\$42,000	
Residential Improvement	\$82,000	Occupied by Mr. Smith
Prorated Ownership Interest (land and improvement)	\$62,000	Mr. Smith's interest
Homeowner's Exemption	\$31,000	For Mr. Smith as owner occupant
Residential Improvement	\$67,000	Occupied by Mr. Anderson
Prorated Ownership Interest (land and improvement)	\$54,500	Mr. Anderson's interest
Homeowner's Exemption	\$27,250	For Mr. Anderson as owner occupant

(3-30-07)

b. Example 2. John Smith and Bob Anderson own a parcel of land as tenants in common with two (2) residential improvements located on the parcel. Mr. Smith has documented evidence of one hundred percent (100%) interest in one (1) residential improvement and Mr. Anderson has documented evidence of one hundred percent (100%) interest in the remaining residential improvement. Each residential improvement is owner occupied. The homeowner's exemption is calculated as follows:

Item Description	Value	Notes
Land	\$42,000	
Residential Improvement	\$82,000	Owned and occupied by Mr. Smith
Homeowner's Exemption	\$51,500	For Mr. Smith
Residential Improvement	\$67,000	Owned and occupied by Mr. Anderson
Homeowner's Exemption	\$44,000	For Mr. Anderson

(3-30-07)

c. Example 3. Tom Johnson and Marie Johnson, husband and wife, and June Smith jointly own a property and occupy one (1) residential improvement located on the property. The following example shows how to calculate each homeowner's exemption.

Description	Value	Notes
Land	\$95,000	
Residential Improvement	\$215,000	
Land and Improvement	\$310,000	
Prorated ownership interest (land and improvement) (\$310,000 X 66.67%)	\$206,677	Mr. & Mrs. Johnson's interest
Homeowner's Exemption Maximum for 2010 (\$101,153 X 66.67%)	\$67,439	Mr. & Mrs. Johnson's Homeowner's Exemption
Prorated ownership interest (land and improvement) (\$310,000 X 33.33%)	\$103,323	Ms. Smith's interest
Homeowner's Exemption Maximum for 2010 (\$101,153 X 33.33%)	\$33,714	Ms. Smith's Homeowner's Exemption

(4-7-11)

d. Example 4. John and Susan Doe, husband and wife, and Mike Person jointly own a property, and Mr. and Mrs. Doe occupy the one (1) residential improvement located on the property. The following example shows how to calculate each homeowner's exemption.

Description	Value	Notes
Land	\$65,000	
Residential Improvement	\$195,000	
Land and Improvement	\$260,000	
Prorated ownership interest (land and improvement) (\$260,000 X 66.67%)	\$173,342	Mr. & Mrs. Doe's interest
Homeowner's Exemption (Maximum for 2010 is 50% up to \$101,153)	\$86,671	Mr. & Mrs. Doe's Homeowner's Exemption
Prorated ownership interest (land and improvement) (\$260,000 X 33.33%)	\$86,658	Mr. Person's interest
Homeowner's Exemption	\$0	Mr. Person does not qualify for a homeowner's exemption on this property.

04. Part year ownership. Qualifying taxpayers, having claimed the homeowner's exemption on an eligible property shall continue to receive the exemption on the property owned on January 1 of the current tax year, provided however, the assessor may remove the exemption if, by April 15 of the tax year,;

- a. The taxpayer no longer owns the homestead, but is not deceased; or
- b. The taxpayer owns a different homestead and requests that the exemption be transferred to the second homestead; (4-7-11)

054. Determination of Residency. The State Tax Commission may release pertinent information from any Idaho income tax return to the county assessor and the county Board of Equalization for the sole purpose of providing one (1) indicator of eligibility for the homeowner's exemption. According to Section 63-3077(4), Idaho Code, this information is confidential and is not subject to public disclosure. (4-11-06)

065. Notification of Erroneous Claims. When it is determined that an exemption granted under this Section to a taxpayer who has also received property tax relief under Chapter 7, Idaho Code, should not have been granted, the county assessor shall notify the State Tax Commission of the determination. (3-29-10)

63-604. LAND ACTIVELY DEVOTED TO AGRICULTURE DEFINED. (1) For property tax purposes, land which is actively devoted to agriculture shall be eligible for appraisal, assessment and taxation as agricultural property each year it meets one (1) or more of the following qualifications:

(a) The total area of such land, including the homesite, is more than five (5) contiguous acres, and is actively devoted to agriculture which means:

(i) It is used to produce field crops including, but not limited to, grains, feed crops, fruits and vegetables; or

(ii) It is used to produce nursery stock as defined in section [22-2302](#)(11), Idaho Code; or

(iii) It is used by the owner for the grazing of livestock to be sold as part of a for-profit enterprise, or is leased by the owner to a bona fide lessee for grazing purposes; or

(iv) It is in a cropland retirement or rotation program.

(b) The area of such land is five (5) contiguous acres or less and such land has been actively devoted to agriculture within the meaning of subsection (1)(a) of this section during the last three (3) growing seasons; and

(i) It agriculturally produces for sale or home consumption the equivalent of fifteen percent (15%) or more of the owner's or lessee's annual gross income; or

(ii) It agriculturally produced gross revenues in the immediately preceding year of one thousand dollars (\$1,000) or more. When the area of land is five (5) contiguous acres or less, such land shall be presumed to be nonagricultural land until it is established that the requirements of this subsection have been met.

(2) Land shall not be classified or valued as agricultural land which is part of a platted subdivision with stated restrictions prohibiting its use for agricultural purposes, whether within or without a city.

(3) Land utilized for the grazing of a horse or other animals kept primarily for personal use or pleasure rather than as part of a bona fide for-profit enterprise shall not be considered to be land actively devoted to agriculture.

(4) Land actively devoted to agriculture, having previously qualified for exemption under this section in the preceding year, or which would have qualified under this section during the current year, shall not lose such qualification due to the owner's or lessee's absence in the current year by reason of active military service in a designated combat zone, as defined in section 112 of the Internal Revenue Code. If an owner fails to timely apply for exemption as required in this section solely by reason of active duty in a designated combat zone, as defined in section 112 of the Internal Revenue Code, and the land would otherwise qualify for exemption under this section, then the board of county commissioners of the county in which the land actively devoted to agriculture is located shall refund property taxes, if previously paid, in an amount equal to the exemption which would otherwise have applied.

(5) If the land qualified for exemption pursuant to section [63-602FF](#), Idaho Code, in 2005, then the land will qualify in 2006 for the exemption pursuant to section [63-602K](#), Idaho Code, upon the filing of a statement by the owner with the board of county commissioners that the land will be actively devoted to agriculture pursuant to this section in 2006.

(6) For purposes of this section, the act of platting land actively devoted to agriculture does not, in and of itself, cause the land to lose its status as land being actively devoted to agriculture if the land otherwise qualifies for the exemption under this section.

(7) As used in this section:

(a) "Contiguous" means being in actual contact or touching along a boundary or at a point, except no area of land shall be considered not contiguous solely by reason of a roadway or other right-of-way.

(b) "For-profit" means the enterprise will, over some period of time, make or attempt to make a return of income exceeding expenses.

(c) "Platting" means the filing of the drawing, map or plan of a subdivision or a replatting of such, including certification, descriptions and approvals with the proper county or city official.

645. LAND ACTIVELY DEVOTED TO AGRICULTURE DEFINED (RULE 645).

Section 63-604, Idaho Code. (3-15-02)

01. Definitions. The following definitions apply for the implementation of the exemption for the speculative value portion of agricultural land. (7-1-99)

a. Homesite. The “homesite” is that portion of land, contiguous with but not qualifying as land actively devoted to agriculture, and the associated site improvements used for residential and farm homesite purposes. (7-1-99)

b. Associated Site Improvements. The “associated site improvements” include developed access, grading, sanitary facilities, water systems and utilities. (7-1-99)

c. Nursery Stock. Nursery stock is defined in Section 22-2302, Idaho Code. (3-15-02)

d. Land Used to Produce Nursery Stock. “Land used to produce nursery stock” means land used by an agricultural enterprise to promote or support the promotion of nursery stock growth or propagation, not land devoted primarily to selling nursery stock or related products. This term also includes land under any container used to grow or propagate nursery stock. This term does not include land used for parking lots or for buildings sites used primarily to sell nursery stock or related items or any areas not primarily used for the nurturing, growth or propagation of nursery stock. (3-15-02)

e. Speculative Value Exemption. The “speculative value exemption” is the exemption allowed on land actively devoted to agriculture. (7-1-99)

02. Homesite Assessment. Effective January 1, 1999, each homesite and residential and other improvements, located on the homesite, shall be assessed at market value each year. (7-1-99)

a. Accepted Assessment Procedures. Market value 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. Acceptable techniques include those that are either time tested in Idaho, mathematically correlated to market sales, endorsed by assessment organizations, or widely accepted by assessors in Idaho and other states. (7-1-99)

b. Appropriate Market and Comparable Selection. The appropriate market is the market most similar to the homesite and improvements located on the homesite. In applying the sales comparison approach, the appraiser should select comparables having actual or potential residential use. (7-1-99)

c. Assigning secondary category. List and report the secondary category for the homesite using the chart in Subsection 645.02.c.

