

**STATE BOARD OF EQUALIZATION
OPEN MEETING
MINUTES OF MEETING HELD AUGUST 13, 2021**

In attendance: Commissioners Tom Katsilometes, Jeff McCray, Elliot S. Werk, and Janet Moyle; Maria Young, Phil Skinner.

Commissioner Katsilometes, Chairman for the State Board of Equalization, reconvened the State Board of Equalization for 2021 (Board) at 9:00 a.m. August 13, 2021.

Commissioner Katsilometes asked if there is any discussion about the presentations or documentation received to date.

Commissioner Werk has been reading the Lumen Technologies, Inc. appeal and remembers a previous hearing about the use of obsolescence in the appraisal. Part of Lumen's case seems to surround the idea that they have copper cable they claim is worthless. He's a bit confused, because his understanding was that the obsolescence of equipment doesn't really fall into one of the ways in which a company is valued, in either the cost or income approach. Commissioner Moyle said obsolescence is something that an appraiser uses. In this case, though, what they're saying is obsolete is more personal property rather than the real property appraisal. Commissioner Werk clarified that it is a red herring; they have equipment that is obsolete and that it affects the valuation, but it is, in reality, personal property. Commissioner Katsilometes said that is one of their issues. Commissioner Werk said in contrast, they apparently have federal money coming in that they believe will end in the future and claim the Tax Commission can't base the value on that income. Commissioner Katsilometes said when this issue came up two years ago, the Operating Property Bureau (Bureau) did decrease their value. Commissioner Werk noted their base-value was already decreased due to obsolescence then. Commissioner Katsilometes said now they want more.

Commissioner Werk said it appears they have been working with the Bureau over time, year after year and have been finding compromises. This year, however, it seems they decided to appeal the values. Commissioner Katsilometes said the Tax Commission has not relented and decreased the value more and that is the issue. Commissioner Werk also noted one of their issues is how much weight is placed on the income versus the cost approach. Commissioner Moyle said per statute, the cost can only be 20%. Commissioner Werk said he thinks that is only for regulated utilities; Lumen has specifically said they aren't a regulated utility, so consequently are in a different category. It is an interesting appeal. Commissioner Moyle said as an appraiser herself, she has her own theories about weighting. She knows the argument the Commission had before was that they had always done it at 50/50. As an appraiser, she would never have stuck to her guns on that weighting and believes that is why the legislature finally drew a line with the Idaho Power case. Weighting is an appraiser's judgement call. There is no right or wrong if it can be justified.

Commissioner Werk asked Mr. Skinner if it's the job of the appellant to prove what the Bureau has done is wrong; that inherently they have used techniques that are wrong that need to be corrected. Mr. Skinner said he will look at the rule to see if there is specific wording to that effect. Commissioner Moyle will also check the statute, but she would also caution staff that if we are getting statutes that dictate how an appraisal works, they might want to be careful about saying "that is the way we have always done it" in other areas. Commissioner Werk said his view on things like that is, for instance

Idaho Power, who are a very powerful force in the state and in the legislature, just because the legislature is willing to accede to exemptions from standard appraisal practices, he doesn't know how the Board should respond to that. With Idaho Power, last year, the statute dictates how they need to be appraised now. The appraisal is so dictated by statutory provisions that it's divorced from what the real value. The appraiser's ability to use judgement has become extremely limited by statutory provisions. Commissioner Werk asked if there wasn't some number that was set in statute that limited whether the appraiser could use their judgement. Commissioner Moyle said the weighting number is what was set in the legislature and it can't be more than 20% on the cost. Appraisals are subjective. If the appraiser can justify the weighting they used, then they haven't done their jobs wrong. Commissioner Moyle said this was all a result of the PacifiCorp settlement in about 2016.

There being no further business, Commissioner Katsilometes recessed the Board until 9:00 a.m. on Wednesday August 16, 2021.

Maria Young
Secretary

Tom Katsilometes
Chairman of the Idaho State Board of Equalization