

**IDAHO STATE TAX COMMISSION**  
**COMMISSIONERS' OPEN MEETING**  
**MINUTES OF MEETING FEBRUARY 12, 2020**

In attendance: Commissioners Tom Harris, Tom Katsilometes, Janet Moyle and Elliot Werk; John Bernasconi, George Brown, Debbie Coulson, Mike Chakarun, Mark Warbis, Tom Shaner, Phil Skinner, Rod Brevig, Kolby Reddish, Jerott Rudd, and Maria Young.

Guests: Josh Hudson, Concordia School of Law

**Public Session**

Commissioner Katsilometes called the meeting to order and welcomed all those in attendance.

**Business requiring a vote of the Commission**

Minutes: Open Meeting – January 8, 2020

Commissioner Werk moved to approve the minutes of the open meeting held on January 8, 2020. Commissioner Harris seconded the motion. All voted in the affirmative and the minutes of the open meeting held January 8, 2020 were approved.

Resolution 20-01: Adoption of 2020 Omnibus Rules Docket

Tom Shaner, Tax Policy Specialist, requested the Commission adopt Resolution 20-01. This is the 2020 Omnibus Rules that will include all the 2019 Omnibus Packet and the 2020 temporary rules. The Governor's office has asked each agency to pass a resolution to ensure there is a set of temporary rules, in the event the legislature again does not pass the packet. They will take effect as temporary rules at the end of the session only if the legislature does not approve the continuing resolution to re-adopt the administrative code.

Commissioner Moyle moved to adopt Resolution 20-01: the 2020 Omnibus Rules Docket. Commissioner Harris seconded the motion. All commissioners voted to adopt Resolution 20-01: 2020 Omnibus Rules Docket.

Forest Land Values for Assessment Year 2020 – Rod Brevig

Rod Brevig, Forest Tax Administrator, noted the State Tax Commission must set Forest Land Values by March 1, per Idaho Code § 63-1705(6). Mr. Brevig is aware there may be pending legislation that, if passed, would be retroactive to January 1, 2020 and would affect the current valuation process. With that in mind, Mr. Brevig has provided both models to the Commissioners, along with the presentation materials that explain the differences between the two. The Schlosser Model showed a negative value during the Great Recession, which led the committee on forest land taxation methodology (CFTM) to reconsider the valuation method and to propose new legislation. Mr. Brevig said the Schlosser Model is an income approach and the indicated values are higher than the suggested values. If legislation is adopted this year, there will be a minimal increase next year.

Commissioner Harris noted that in his experience, interest rates are extremely important. The 10-year treasury rate average is currently 1.62% and asked why we are using 4%. Mr.

Brevig responded that the rate was adopted and has been maintained so there will not be a big fluctuation one way or another. All the current provisions will expire in 2022, but the impact of a true treasury rate would be much higher.

George Brown, Property Tax Division Administrator, asked Mr. Brevig to explain how he calculated the stumpage values in Forest Value Zone 4. Mr. Brevig said the viability for forestry products hasn't really existed for some time in Forest Value Zone 4, and as a result, there is little market. He calculated the values in Zone 4 using the history of the past year. The best information available, though, was in Zone 3, where there is a viable forest products industry; in fact, it is increasing. Mr. Brevig said he followed statute and arrived at the numbers currently presented and he is absolutely confident about that, but he is concerned about the disappearing market in Zone 4. Mr. Brevig said he anticipates that if the indexing system is used for 5-year averages, and values don't change, it will stabilize the process, but it is becoming apparent that values are going down, even though the market is good. The mills apparently have plenty of logs, therefore they don't have to bid much for them. If that continues, and there is an over-supply, the stumpage will continue to fall, and the values will as well.

Commissioner Werk asked if the Commission is being asked to approve both models, as a contingency, if there is a statutory change after March 1. Mr. Brevig said yes. Commissioner Werk asked DAG Phil Skinner to provide direction about the legality of the request, and Commissioner Moyle added that she is not comfortable deciding on what may or may not happen.

Mr. Brown provided a brief history of the currently proposed legislation. He explained that members of the legislature requested that CFTM draft language for a bill. The CFTM drafted and agreed to the language submitted in Method #2 that is before the Commission. Last week, some members of the CFTM independently chose to propose different language and while it has the same parameters of the approved language, it also includes additional language they wanted. Because the CFTM had voted to accept the first language, it was expected to pass; therefore, both methods were presented to the Commission. It is still expected that some form of this index-type language will be passed before the end of this legislative session.

Commissioner Werk noted there should also be an emergency clause in the bill to allow it to become law when it is signed by the Governor. He understands our statutory obligation to provide the values by March 1 and asked where this new legislation is in the process. Mr. Brown said neither he nor the majority of the CFTM have been given the opportunity to review the newly proposed legislation.

Commissioner Harris motioned to adopt the 2020 Forest Land Values calculated using the Schlosser valuation model. Commissioner Moyle seconded the motion. All commissioners voted to adopt the 2020 Forest Land Values that were calculated using the Schlosser valuation method.

### **Other Business**

There was no other business.

**Public Comments**

There were no public comments.

There being no further business, Commissioner Katsilometes adjourned the meeting.

Maria Young

Tom Katsilometes