Description of Land	Secondary Category
Rural and Nonsubdivided	10
Rural and Subdivided	15
Urban	20

(4-2-08)

d. Homesite Independent of Remaining Land. The value and classification of the homesite will be independent of the classification and valuation of the remaining land. (7-1-99)

03. Valuing Land, Excluding the Homesite. The assessor shall value land, excluding the homesite, on the following basis: (5-3-03)

a. Land Used for Personal Use or Pleasure. Any land, regardless of size, utilized for the grazing of animals kept primarily for personal use or pleasure and not a portion of a for profit enterprise, shall be valued at market value using appraisal procedures identified in Paragraph 645.02.a. of this rule and shall not qualify for the speculative value exemption. (4-11-06)

b. Land in a Subdivision. Land in a subdivision with restrictions prohibiting agricultural use shall be valued at market value using appraisal procedures identified in Paragraph 645.02.a. of this rule and shall not qualify for the speculative value exemption. Land meeting the use qualifications identified in Section 63-604, Idaho Code, and in a subdivision without restrictions prohibiting agricultural use shall be valued as land actively devoted to agriculture using the same procedures as used for valuing land actively devoted to agriculture and not located in a subdivision. (4-11-06)

c. Land, Five (5) Contiguous Acres or Less. Land of five (5) contiguous acres or less shall be presumed nonagricultural, shall be valued at market value using appraisal procedures identified in Paragraph 645.02.a of this rule, and shall not qualify for the speculative value exemption. If the owner produces evidence that each contiguous holding of land under the same ownership has been devoted to agricultural use for the last three (3) growing seasons and it agriculturally produced for sale or home consumption fifteen percent (15%) or more of the owner's or lessee's annual gross income or it produced gross revenue in the immediate preceding year of one thousand dollars (\$1,000) or more, the land actively devoted to agriculture, shall qualify for the speculative value exemption. For holdings of five (5) contiguous acres or less income is measured by production of crops, nursery stock, grazing, or net income from sale of livestock. Income shall be estimated from crop prices at harvest or nursery stock prices at time of sale. The use of the land and the income received in the prior year must be certified with the assessor by March 15, each year. (4-11-06)

d. Land, More Than Five (5) Contiguous Acres. Land of more than five (5) contiguous acres under one (1) ownership, producing agricultural field crops, nursery stock, or grazing, or in a cropland retirement or rotation program, as part of a for profit enterprise, shall qualify for the speculative value exemption. Land not annually meeting any of these requirements fails to qualify as land actively devoted to agriculture and shall be valued at market value using appraisal procedures identified in Paragraph 645.02.a. of this rule. (4-11-06)

04. 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 agricultural land taxable value calculation examples, see Rule 614 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)

II. FACTUAL AND PROCEDURAL BACKGROUND

In 2004, Walter and Judith Kimbrough, Appellants, purchased a small farm in rural Canyon County, Idaho. Of their parcel, 0.66 acres underlie a public right-of-way and are exempt from taxation, leaving 14.76 subject to assessment. The Kimbroughs have dedicated most of their land to growing alfalfa, but just over two acres contain agricultural outbuildings and the Kimbroughs' home. The Canyon County Assessor apparently always exempted 13.76 acres of the Kimbroughs' farm from taxation under I.C. § 63-604, which allows an exemption for land actively devoted to agriculture. It then assessed at market value the remaining acre, which included the Kimbroughs' house (the "homesite").¹ Between 2002 and 2006, the Assessor had valued the entire property at \$209,200, but in 2007 the total assessment more than doubled to \$419,200. The County attributed nearly all of the added assessment to the increased value of the homesite and residential improvements.

The Kimbroughs appealed their 2007 property-tax assessment to the Canyon County Board of Equalization and then to the Idaho Board of Tax Appeals (the "BTA"), both of whom are Respondents in this case, but both affirmed the assessment. They next appealed to the district court, which held a trial de novo on the valuation the County applied to the homesite. The district court issued findings from the bench, which it augmented later in the Amended Supplemental Findings of Fact and Conclusions of Law. The court held that the County was correct to value the one-acre homesite and residential improvements at market value separately from the Kimbroughs' agricultural acreage and that the valuation was not arbitrary or discriminatory.

On appeal, the Kimbroughs argue that the Idaho Tax Commission's regulations illegally require counties to assess at market value homesites that are contiguous with property that is agriculturally exempt under I.C. § 63-604. They assert that homesites should be subject to the agricultural-land exemption. Alternatively, they challenge the comparable sales the County relied upon in valuing their homesite. Respondents counter that only land actually devoted to agriculture can be exempt under I.C. § 63-604 and, further, that the County used a widely accepted appraisal method by using the best available comparable sales to value the Kimbroughs' homesite.

¹ After determining a market value for the Kimbroughs' homesite, the County applied the homestead exemption under I.C. § 63-602G.

III. ISSUES ON APPEAL

1. Whether the County must apply the agriculture exemption under I.C. § 63-604 to homesites that are contiguous with land actively devoted to agriculture.
2. Whether the County's valuation of the Kimbroughs' homesite was arbitrary, oppressive, or discriminatory.
3. Whether the Kimbroughs are entitled to attorney fees under I.C. § 12-117.

IV. STANDARD OF REVIEW

The district court held a trial de novo pursuant to I.C. § 63-3812(c).² “Where the district court conducts a trial de novo in an appeal of a BTA decision, this Court defers to the district court's findings of fact that are supported by substantial evidence, but exercises free review over the district court's conclusions of law.” *Canyon Cnty. Bd. of Equalization v. Amalgamated Sugar Co.*, 143 Idaho 58, 60, 137 P.3d 445, 447 (2006). The interpretation of a statute is a question of law subject to free review. *Callies v. O'Neal*, 147 Idaho 841, 847, 216 P.3d 130, 136 (2009).

V. ANALYSIS

A. Homesites Contiguous with Land Actively Devoted to Agriculture Are Not Subject to an Exemption Under I.C. § 63-604

“All property within the jurisdiction of this state, not expressly exempted, is subject to assessment and taxation.” I.C. § 63-601. Tax exemptions are generally disfavored—they are never presumed and cannot be extended by judicial construction. *Housing Sw., Inc. v. Washington Cnty.*, 128 Idaho 335, 337, 913 P.2d 68, 70 (1996) (citing *Owyhee Motorcycle Club, Inc. v. Ada Cnty.*, 123 Idaho 962, 964, 855 P.2d 47, 49 (1993)). Thus, unlike most tax statutes, ambiguous provisions related to deductions, exemptions, and credits are “construed strongly against the taxpayer.” *Canty v. Idaho State Tax Comm'n*, 138 Idaho 178, 182, 59 P.3d 983, 987 (2002) (citing cases from other jurisdictions). This Court will follow the plain meaning of an unambiguous statute, but will engage in statutory construction if a provision is ambiguous. *Hayden Lake Fire Prot. Dist. v. Alcorn*, 141 Idaho 307, 312, 109 P.3d 161, 166 (2005).

² Unlike appeals from most state agencies, the Idaho Code does not require the district court to rely on the record generated before the Board of Tax Appeal. Idaho Code § 63-3812(c) provides in part:

Appeals may be based upon any issue presented by the appellant to the board of tax appeals and shall be heard and determined by the court without a jury in a trial de novo on the issues in the same manner as though it were an original proceeding in that court.

Administrative rules are interpreted the same way as statutes. *Brandon Bay, Ltd. P'ship v. Payette Cnty.*, 142 Idaho 681, 683, 132 P.3d 438, 440 (2006).

The statute at issue in this case allows farm owners to exempt land actively devoted to agriculture. It provides:

(1) For property tax purposes, land which is actively devoted to agriculture shall be eligible for appraisal, assessment and taxation as agricultural property each year it meets one (1) or more of the following qualifications:

(a) *The total area of such land, including the homesite*, is more than five (5) contiguous acres, and is actively devoted to agriculture which means:

(i) It is used to produce field crops including, but not limited to, grains, feed crops, fruits and vegetables

I.C. § 63-604(1) (emphasis added).³ In addition to meeting the above criteria, taxpayers who own parcels of five acres or less must also show that their property generates a certain amount of income in order to qualify for the agriculture exemption. *Id.* § 63-604(1)(b).

The Tax Commission has issued regulations interpreting this exemption to apply only to acreage that actually qualifies for the agriculture exemption, not to associated homesites. It defines a “homesite” as “that portion of land, contiguous with but not qualifying as land actively devoted to agriculture, and the associated site improvements used for residential and farm homesite purposes.” IDAPA 35.01.03.645.01.a. Although homesite acreage counts toward the five-acre threshold, it is not exempt under § 63-604. The Commission requires that homesites and their associated improvements be assessed at market value each year. IDAPA 35.01.03.645.02.

