

**IDAHO STATE BOARD OF EQUALIZATION
OPEN MEETING
MINUTES OF MEETING HELD AUGUST 12, 2024**

In attendance: Commissioners Paul Woods, Jeff McCray, Janet Moyle, and Jared Zwygart. Elisa Magnuson and Nathan Nielson, Deputies Attorney General. This meeting was open to the public and many guests attended online.

Commissioner Woods, the Chairman for the State Board of Equalization, convened the State Board of Equalization for 2024 (Board). Commissioner Woods noted the Idaho State Tax Commission is required by Idaho Code Section 63-108 and 63-405 to convene as the Idaho State Board of Equalization. The Board is now in session.

Procedural briefing for the 2024 Board of Equalization

Commissioner Woods reviewed the agenda and procedures for the 2024 Board of Equalization saying the Board will hear recommendations for Uniformity Adjustments to Operating Property, commonly referred to as the Railroad Revitalization and Regulatory Reform Act (4-R's Act) of 1974, a report on value comparisons, ratio study, and agricultural land compliance, and a report on the comparisons of category value based on abstracts. The Board will then hear the reports of county assessors. This year, each county assessor will present their own reports instead of Tax Commission staff presenting a summary on their behalf. The Board is thankful for their participation. Finally, the Board will hear appeal presentations as indicated on the agenda.

At this point, the Board is not scheduled to meet August 21, 22, or 23; however, if things change, the agenda will be amended. The final day is scheduled for August 26, 2024, when all actions will be certified.

Report on recommendations for Uniformity Adjustments to Operating Property (Railroad Revitalization and Regulatory Reform Act (4-R's Act) and the Idaho Supreme Court Directive)

Commissioner Woods recognized Alan Dornfest, Property Tax Bureau Chief, to summarize the recommendations for Uniformity Adjustments to Operating Property. Mr. Dornfest referenced documents previously made available to the Board from August 1, 2024, regarding the operating property recommendations of value adjustments to achieve compliance with the 4-R Act requirements and with the recent Idaho Supreme Court decision requiring similar adjustments for all operating property. All Commissioners verified they received the document.

Mr. Dornfest explained what they've done to determine whether operation properties need adjustments under the 4-R Act and the Supreme Court provisions. Mr. Dornfest explained that to determine whether any adjustments are needed, they conduct ratio studies, not of the operating property companies, but of the commercial and industrial property that exists in each of the counties as a grouping in which the operating property in question will have some value apportioned. If an operating property were to be in 25 counties for example, they would look at the commercial and industrial property in those 25 counties as one combined unit and then if they find, with reasonable statistical evidence and certainty, that the level of assessment, based on the weighted mean in that area, serviced by that operating property company, that the level of assessment of the commercial and industrial property is below 95% (the leeway granted under the 4-R Act), then they would recommend an adjustment to be applied to the value of the operating property company. They changed one thing in

their procedures from previous years. This year they decided they needed to be as current as possible to have the best comparison. They wanted the assessed values and the sales prices to reflect the same time period from January 1, 2024. That is implemented and other than that, the methodology is consistent with what they've used in previous years. The report shows a results table which lists the companies. He doesn't know the numbers of counties involved, but for the first on the list, AT&T, Inc, there were 562 sales. The weighted mean was 91.73% which, on the surface, fails the test of reaching 95%. They also look at how certain they are, and, in this case, they were substantially certain, 94.5%, therefore, an adjustment was warranted. Ultimately, the recommended adjustment for AT&T, Inc. was 8.27%.

Commissioner Woods clarified that the Idaho Supreme Court case ruled that the 4-R methodology can be used, and operating properties can request, an analysis like what the railroads receive. Last year's state board of equalization was the first time this was broadly applied to operating property. This is the second and Tax Commission staff have adjusted their procedures for this year. The methodology is still something they're working on, and it's interesting. Commissioner Woods noted there is one property with a large adjustment and asked if Mr. Dornfest knows why. Mr. Dornfest said he can't elaborate more than what the statistics before the Commission show. He will note that this is likely only one county, maybe two, due to the low number of sales represented.