The parties agree that the Kimbroughs are entitled to the agriculture exemption for the land on which they raise alfalfa. They also agree that the Kimbroughs’ one-acre homesite is not actively devoted to growing any crops or otherwise producing agricultural products. They disagree over whether the Kimbroughs’ homesite is nonetheless exempt under the language of § 63-604, offering two competing interpretations of that provision. Respondents assert that homesite acreage is only relevant when determining whether a parcel of farmland is large enough to qualify for the agricultural exemption. The Kimbroughs, on the other hand, argue that § 63-604 also unambiguously exempts the homesite itself in addition to the land actively devoted to

³ The statute’s definition of “land actively devoted to agriculture” for parcels over five contiguous acres also includes land devoted to producing nursery stock, grazing, leases for grazing, or acreage in a rotation program. I.C. § 63-604(1)(a)(ii)–(iv).

agriculture because the statute states that “the total area of such land, including the homesite,” must exceed five acres.

The Kimbroughs have their own interpretation of I.C. § 63-604, but not all interpretations are reasonable. “A statute is ambiguous when the language is capable of more than one reasonable interpretation.” *Farber v. Idaho State Ins. Fund*, 147 Idaho 307, 311, 208 P.3d 289, 293 (2009) (citing *Porter v. Bd. of Trustees*, 141 Idaho 11, 14, 105 P.3d 671, 674 (2004)). A statute is not ambiguous if the parties simply offer different interpretations to the Court. *Id.* Idaho Code § 63-604(1) expressly states that it only applies to “land which is actively devoted to agriculture.” In *Ada County Board of Equalization v. Highlands, Inc.*, 141 Idaho 202, 108 P.3d 349 (2005), this Court explicitly held that land is only exempt under this provision if there is “some actual use” of the land for agriculture or that it is in a crop-rotation program. This Court held in that case that land leased to a rancher was not exempt because it was not actually used for grazing. 141 Idaho at 207, 105 P.3d at 354; *see also Roeder Holdings, L.L.C. v. Bd. of Equalization*, 136 Idaho 809, 814, 41 P.3d 237, 242 (2001) (holding that the taxpayer qualified for the exemption because he had actually prepared his land for crop cultivation the prior autumn) *overruled on other grounds by Ada Cnty. Bd. of Equalization.*, 141 Idaho at 206, 108 P.3d at 353. In light of the statute’s plain language and how this Court has previously interpreted it, it is unreasonable to read § 63-604 as exempting land from taxation if the land is not actually devoted to crop or livestock production and is not in a crop-rotation program. The statute unambiguously does not exempt contiguous homesites.

The Kimbroughs’ homesite is not exempt under § 63-604 because it is not devoted to agriculture. At trial, Walter Kimbrough conceded that they do not raise alfalfa on over two acres of their land, yet the County only assessed one acre at market value for their homesite—it still allowed them to apply the agricultural exemption to over one additional acre of land that is not actually devoted to alfalfa production. There is some evidence in the record that the Kimbroughs store agricultural equipment and grow some fruits and vegetables on or near their homesite, but this Court need not reach the question of whether these uses are enough to constitute land “actively devoted to agriculture.” The Kimbroughs offer no evidence suggesting that these activities consume more than this additional exempted acre. The district court therefore was correct to refuse to apply the agricultural exemption to the Kimbroughs’ one-acre homesite.

B. The County's Valuation of the Kimbroughs' Homesite Was Not Arbitrary, Oppressive, or Discriminatory

Real property subject to property taxation is assessed annually at market value. I.C. § 63-205. Market value is defined as the amount “for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.” *Id.* § 63-201(15). The State Tax Commission is empowered to develop regulations for assessing the market value of property for taxation purposes. *Id.* § 63-208(1). Among the appraisal methods the Commission has adopted is the sales-comparison approach, which involves valuing property based on sale prices for comparable parcels within the preceding year. IDAPA 35.01.03.217.04. This is the method the County used in valuing the Kimbroughs' homesite. Regardless of which method is being used, the assessor may and should consider all relevant factors to ensure that the taxpayer bears his or her share of the public tax burden, including the actual cash-sale value in the property's locality. *Abbot v. State Tax Comm'n*, 88 Idaho 200, 208, 398 P.2d 221, 225 (1965).

The assessor's valuation is presumed to be correct, and this Court will only overturn a valuation if the taxpayer can show by clear and convincing evidence that it is “manifestly excessive, fraudulent or oppressive; or arbitrary, capricious and erroneous resulting in discrimination against the taxpayer.” *Merris v. Ada Cnty.*, 100 Idaho 59, 64, 593 P.2d 394, 399 (1979). An arbitrary appraisal is one that fails to reflect the fair-market or full-cash value of the property. *Idaho Power Co. v. Idaho State Tax Comm'n*, 141 Idaho 316, 324, 109 P.3d 170, 178 (2005).

The County valued the Kimbroughs' homesite land and residential improvements at \$405,300 before subtracting the homestead exemption. Of this, the County assessed their home at \$117 per square foot for a total of \$335,300. It produced three comparable house sales, two of which it adjusted down to reflect added value from larger lot sizes. The average price per square foot was \$121.84, higher than the value the County assessed for the Kimbroughs' home. Similarly, the County located three comparable residential bare-land sales averaging over \$140,000 per acre, but only valued the Kimbroughs' one-acre homesite at \$70,000. These comparables do not reveal a “manifestly excessive” valuation.

There is no dispute that the \$405,300 assessed homesite value in 2007 was a dramatic increase over the 2006 homesite assessment at \$197,900. As the Canyon County Rural

Appraisal Supervisor explained at trial, however, there were two legitimate reasons for this sudden jump in value. First, the County did not adjust the Kimbroughs' property assessment at all between 2002 and 2006 despite significant property-value gains in the marketplace. Due to the logistical burdens associated with physically examining every property in its jurisdiction, the County had a policy of reappraising parcels every five years. It was not until 2007 that the County was able to update its assessment of the Kimbroughs' home. Second, the Kimbroughs had constructed a new garage and added additional bedrooms to their home in 2004. This addition cost more than \$80,000. Although the Kimbroughs had added roughly 1000 square feet to their home, the County did not begin assessing them for the added living space until 2007. The County therefore did not act arbitrarily when it valued the Kimbroughs' homesite.

The Kimbroughs contend that the comparison properties chosen by the County overvalue their homesite because some of them are closer to Nampa and are in more suburban neighborhoods. The County's Appraisal Supervisor conceded at trial that no perfect comparison properties existed in this case and that he had to expand the geographic radius until he found an acceptable number of comparable parcels that had been sold within the prior year. He identified a total of six comparables, three for land value and three for residential-improvement value.⁴ Again, the County's appraisal is presumed to be correct. *Merris*, 100 Idaho at 64, 593 P.2d at 399. Moreover, the party challenging a tax valuation must carry the burden of showing that it was manifestly excessive, fraudulent or discriminatory. *Id.* Walter Kimbrough himself testified that he had "no idea" what the market value of his home was in 2007. The Kimbroughs did not provide their own property appraisal or any of their own comparables to substantiate their claim that their property was overvalued, to suggest that the assessor did not locate enough comparables, or to show that the ones chosen were inappropriate. Substantial evidence therefore justifies the district court's decision to uphold the assessor's valuation.

C. The Kimbroughs Are Not Entitled to Attorney Fees Under I.C. § 12-117

The Kimbroughs request attorney fees on appeal under I.C. § 12-117(1). Even if they were the prevailing parties, "I.C. § 12-117(1) does not allow a court to award attorney fees in an appeal from an administrative decision." *In re Approval of Conditional Use Permit #CUP-2008-*

⁴ At trial, the Canyon County Rural Appraisal Supervisor testified that the lowest-valued comparable he used to establish land value should not be considered because it actually contained a mobile home that might skew its sale price upward. Disregarding this comparable would, of course, increase the average value of the County's comparables and would strengthen its assessment.

3, No. 36943, 2010 WL 5140813, at *6 (Idaho Dec. 20, 2010) (quoting *Smith v. Washington Cnty.*, No. 35851, 2010 WL 5093625, at *3 (Idaho Dec. 15, 2010)). This case arrived in the district court on a petition for judicial review of the BTA's decision. The Kimbroughs cannot receive attorney fees under I.C. § 12-117(1).

VI. CONCLUSION

The district court correctly held that homesites contiguous with farmland are not subject to the tax exemption for land actively devoted to agriculture under I.C. § 63-604. The district court's decision to affirm the County's assessment of the Kimbroughs' homesite was based on substantial evidence. The district court's ruling is affirmed and the Kimbroughs' request for attorney fees is denied. Costs are awarded to Respondents.

Chief Justice EISMANN, Justices BURDICK, J. JONES and HORTON **CONCUR.**

803. BUDGET CERTIFICATION -- DOLLAR CERTIFICATION FORM (L-2 FORM) (RULE 803). Sections 63-602G(5), 63-802, 63-803, 63-3029B(4), and 63-3638(11~~0~~) and(13), Idaho, Code. ~~(4-2-08)~~(____)

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)(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)(f) or 63-802(1)(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)(f) or 63-802(1)(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)

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 Substitute Funds Tax List." Recovered/recaptured property tax 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 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)

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

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

iii. Section 31-808(11), Idaho Code. (5-8-09)

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)

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 (- -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. (4-2-08)

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 brought forward from a prior year to help fund the approved budget. Cash forward balance (Column 3) is the difference between the total approved budget (Column 2) and the sum of amounts reported as other revenue not shown in Column 5 (Column 4), agricultural equipment property tax replacement (Column 5), and balance to be levied (Column 6). (3-15-02)

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: (5-8-09)

i. The amount of money received annually under Sections 63-3638(10), Idaho Code, as replacement revenue for the agricultural equipment exemption under Sections 63-602EE, Idaho Code; (~~4-2-08~~)()

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 substitute funds list”; (5-8-09)

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 substitute funds list”; ~~and~~ (~~5-8-09~~)()

iv. The amount of money transferred from the interest-bearing trust to the county indigent fund under Section 31-808(11), Idaho Code; (5-8-09)

v. The appropriate amount of money listed on the statement and distributed to the county and each appropriate city under Section 63-2603, Idaho Code, as county property tax relief and detention facility debt retirement; ~~and~~ (~~4-6-05~~)()

vi. The amount of money received annually under Section 63-3638(13), for the personal property exemption under 63-602KK(2), Idaho Code. ()

- 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)
- 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, 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)

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, other than Replacement Money Received for Property Subject to the Exemption Provided in Section 63-602KK, Idaho Code. ~~With the exception of property tax replacement monies received for property subject to the exemption provided in Section 63-602KK, Idaho Code, p~~Property tax replacement monies must be reported on the L-2 Form and separately identified on accompanying worksheets. For all taxing districts, these monies must be subtracted from the "balance to be levied". The reduced balance shall be used to compute levies, but the maximum amount permitted pursuant to Section 63-802, Idaho Code, shall be based on the sum of these property tax replacement monies, excluding monies received pursuant to Section 31-808(11), Idaho Code, and the amount actually levied. (~~5-8-09~~)(____)

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(10) 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(10) and (13), Idaho Code. (~~5-8-09~~)(____)

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 that will be received. (4-2-08)

c. Except as provided in Paragraph 803.06.d. of this rule, the subtraction 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 this subtraction 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 counties receiving monies described in Section 31-808(11), Idaho Code, the amount of money transferred from the interest-bearing trust to the county indigent fund shall be subtracted from the maximum amount of property tax revenue permitted pursuant to Section 63-802, Idaho Code. (5-8-09)

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

~~07. Special Provisions for Property Tax Replacement Received for Property Subject to the Exemption Provided in Section 63-602KK, Idaho Code.~~ The following procedure is to be used to calculate levy rates and maximum amounts of property tax revenue for taxing districts or units that receive property tax replacement money for property subject to the exemption in Section 63-602KK, Idaho Code. (5-8-09)(____)

~~a. Such property tax replacement money is not to be subtracted from the “balance to be levied” amount certified on the L-2 Form. (5-8-09)(____)~~

~~b. The otherwise taxable value of the property subject to the exemption provided in Section 63-602KK, Idaho Code, is to be included in the value of the taxing district or unit used to calculate the levy rate. (5-8-09)(____)~~

~~c. The maximum amount permitted pursuant to Section 63-802, Idaho Code, shall be based on the amount actually levied plus other property tax replacement money as defined in Paragraph 803.4.e. of this rule, excluding any amount transferred as provided in Section 31-808(11), Idaho Code. (5-8-09)(____)~~

087. 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)

098. 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)

109. 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)

110. 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 levy, sum the school district's tort fund for the prior year, and the agricultural equipment replacement revenue subtracted from that tort fund, 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. (4-2-08)

121. 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)

132. Special Provisions for Levies for Payment of Judgments by Order of Court. The levy permitted pursuant to Section 63-1305A, Idaho Code, requires that the taxing district first budgets the maximum amount of property tax permitted pursuant to Section 63-802, Idaho Code, including any foregone amount. This requirement shall be deemed to have been met if, despite additional budget allowed pursuant to Section 63-802, Idaho Code, every fund used by the taxing district levies at the maximum levy rate provided by law, or, if no maximum levy rate is provided, the fund levies the maximum permitted budget amount. To the extent necessary to enable all previously accrued foregone amounts to be levied, the taxing district may need to use additional funds within which it is permitted to levy property taxes before levying as permitted pursuant to Section 63-1305A, Idaho Code. (4-4-13)

143. Cross Reference for School Districts with Tuition Funds. ~~For any sSchool district certifying a tuition fund levies in 2006 or any year thereafter, see~~ are exempt from the limitations of Section 63-802, Idaho Code. See Section 33-1408, Idaho Code, as amended by the First Extraordinary Session of the Fifty eighth Legislature, for clarification that the amount of property tax revenue for a tuition fund is not subject to the limitations of Section 63-802, Idaho Code. (4-2-08)(____)

804. TAX LEVY - CERTIFICATION - URBAN RENEWAL DISTRICTS (RULE 804).

Section 50-2908, 63-803, and 63-811, Idaho Code. (5-8-09)

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. Revenue allocation areas (RAAs) are not taxing districts. (4-5-00)

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. (4-5-00)()

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)

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. (4-5-00)()

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 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. 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. 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 ~~original~~ 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 ~~twenty~~ nineteen thousand dollars (~~\$20~~19,000). Five (5) years later, the land and improvement becomes taxable. The base value is to be adjusted upwards by ~~twenty~~ nineteen thousand dollars (~~\$20~~19,000). (4-5-00)()

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 ten thousand dollars (\$10,000) 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) .(4-5-00)()

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). ()

fg. Adjustments to increment values. In addition to the adjustment illustrated in subsection (02)(e)(ii) of this rule, ~~D~~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). (4-5-00)()

gh. 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 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 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. When an authorized municipality passes an ordinance modifying an urban renewal plan containing a revenue allocation financing provision, the current value of property in the RAA shall be determined as if the modification had not occurred. All modifications to urban renewal areas and RAAs must comply with the provisions of Rule 225 of these rules. (4-5-00)

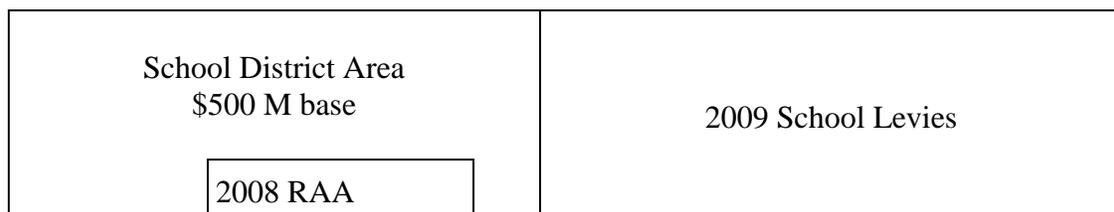
a. Modification by consolidation of RAAs. If such modification involves combination or consolidation of two (2) or more RAAs, the base value shall be determined by adding together independently determined current base values for each of the areas to be combined or consolidated. The current taxable value 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



<div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 20px;"> Pre 2008 RAA (A) Boundaries \$40 M Increment </div> <div style="border: 1px solid black; padding: 5px;"> Annexation (B) \$10 M Increment </div> </div>	Fund	Value for Setting Levies \$ Millions
	Tort	500
	2001 Plant	510
	2008 Bond (Passed and first levied in 2008)	550
	2009 Override	550

(5-8-09)

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)

06. Cross Reference. The county auditor shall certify the full market value by taxing district as specified in Rule 995 of these rules. (4-2-08)

988. QUALIFIED PROPERTY FOR EXEMPTION (RULE 988).

Sections 63-302, 63-313, 63-404, and 63-3029B, Idaho Code. (4-6-05)

01. Definitions. The following definitions apply for the purposes of the property tax exemption under Section 63-3029B, Idaho Code, and do not decide investment tax credit eligibility for Idaho income tax purposes. (3-20-04)

a. Year in which the investment is placed in service. “Year in which the investment is placed in service” means the calendar year the property was put to use or placed in a condition or state of readiness and availability for a specifically assigned function in the production of income. (4-6-05)

b. Operator’s Statement. The “operator’s statement” is the annual statement listing all property subject to assessment by the State Tax Commission and prepared under Section 63-404, Idaho Code. (3-20-04)

c. Personal Property Declaration. A “personal property declaration” is any form required for reporting personal property or transient personal property to the county assessor under Sections 63-302 or 63-313, Idaho Code, respectively. (3-20-04)

d. Qualified Investment. “Qualified investment” means property that would have otherwise been taxable for property tax purposes and is eligible or qualified under Section 63-3029B, Idaho Code, provided that property is reported on the personal property declaration or operator’s statement and is designated as exempt from property tax for two (2) years on Form 49E. (3-20-04)

e. Qualified Investment Exemption. The “qualified investment exemption” (QIE) referred to in this rule is the property tax exemption under Section 63-3029B, Idaho Code. (3-20-04)

f. Assessor. The “assessor” is the representative of the county assessor’s office or the State Tax Commission who is responsible for the administration of the QIE. (3-29-12)