Commissioner Moyle said she believes the Idaho Supreme Court said the operating companies could request from the Commission to have this adjustment. She asked if we know which counties have requested the adjustment? Mr. Dornfest said that's not part of the process in which he is involved. Commissioner Woods asked if it's been the interpretation of staff that instead of every operating property requesting adjustment, they proactively analyze and make the adjustment without an individual request? Mr. Dornfest said that has been the practice forever. He's not aware of any request; however, there was a specific discussion with Union Pacific Railroad several years ago. Commissioner Moyle said she agrees with the railroads, but this discussion is about the operating property and the judge was clear they had to request it, so she's curious if there is a formal request for these adjustments. Mr. Dornfest said he's not aware of any. They did their procedures exactly the same as they did last year, and he wouldn't receive requests like that. He just did the analysis. Commissioner Woods said the methodology doesn't require a request. They're doing an analysis and as part of this board's process, a recommendation is made. Last year, Mr. Dornfest said he made recommendations and the Board adopted them. The recommendations today would bring all companies into compliance with the requirements of the 4-R Act.

Mr. Brown was recognized and indicated the attorney for the Board should be consulted, but his understanding of the Supreme Court case was that they remanded the case to District court. Because the Supreme Court decision wasn't explicit, they're staying on the safe side, so if we end up losing this case in two or three years, we don't have massive refunds. They're trying to stay as uniform as possible. This is just staff's recommendation to the Board. The Board's responsibility is to ensure uniformity no matter how it comes before them.

Nathan Nielson, Deputy Attorney General's advisor to the Board, said that in his reading of the Decision, there doesn't appear to be an explicit statement that there has to be a request from an operating property company to receive the 4-R adjustment. He believes that could be read into the decision, if the Board desires, but the court didn't make a clear statement one way or another. It does seem to say that if they're in the same category, or in the same class of property in Idaho, that the same treatment should be applied across the board. The court emphasized that, "all taxes shall be uniform upon the same class of subjects," which is in the Idaho constitution. And it also emphasized that the

court didn't see it mattering whether it was a railroad company or another operating property company that both should be eligible for the 4-R Act adjustment; if one get one, every property within the same class should be eligible for the same treatment. It doesn't speak specifically to whether it had to be requested, although in that case, it was requested specifically and is how the case came to be before the Supreme Court. He believes that may be left open for interpretation by the Commission; however, last year, the Commission did not require such a request and this year, he doesn't know if there's been any kind of request required before today. Commissioner Moyle said she believes they did request it and that's why they were before the Board last year. She further asserted that she believes there is something in the decision indicating they should request the adjustment. It's something to consider. Commissioner Woods noted that the Board is not taking any action today. They are only hearing reports for consideration.

Commissioner Woods asked Mr. Dornfest to present the Report on Value Comparisons for Ratio Studies in Agricultural Land Compliance. Mr. Dornfest presented the Summary of Equalization Recommendations for 2024 that has been presented for the Commissioner's review. Mr. Dornfest said they must finalize the ratio studies by March. They must then notify counties whether they're in compliance with Rule 131 requirements. The Rule and statute are designed to allow counties time to correct any issues. They conducted approximately 150 studies in the 44 Idaho counties (some counties don't have sufficient sales to conduct a study). There were 14 of the primary categories in 11 counties that weren't in compliance, which is a tremendous improvement over last year, and he complimented the counties for that. The counties were notified and worked with their Consulting Appraisers and all 14 categories in all 11 counties are now in compliance. Mr. Dornfest makes no further recommendations to this Board. He asked the Consulting Appraisers to review the actions of the County Boards of Equalization to ensure there wasn't a wholesale adjustment and they've each assured him that is not the case.

Chairman McCray asked that Mr. Dornfest extend his gratitude to the Consulting Appraisers for looking at the agriculture land value and helping to maintain consistency across the state. Mr. Dornfest said he will; he appreciates working with the Consulting Appraisers.