02. Designation of Property for Which Exemption Is Elected. The owner shall designate the property on which the QIE is elected. The owner shall make this designation on Form 49E and attach it to a timely filed personal property declaration or, for operating property, the timely filed operator’s statement. Owners who designate property on which the QIE is elected may also receive the exemption provided in section 63-602KK, but such owner is required to file a personal property declaration or operator’s statement, which must include all otherwise taxable personal property, except for any such property exempt as provided in section 63-602KK(1). ~~not~~ file the annual affidavit provided for in Section 63-602KK(6), Idaho Code, but must file the personal property declaration. This prohibition shall be limited to the time period during which the taxpayer may be subject to recapture under Section 63-3029B, Idaho Code. The description of the property on Form 49E must be adequate to identify the property to be granted the exemption. In addition to all other steps required to complete the personal property declaration or operator’s statement, the owner must provide on the personal property declaration or operator’s statement the

date the item elected for the QIE was placed in service. (3-29-10)

03. Election for Investments Not Otherwise Required to Be Listed on the Personal Property Declaration. For investments, like single purpose agricultural or horticultural structures, that are not otherwise required to be listed on the personal property declaration, the owner must list that property to elect the QIE. As with any property designated for the QIE, the owner must attach Form 49E to the personal property declaration. (3-20-04)

04. Continuation of Listing. For all property designated for QIE, even though that property is exempt for two (2) years, the owner must list that property on the personal property declaration or operator’s statement in the initial year for which the QIE is claimed and the following four (4) consecutive years, unless that property has been sold, otherwise disposed of, or ceases to qualify pursuant to Section 63-3029B, Idaho Code. For personal property not designated for QIE, but eligible for the exemption provided in Section 63-602KK(2), no listing need be filed after the initial year for which the QIE is granted provided the total value of such non designated property is less than \$100,000. (3-20-04)

05. Period of QIE. The QIE shall be granted for the two (2) calendar years immediately after the end of the calendar year in which the property acquired as a qualified investment was first placed in service in Idaho. (3-20-04)

06. Election Specificity. The QIE election provided by Section 63-3029B, Idaho Code, shall be specific to each qualified item listed on the personal property declaration or operator’s statement. An item that is a qualified investment, but for which there is no QIE election during the year after the “year in which the investment is placed in service” in Idaho, is not eligible for the QIE. (4-6-05)

07. Notification by Assessor. (4-6-05)

a. Upon Receipt of Form 49E or a Listing. Upon receiving Form 49E or any listing provided to comply with Subsection 988.08 or 988.12 of this rule, the assessor shall review the application and determine if the taxpayer qualifies for the property tax exemption under Section 63-3029B, Idaho Code. If the assessor determines that the property tax exemption should be granted, the assessor shall notify the taxpayer and, if applicable, send a copy of this form or listing to the State Tax Commission. (3-29-12)

b. Upon Discovery of Changes. Upon discovering that property granted the QIE was sold, otherwise disposed of, or ceased to qualify under Section 63-3029B, Idaho Code, within the five (5) year period beginning with the date the property was placed in service, the assessor shall notify the State Tax Commission and the taxpayer immediately. The assessor shall also provide this notification upon discovery that the owner first claiming the QIE failed to list the item on any personal property declaration or failed to file a personal property declaration in any year during this five (5) year period. This notice shall include: (3-29-12)

i. Owner. Name of the owner receiving the QIE. (4-6-05)

- ii. Property description. A description of the property that received the QIE. (4-6-05)
- iii. New or used. State whether the individual item was purchased new or used.(4-6-05)
- iv. Date placed in service. The date the owner reported the item was first placed in service in Idaho. (4-6-05)
- v. First year value of QIE. For each item, the amount of exempt value in the first year the QIE was elected and an identification of the year. (4-6-05)
- vi. Second year value of QIE. For each item, the amount of exempt value in the second year after the QIE was elected. (4-6-05)
- vii. Tax code area number. For each item, the number of the tax code area within which that item was located. (4-6-05)

c. Denial of the QIE. Upon review of the taxpayer’s application, if the assessor determines that the property tax exemption should not be granted for all or part of the market value of any item or items, then the assessor shall deny the exemption for those items. The assessor shall notify the taxpayer electing the QIE and shall identify the basis for the denial. The assessor’s notification cancels the election with respect to those items. Upon receiving this notification, the taxpayer is then free to pursue the income tax credit under Section 63-3029B, Idaho Code, for those items denied the QIE by the assessor. (3-29-12)

08. Moved Personal Property. In order to provide unmistakable identification of the property, certain taxpayers must send written notification by the date provided in Section 63-302, 63-313, or 63-404, Idaho Code, when moving property that previously received the QIE. This notification: (3-20-04)

a. Is required of taxpayers moving locally assessed property between counties in Idaho during the five (5) year period beginning the date that property was placed in service;(4-6-05)

i. The taxpayers send this notification to the assessor in the county that granted the QIE and the assessor in any Idaho county to which the property has been moved. (4-6-05)

ii. The taxpayers must include a listing which describes the property exactly as it was described on the original Form 49E or cross references the property originally listed on Form 49E. (4-6-05)

b. Is not required of taxpayers when the property is State Tax Commission assessed nonregulated operating property. (4-6-05)

09. Notification Regarding Transient Personal Property. For transient personal property elected for the QIE, the definition of home county in Section 63-313, Idaho Code, and Rule 313 of these rules, applies. When a home county receives information of an election for QIE and a notice that the exempt property was used in another county in Idaho, the home county must

forward information identifying that property to the other county(ies) in accordance with procedures in Section 63-313, Idaho Code. Also, the home county assessor shall send a copy of this notice to the State Tax Commission. (3-20-04)

10. Partial-Year Assessments. Property assessed based on a value prorated for a portion of the year in which the property is first placed in service may still be eligible for the QIE in the subsequent two (2) calendar years, provided the QIE is elected. (3-20-04)

11. Limitation on Amount of Exemption. (3-20-04)

a. New Property. The QIE shall be for the full market value for assessment purposes for new property that is a qualifying investment. (3-20-04)

b. Used Property. The QIE for used property placed in service during a taxable year for income tax purposes shall be limited. For each taxpayer, the QIE shall be the lesser of the QIE cost or the current year’s market value in accordance with the following procedure: (4-6-05)

i. QIE cost shall be determined for each item of used property upon which the QIE is claimed. QIE cost is the lesser of an item’s cost or one hundred fifty thousand dollars (\$150,000); provided, however, that the QIE cost for all elected used property shall not exceed one hundred fifty thousand dollars (\$150,000) in a taxable year (See Example B in Subparagraph 988.11.c.ii., of this rule). In the event the cost of one (1) or more items of used property exceeds one hundred fifty thousand dollars (\$150,000), QIE cost shall reflect the reduction necessary to stay within the one hundred fifty thousand dollar (\$150,000) limit (See IDAPA 35.01.01, “Income Tax Administrative Rules,” Rule 719 for information on the selection of items of used property).(4-6-05)

ii. For each item purchased used, the QIE shall be limited to the lesser of the QIE cost or the current year’s market value (See Example B in Subparagraph 988.11.c.ii., of this rule).(4-6-05)

c. Examples. In the following examples, all of the property is owned by the same taxpayer and is a qualified investment. (4-6-05)

i. **Example A.** In Example A, 2004 is the first year during which the qualified investment receives the QIE. The taxpayer may decide which of the used items placed in service in 2003 is considered first for the exemption. In this example, computer 1 has been given the exemption first. Since the limitation is based on cost, the remaining used property exemption cannot exceed one hundred thirty thousand dollars (\$130,000) and the QIE cost is determined accordingly. The conveyor belt is a new investment, first eligible for the QIE in 2005. In 2006, the assembly line, computer 1, and computer 2 would be fully taxable at the market value as of January 1, 2006.

Example A

Property Description (same taxpayer)	Year Placed in Service	Cost	New or Used	QIE Cost	2004 Market Value	2004 Exempt Value	2004 Taxable Value	2005 Market Value	2005 Exempt Value	2005 Taxable Value
Computer 1	2003	\$20,000	Used	\$20,000	\$12,000	\$12,000	\$0	\$8,000	\$8,000	\$0
Assembly line	2003	\$160,000	Used	\$130,000	\$140,000	\$130,000	\$10,000	\$110,000	\$110,000	\$0
Computer 2	2003	\$50,000	New	N/A	\$40,000	\$40,000	\$0	\$30,000	\$30,000	\$0
Conveyor belt	2004	\$200,000	Used	\$150,000	N/A	N/A	N/A	\$200,000	\$150,000	\$50,000

(4-6-05)

ii. Example B. In Example B, the property was purchased at auction for a cost much less than its market value.

Example B										
Property Description	Year Placed in Service	Cost	New or Used	QIE Cost	2006 Market Value	2006 Exempt Value	2006 Taxable Value	2007 Market Value	2007 Exempt Value	2007 Taxable Value
Construction Equipment	2005	\$20,000	Used	\$20,000	\$80,000	\$20,000	\$60,000	\$70,000	\$20,000	\$50,000

(4-6-05)

d. Used Property Placed in Service by Fiscal Year Taxpayer. If a taxpayer had a fiscal year beginning July 1, 2004, and placed one hundred fifty thousand dollars (\$150,000) of qualifying used property in service on May 15, 2004, and an additional one hundred fifty thousand dollars (\$150,000) of qualifying used property in service on August 1, 2004, the taxpayer would qualify for an exemption of up to three hundred thousand dollars (\$300,000) on this used property in 2005 and 2006. The exempt value in the second year of the exemption could not exceed the lesser of three hundred thousand dollars (\$300,000) or the (depreciated) market value of this used property. (4-6-05)

12. Multi-County Taxpayers. (3-20-04)

a. Except taxpayers electing QIE for property that is State Tax Commission assessed operating property, any taxpayers electing the QIE for properties purchased new must indicate on Form 49E the county where each property is located or must complete a separate Form 49E and

attach it to the personal property declaration submitted to each county. (3-20-04)

b. Except taxpayers electing QIE for property that is State Tax Commission assessed operating property, any taxpayers electing the QIE for properties purchased used must attach any Form 49E listing property purchased used to the personal property declaration sent to each county. A Form 49E listing only property purchased used may be provided to comply with this requirement. (3-20-04)

c. Any taxpayers electing QIE for property that is State Tax Commission assessed nonregulated operating property and purchased new or used must indicate on Form 49E each county where each property is located and attach it to the operator's statement. (4-6-05)

d. If multiple Form 49Es are submitted to one (1) or more assessors, a copy of each Form 49E must be attached to the correct year's income tax return. (3-20-04)

13. Special Provisions for Nonregulated Operating Property. (4-6-05)

a. For nonregulated operating property, the market value of the QIE is calculated by multiplying the depreciated original cost of the property times the ratio of the correlated value determined under Subsection 405.08 of these rules to the cost approach value determined under Subsection 405.02 of these rules. (4-6-05)

b. The following special provisions apply for the reduction in market value of nonregulated operating property resulting from QIE being elected. (4-6-05)

i. Reduction in Idaho value. For nonregulated operating property except situs property, the reduction in market value will be made by subtracting the market value of the QIE from the allocated Idaho value before apportionment to any taxing district or unit. (4-6-05)

ii. Reduction in market value of situs property owned by nonregulated operating property companies. For situs property owned by nonregulated operating property companies, the reduction in market value will be made by subtracting the market value of the specific investment in the specific location. (4-6-05)

14. Cross Reference. For more information relating to procedures and requirements for QIE, refer to Section 63-3029B, Idaho Code, and IDAPA 35.01.01, "Income Tax Administrative Rules," Rule 719. For information relating to recapture of QIE, refer to Rule 989 of these rules. (4-6-05)

995.T CERTIFICATION OF SALES TAX DISTRIBUTION (RULE 995).

Section 63-3638, Idaho Code.

(5-3-03)

01. Most Current Census. Population shall be from the most current population census or estimate of incorporated city populations available from “Table 4, Annual Estimates of the Resident Population for Incorporated Places in Idaho” and estimate of county populations from “Table 1, Annual Estimates of the Resident Population for Counties of Idaho” available from the Bureau of the Census during the quarter of the year for which any distribution of sales tax money is to be made. If the State Tax Commission is notified that the Bureau of the Census has revised any city or county population estimates, the revised estimates shall be used for the distribution of sales tax money.

(4-4-13)

02. Market Value for Assessment Purposes. Market value for assessment purposes shall mean the market value certified to the State Tax Commission pursuant to Section 63-510, Idaho Code, and shall include homeowner’s exemptions and the value of personal property exempt pursuant to Section 63-602KK(2) as determined for tax year 2013, and the amount of real and personal property value which exceeds the assessed value shown on the base assessment roll for a revenue allocation area as defined in Section 50-2903(15), Idaho Code, for the calendar year immediately preceding the current fiscal year.

~~(5-3-03)~~()**T & P**

03. Current Fiscal Year. For the purposes of this section, current fiscal year shall mean the current fiscal year of the state of Idaho. For distribution purposes, the current fiscal year shall begin with the distribution made in October, following collection of sales taxes in July, August, and September.

(3-30-01)

04. Incorporated City. Incorporated city shall, for the current fiscal year, have a duly elected mayor and city council.

(4-4-13)

05. Valuation Estimates. Valuation estimates for distribution of revenue sharing monies shall be updated at least annually. Updated estimates shall be used beginning with the October distribution.

(4-4-13)

06. Determination Date and Eligibility. The eligibility of each city for revenue sharing monies pursuant to Section 63-3638(10)(a), Idaho Code, shall be determined as of July 1 of the current year. Cities formed after January 1, 2001, shall also be entitled to a share of the money pursuant to the provisions of Section 63-3638(10)(c), Idaho Code.

(4-6-05)

07. Quarterly Certification. The State Tax Commission shall certify quarterly to each county clerk the base and excess shares of the distributions required pursuant to Section 63-3638(10)(c) and 63-3638(10)(d), Idaho Code, and the distributions to cities and counties required pursuant to Section 63-3638(10)(a) and 63-3638(10)(b), Idaho Code. Each county clerk shall calculate and certify the distribution of these monies to the eligible taxing districts based on the directives of the State Tax Commission.

(4-6-05)

a. City and County Base Shares. For cities and counties, the initial base share shall be the amount of money to which they were entitled for the fourth calendar quarter of 1999,

based on the provisions of Section 63-3638(e), Idaho Code, as such section existed prior to July 1, 2000. In addition, the initial base share shall be adjusted proportionally to reflect increases that become available or decreases that occur, unless increases exceed five percent (5%) of the initial base share. (3-30-01)

b. Special Purpose Taxing District Base Shares. For special purpose taxing districts the initial base share shall be the amount of money to which they were entitled for the fourth calendar quarter of 1999, based on the provisions of Section 63-3638(e), Idaho Code, as such section existed prior to July 1, 2000. Special purpose taxing district initial base shares shall be proportionally reduced to reflect decreases in the amount of sales tax available to be distributed. (3-30-01)

c. Excess Shares. Excess shares shall be any amounts above the base share that any city, county or special purpose taxing district is entitled to receive pursuant to Section 63-3638(10)(c) or 63-3638(10)(d), Idaho Code. These amounts shall not be subject to redistribution provisions of Section 40-801, Idaho Code. (4-6-05)

d. Shares Pursuant to Section 63-3638(10)(a) or 63-3638(10)(b), Idaho Code. Shares to be distributed pursuant to Section 63-3638(10)(a) or 63-3638(10)(b), Idaho Code, shall be termed "revenue sharing." Such shares shall be subject to quarterly distribution and for this purpose, the one million three hundred twenty thousand dollars (\$1,320,000) distribution pursuant to Section 63-3638(10)(b)(i), Idaho Code, shall be considered an annual amount and shall be divided into four (4) equal shares. (4-6-05)

08. Notification of Value. The county auditor shall notify the State Tax Commission of the value of each taxing district and unit as specified in Section 63-510, Idaho Code. (3-30-01)

09. Corrections. (3-30-01)

a. When distributions have been made erroneously, corrections shall be made to the following quarterly distribution(s) so as to provide the quickest practicable restitution to affected taxing districts. Corrections shall be made to reconcile erroneous distributions made for the current fiscal year. Errors made in distributions for the last quarter of the current fiscal year shall be corrected as soon as practicable in distributions made for the following fiscal year. (4-6-05)

b. The State Tax Commission shall notify affected county clerks when the State Tax Commission becomes aware of an error in the distribution of the base or excess shares. (3-30-01)

c. The State Tax Commission shall notify affected cities or county clerks when the State Tax Commission becomes aware of an error in the distribution of city or county revenue sharing monies. (3-30-01)

The New York State
Department of Taxation and Finance

Andrew M. Cuomo - Governor Thomas H. Mattox - Commissioner

Valuation standards

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Valuation Standards

Valuation Standards provide the guidelines for valuing property in New York State for *ad valorem* real property taxation. While the primary purpose is to define and document the standards followed by the Office of Real Property Tax Services, they may also be useful in documenting the broad standards used by the assessment community in New York State. They are based on a compilation of requirements from legal, the Uniform Standards of Professional Appraisal Practice, statistical and professional appraisal perspectives. The legal perspectives are based on federal and state laws, precedent setting case law, rules and regulations, and opinions of counsel from the Office of Real Property Tax Services. The Uniform Standards of Professional Appraisal Practice (USPAP) are the established requirements for professional appraisal practice, which include the minimum foundation on which both the development of an appraisal and a reporting of the results must be based. Statistical perspectives are critical to the accurate interpretation of data and the development of assumptions made to reach a value conclusion.