Commissioner Woods asked Mr. Dornfest to present the report on Category Value Comparisons based on Abstracts. Mr. Dornfest noted there are three documents; the first is the Net Value Category Compare that shows each category as reported on the abstract and compares the 2024 taxable value to the 2023 value, and the percent change by county. There is a cover sheet that shows the sum of all categories. The total taxable value went from about \$335 billion last year to \$354 billion this year. That's the summary. The detail is provided for the Board. Additionally, there is another report on exemptions. They track things that are required to be reported on the abstract, like homeowner's exemptions, pollution control exemptions, etc. It's illustrative to see how consistent or how much change there is in the exemptions from year to year. If there were major changes in exemptions or taxable value, either up or down, staff asked the Consulting Appraisers to verify the information with the counties and get an explanation. There should be a one-page document called 2024 category change highlights that includes the explanations provided by the counties to the Consulting Appraisers in the cases where there appeared to be a significant change.

Mr. Dornfest thanked his staff, especially the Consulting Appraisers and Ben Seloske, Property Tax Principal Research Analyst, who've done considerable work compiling the explanations and the categories and gathering data from the abstracts sent by the counties.

Commissioner Woods reminded everyone that there will be no action taken on these reports today. He thanked Mr. Dornfest and his staff for the reports and called on the County Assessors. The intent is to comment on general trends happening in the county, or things they want the Board to be aware of in their counties. This is the first time the Board will have each county report on their status.

The Board heard from Assessor Donna Spier, Benewah County, Assessor Bela Kovacs, Kootenai County, Assessor Dennis Englehardt, Bonner County, Assessor Olivia Drake, Boundary County, Assessor David Sutherland, Latah County, Assessor Dan Anderson, Nez Perce County, and Assessor Susan Spenser, Clearwater County. Assessor Jerry White, Shoshone County will join when he returns to the office.

The Board recessed briefly.

Commissioner Woods reconvened the Board and moved to District 2 Assessor Reports, beginning with Assessor Stacey Swift, Adams County, Assessor Kim Nuxoll, Idaho County, Assessor JoAnn Watson, Lewis County, Assessor Tiffany Nettleton, Owyhee County, Assessor Debbie Moxley-Potter, Washington County, Assessor Jerry White, Shoshone County, Assessor Sandy Clason, Payette County Assessor, Assessor Brian Stender, Canyon County, Assessor Hollie Anne Strang, Gem County.

Commissioner McCray asked the legal team about the statute or rule that assessors are required to evaluate properties every year by visual inspection. Mr. Dornfest said it's a Tax Commission Rule. The statute says "appraisal," and it's defined in the rule to include an inspection. They don't go into detail about what the inspection is. The five-year requirement for appraisal is in statute. It is not specific as to what constitutes an inspection and how it's to be accomplished. Kathlynn Ireland, Property Tax Policy Specialist, was recognized and said if the property owner doesn't allow an appraiser on their property, there is no legal recourse because trespass laws apply to appraisers and assessors, also. Aerial pictures can be used to quantify as well as possible with available information. Every property owner has the right to appeal, and if they do, and provide additional data, it can be used to revise an assessment; however, without an aerial view, or access to the property, it's a challenge.

Mr. Dornfest said this is a matter of national interest. He works with the International Association of Assessing Officers (IAAO) on standards and there is a standard on mass appraisal. The inspection portion of that standard is currently being rewritten with significant debate. It's been going on for well over one year, just getting parties from around the nation to agree on what inspection means – even aside from the access issue. This is not a unique problem in Idaho.

Commissioner McCray talked about the survey he mentioned earlier. He asks that those completing the survey be as specific as possible and think about the future. It's critical to have specific details. And finally, he's found this process to be very beneficial. It's helped him have an appreciation for parts of the state he doesn't often visit.

The Board recessed for lunch.

Commissioner Woods reconvened the Board and heard the District 3 Assessor Reports beginning with Assessor Rebecca Arnold, Ada County, Deputy Assessor Brandee Kline presented on behalf of Chris Juszczak, Boise County, Tax Commission Consulting Appraiser Shaunna Roeber presented on behalf of Assessor Lynn McGuire, Camas County, and on behalf of Sue Leeper, Valley County, Assessor Josh Dison, Elmore County.

Commissioner Woods asked if there is any other business today. Hearing none, Commissioner Woods recessed the Board until 9:00 a.m. on Tuesday, August 13, 2024.

Maria Young
Secretary

Paul Woods
Chairman of the Idaho State Board of Equalization