Since the specific focus of these standards is the valuation of real property for *ad valorem* real property taxation in New York State, the primary emphasis is on mass appraisal, as set forth in USPAP Standard 6 Mass Appraisal, Development and Reporting. However, since all real property must be valued to ascertain its share of the tax levy, including unique properties, individual property appraisal standards are also necessary. Mass appraisal and individual property appraisal standards should complement each other. Appraisers often use both or a hybrid of individual and mass appraisal processes to value real property for *ad valorem* taxation to optimize the efficiency and effectiveness of their valuation process. The use of mass appraisal is contingent upon the homogeneity and frequency of similar property occurrences, not solely the property type. For example, an architecturally unique single family residence may require an individual property valuation while a industrial warehouse may be valued effectively using mass appraisal standards.

Ethical standards for valuation as described by the Uniform Standards of Professional Appraisal Practice (USPAP) are divided into four categories: Conduct, Management, Confidentiality, and Record Keeping. ⁽¹⁾

Conduct: Acting as a disinterested third party, the assignments should be performed with unbiased impartiality, objectivity and independence. Any action should be avoided which may be considered misleading or fraudulent or to knowingly permit an employee to communicate a misleading or fraudulent report. Unsupported conclusion relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance, handicap or other such characteristics must not be made.

Management: Acceptance of compensation that is contingent on reporting a predetermined value or direction in value, attainment of a stipulated result, or the occurrence of a subsequent event is unethical. [Note: Administrative override of value estimates is a management prerogative and doesn't violate the appraiser's responsibilities unless the appraiser is asked to take responsibility for the value override.]

Confidentiality: An appraiser must protect the confidential nature of the appraisal assignment.⁽²⁾

Record Keeping: An appraiser must prepare written records (data and information to support the findings and conclusions) ...and retain such records for a period of at least five years after preparation or at least two years after final disposition of any judicial proceeding involving those records, whichever expires last. Other requirements may be specified under the records and information management policies of New York State.

THE VALUATION PROCESS

The Office of Real Property Tax Services, in order to maintain a high level of professional practice, observes the USPAP Standards unless there are jurisdictional exceptions.

USPAP 's Standard 1 states:

"In developing a real property appraisal, an appraiser must identify the problem to be solved and the scope of the work necessary to solve the problem, and correctly complete research and analysis necessary to produce credible appraisal."

This standard follows the appraisal process, which is a systematic method of collecting, analyzing, and processing data into well-reasoned value estimates.

The Appraisal Process

Definition of the Problem
 Preliminary Analysis, Data Collection and Analysis
 Approaches to Value
 Reconciliation and Final Value Estimate
 Report Preparation

I. Definition of the Problem

The valuation process indicates a pattern to be followed in gathering, analyzing and applying pertinent information to establish a property value. The first step in the valuation process clarifies the problem. To accomplish this, one must identify: the real estate, the property rights to be valued, the intended use of the appraisal, the date of value estimate (and inventory), the definition of value, and any assumptions or other limiting conditions.

Identifying the Real Estate

It is most critical for real property taxation purposes that the real property being valued is identified through a cross reference to the assessment roll known as a parcel identification number (PIN). The most common property identification number is the unique tax map land parcel number corresponding with the section-block-lot (SBL) from tax maps that must be maintained annually.⁽⁵⁾ Oil and gas rights or mineral rights are often linked to the physical site of withdrawal. The minimum parcel identification required on all real property for valuation purposes is the parcel identification number (usually the tax map section-block-lot (and suffix where required)).

Property Interests and Rights

The property interests and rights to be appraised are also a critical part of the problem definition.⁽⁶⁾ In most cases, the real property is valued assuming fee simple estate, unencumbered, with all property rights included. On specific property, however, lesser ownership must be valued with a manual override or modification of mass appraisal indications of value (e.g., severed oil and gas rights, mineral rights, easements or conservation easements, contracts, covenants, declarations or ordinances).⁽⁷⁾ In a value estimate for a partial interest, direct market evidence is sought to reflect market attitudes toward that partial interest because the sum of the partial interests may not be equal to the fee simple value.⁽⁸⁾ Unless otherwise stated or specifically identified, all real property is assumed to be valued as fee simple ownership in a mass appraisal process with partial rights handled on an exception basis where necessary.

Valuation Date

In appraisals for assessment roll purposes, the date of a value estimate is clearly defined by the New York State Real Property Tax Law (RPTL). "All real property subject to taxation ... shall be valued as of the preceding first day of July."⁽⁹⁾ However, exceptions should be noted for special franchise ⁽¹⁰⁾ or cities and towns subject to special tax acts. For ORPTS appraisals required for full value measurement surveys the inventory and date of appraisal are specified in the survey procedures.

For real property tax purposes in New York State, the date of value is intertwined with the taxable status date. This presents a special valuation problem that must be clearly identified. "The taxable status of real property in cities and towns shall be determined annually according to its condition and ownership as of the first day of March and the valuation thereof determined as of the applicable valuation date."⁽¹¹⁾ This has been interpreted to mean that "...the valuation of property is determined by its state as of the taxable status date, and may not be assessed on the basis of some future contemplated use."⁽¹²⁾ Thus, the courts are requiring "current use" valuation, which for certain properties may differ from market value based on highest and best use.⁽¹³⁾

Court decisions on ad valorem taxation valuation issues often relied on precedents set in Eminent Domain proceedings. However, courts contrasted Eminent Domain taking where the owner had only one chance to be compensated for value and potential future uses should be considered from value for assessment purposes where the value is evaluated annually.⁽¹⁴⁾ "The valuation of property is determined by its state as of taxable status date, and may not be assessed on the basis of some future contemplated use"⁽¹⁵⁾ Anticipated public and private improvements, located on or off site should only affect the value if general market actions reflect such anticipation as of the date of the appraisal.⁽¹⁶⁾

The one exception to "current use" valuation is vacant land that has "...no current existing use beyond that of its potential sale for a future use, there is nothing improper in establishing its value by considering its market value as enhanced by potential uses."⁽¹⁷⁾ In that case, the definition of value would be consistent with the definition of market value. Analysis of the highest and best use must be the basis for determining such land value. In the more recent cases, agricultural land is distinguished from the vacant land that has no current existing use. The agricultural land must be valued according to its use for agricultural purposes, irrespective of whether farming is the highest and best use of such property.⁽¹⁸⁾ Therefore value, for ad valorem real property tax purposes in New York State, property must be valued based on its current use, not its highest and best use (although in a vast majority of cases they are one and the same), except in the case of vacant land which is idle and put to no use whatsoever. In that case, the value must be based on its highest and best use.

While valuing property at its "current use", exceptions to the date of valuation for special franchise should be noted. "Except as otherwise provided ...⁽¹⁹⁾, the taxable status of a special franchise shall be determined on the basis of its value as of the rate valuation date and its ownership as of the thirty-first day of December of the year preceding the year in which the assessment roll on which such property is to be assessed is completed... on the basis of ownership as of the thirty-first day of December of the second year preceding the date required by law for the filing of the final assessment roll for purposes of city assessment rolls required to be filed between January first and June first inclusive and for all village assessment rolls."⁽²⁰⁾

Highest and Best Use Analysis

Following the data collection and preliminary analysis the valuation process normally requires a highest and best use analysis. As previously mentioned, courts have held that a distinction exists between condemnation proceedings where property owners are only allowed one chance to be compensated for the value of their property and real property taxation in which values are established annually and generally impact tax allocation or other value related decisions until the follow year when new values are determined. State courts require that the value to be determined should be the value in its "current use".⁽²¹⁾ However, in most cases, the current use of the property that must be valued for ad valorem taxation is also its highest and best use. The distinction is only important in sub-optimal use situations. For example, it would be inappropriate to use land sales bought for other than farm use in the direct sales comparison approach to value farmlands since the sale do not reflect the farm use.

Real vs. Personal Property

While New York State does not have a personal property tax and does not assess property, it is important to consider any personal property, trade fixtures or tangible items that are not real property when analyzing sale prices.⁽²²⁾ Specific verification of sales information reported on the 5217 Property Transfer Reporting Form where personal property is indicated is essential to accurately qualifying sales data. It is preferable to verify such information with both the buyer and seller, if possible. Many specific pieces of equipment, which may be considered as personal property in other states, are defined as real property under the NYS Real Property Tax Law (RPTL).⁽²³⁾

Special Conditions

Any special limiting conditions that could affect the valuation process must be identified.⁽²⁴⁾

"Valuation of "Specialties"

Specialty property must be valued at reproduction cost new less depreciation (RCNLD) specialty property must meet four criteria:⁽²⁵⁾

1. The improvement must be unique and must be specially built for the specific purpose for which it is designed;
2. There must be a special use for which the improvement is designed and the improvement must be so specially used;
3. There must be no market for the type of property... and no sales of property for such use; and
4. The improvement must be an appropriate improvement ... and its use must be economically feasible and reasonably expected to be replaced.

A specialty may be best defined as a structure, which is uniquely adapted to the business conducted upon it or use made of it and cannot be converted to other uses without the expenditure of substantial sums of money.⁽²⁶⁾ Special use in itself is not enough. Nor is the fact that the structure has unusual features. There are special valuation rules required by case law for certain specific types of property, which are worth discussing.

"Court Order Assessments"

Where a trial occurred and the judge rendered a decision "on the merits of the evidence", the full value of the property determination by the court should be accepted as binding by ORPTS.

1. The value would be accepted by ORPTS once litigation was final and no "notice of appeal" was filed.
2. ORPTS full value would be fixed for the legal duration of the court's order which pursuant to RPTL 727 is "frozen" for three years, in all assessing units except New York City and Nassau County, (subject to specific exceptions such as physical changes in the property ...), and
3. ORPTS would be free to change the full value when the order expired.

Values resulting from settlements of any other type or assessments effectively sustained due to dismissals on procedural technicalities would not be binding on ORPTS.

However, where parties to a settlement exchanged appraisals, the data and analyses presented therein may provide more information upon which valuation conclusions may be based. We encourage the sharing of the court-ready appraisals with ORPTS for their review and consideration of the contents of these appraisals in their valuation work to minimize the chances of vastly divergent conclusions of value based on fundamental differences in valuation information or methodology.

II. Preliminary Analysis, Data Collection and Analysis

Once the valuation problem has been defined, the next step involves the preliminary analysis, data collection and analysis. The appraisal standards set forth by USPAP imply that each person charged with the valuation of real property should be adequately trained and use the correct methods and techniques.⁽²⁹⁾ If the appraiser finds that they do not have the experience and knowledge to complete the assignment, they should take the necessary steps to obtain the knowledge, work with or have their work closely reviewed by experienced staff so that the assignment is completed competently.⁽³⁰⁾

Inventory records for residential, farm and vacant sample and sale parcels shall be provided by city, town or county assessing units to the Office of Real Property Tax Services in an Real Property System (RPS) format or other computerized format agreed to by the Office of Real Property tax Services. Assessing units not providing computerized inventory records shall provide inventories for sample parcels and sales on property record cards (Forms RP 3100 and RP 3105) in accordance with procedures outlined in the Assessor's Manual or on property record cards maintained by the assessing unit, accompanied by an explanation enabling ORPTS staff to use the data in RPS.

Avoiding Errors of Omission or Commission

Care must be taken not to commit either errors of omission or commission that significantly affects the appraisal.⁽³¹⁾ The valuation process should include numerous checks throughout the process to prevent errors that could significantly affect the value conclusion. Decisions must be made on procedures that might cause significant errors of omission such as site inspection.⁽³²⁾ It is important to consider the need for and extent of any physical inspection. The decision on whether or not site inspections (or interior inspections) are required may differ from property to property. If current, accurate data from other reliable sources can be obtained and the value can be accurately ascertained without such inspections, then an error of omission has not been committed. However, on complex properties where equipment (that is defined as real property by the RPTL) comprises a substantial portion of the value or where value components as of the date of valuation have changed since the last known reliable inventory, on-site and interior inspections are critical to a substantial portion of the property value and should be required.

Quoting from Advisory Opinion 2 of the Appraisal Standards Board of the Appraisal Foundation:

"The elements of USPAP relating to inspection of real estate for the purposes of developing an appraisal requires that the appraiser adequately identify the real estate, consider the purpose and intended use of the appraisal, consider the extent of the data collection process, identify any special limiting conditions, and identify the effective date of the appraisal.... The extent and depth of the inspection process varies with the type of property appraised and the conditions of the appraisal.... It is the appraiser's responsibility to determine if adequate information is available about the subject real estate to develop a real property appraisal that conforms to USPAP. An appraiser cannot rationally develop an appraisal if adequate information on the subject real estate is not available. Consequently, where physical characteristics information is not available through an opportunity for a complete inspection or from reliable third party sources, an appraiser has the duty to obtain the necessary information to develop the appraisal before continuing or to withdraw from the assignment.... An appraiser's inspection should, at a minimum, be thorough enough to (a) adequately describe the real estate in the appraisal report, (b) develop an opinion of the highest and best use, when such an opinion is necessary and appropriate, and (c) make meaningful comparisons in the valuation of the property. There are situations where interior and complete exterior inspections are not possible as of the effective date of the appraisal.... where improvements have been destroyed, removed... the appraiser is denied access by the property owner Where an interior and complete exterior inspection is not possible for any valid reason, physical characteristic information about the real estate should be obtained from reliable third party sources.... When an inspection was limited, it should be disclosed,⁽³⁴⁾ but the disclosure does not relieve the appraiser from the responsibility to determine whether ... adequate information is available to develop an appraisal that is not meaningless or misleading".

It is also critical that work should be reviewed for consistency and accuracy to prevent errors of commission. A perfect appraisal model using the appropriate techniques cannot accurately determine the value on a property represented incorrectly by the inventory data. In a mass appraisal process, computer encoded data should be programmatically screened. Extensive use of missing data edits to assure comprehensive collection, range edits on continuous variables and discrete value edits on categorical variables to minimize the possibility of erroneous data, and logical inter-field edits to cross check data for rational relationships are all recommended.

Information used for valuation modeling should be accurate, appropriate and representative. Sales and income data should be verified with a direct party to the transaction where possible. Errors on a subject property will cause one incorrect value, however, errors on sales, income or cost data used to draw valuation conclusions may affect the valuation conclusion on many properties. Data must also be appropriate and representative of the properties being valued. For example, conclusions drawn from single-family market information should not be used to develop conclusions for multi-family housing. More precisely, conclusions drawn from the analysis of average quality single family homes that range from 960 to 2800 square feet are not appropriate for the valuation of an architecturally designed, custom built, single-family residence of 4000 square foot. Conclusions, drawn as a result of statistical analysis and mass appraisal modeling, are inappropriate if the data analyzed does not reflect the population of subject properties to which the valuation results are to be applied. Representativeness is a fundamental requirement of any modeling process.

Negligent or careless work is not permissible.⁽³⁵⁾ Review and oversight of valuation work by supervisory staff is appropriate and necessary.

III. Approaches to Value

The application of appraisal techniques using the three approaches to value (i.e., cost approach, direct sales comparison approach, and income capitalization approach) will develop separate indications of value for the property.

All three approaches to value, for which adequate, reliable data is available, should be considered.⁽³⁶⁾ Therefore, where appropriate, the valuation process must collect, verify, analyze, and reconcile the information necessary to estimate; the land value, replacement (or reproduction) cost of the improvements, the accrued depreciation, the value by the sales of comparable properties and the rentals, expenses, interest rates, capitalization rates and vacancy rates necessary to value the property by the income capitalization approach including terms and conditions of available leases.⁽³⁷⁾ The valuation process must consider existing land use regulations, neighborhood trends, physical adaptability of the property and probable supply and demand as evidenced by current market conditions.⁽³⁸⁾ It is also important to consider and analyze the effect on value, if any, of the assemblage of various parcels, divided interests, or partial interests. The value of the parcel or economic unit should not be estimated by adding together the individual values of the parcels, divided interests, or component parts.⁽³⁹⁾

IV. Reconciliation and Final Value Estimate

The ultimate goal of the valuation process is a sound conclusion of value. This requires a reconciliation of the value indications derived from the approaches to value. Consideration should be given to the relevance of the approach and the reliability of the value indication based on the quantity and quality of data available and analyzed within the approaches used.⁽⁴⁰⁾ A single market transaction (i.e., sale price), or actual construction cost, or capitalized income stream for a specific property cannot be assumed to be market value. When many sales prices, construction costs or capitalized income streams of similar use properties are analyzed, a conclusion can be drawn as to the market value of a property. Therefore, the quantity of data and the dispersion in value indications is critically important.

Use of multiple independent approaches to value that result in closely clustered value conclusions is usually a sign of sound value conclusions. When value indications are substantially different, careful analysis of the valuation data used and the assumptions made is needed to determine which value indicator is the most reliable. An explanation of the reasoning applied in the selection of the preferred value indicator should be available in the valuation procedures for mass appraisal or in the file documentation for that property. When using mass appraisal, generally accepted testing procedures and techniques should be used to ensure standards of accuracy are maintained.⁽⁴¹⁾

V. Report Preparation

Report requirements for real property taxation purposes may differ. However, it is important to realize that the credibility of the ad valorem real property tax system depends on reports that clearly communicate the elements, results, opinions and value conclusions accurately and consistently. Documentation for a mass appraisal for ad valorem taxation should include property inventory records, valuation reports, data collection and valuation procedure manuals, statutes, rules and regulations and other references including valuation standards.⁽⁴²⁾ Information should be readily available to the property owner or for purposes of administrative and judicial review that clearly communicates the derivation of value and relates the value of the subject property to other properties in a comparative way that is understandable and meaningful.

While not required by USPAP, ad valorem mass appraisal documentation should summarize other significant elements of the valuation process. For example, defined procedures should include any assumptions and limiting conditions that result in deviation from generally accepted methods and techniques or that affect analyses. If specific properties require such deviation they should also be identified. Procedures for collecting, validating, and recording data should be well documented. An extensive description of the valuation modeling process is important. The ultimate users of the valuation results should be given: a description and justification of the model specification(s) considered, data requirements, and the models chosen for mass appraisal. Furthermore, valuation reports should include a description of the calibration methods considered and chosen including the mathematical form of the final models; identify appraisal performance tests used and set forth the performance measures attained; and explain any permitted departures employed.⁽⁴³⁾