



Eric Milstead
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Legislative Services Office Idaho State Legislature

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MEMORANDUM

TO: Senators JOHNSON, Bayer, Burgoyne and,
Representatives COLLINS, Trujillo, Erpelding

FROM: Kristin Ford - Legislative Research Analyst

DATE: May 03, 2017

SUBJECT: Temporary Rule

IDAPA 35.01.03 - Property Tax Administrative Rules - Adoption of Temporary Rule - Docket No.
35-0103-1702

We are forwarding this temporary rule to you for your information only. No analysis was done by LSO. This rule is posted on our web site. If you have any questions, please call Kristin Ford at the Legislative Services Office at (208) 334-4834. Thank you.

Attachment: Temporary Rule

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IDAPA 35 – IDAHO STATE TAX COMMISSION

35.01.03 – PROPERTY TAX ADMINISTRATIVE RULES

DOCKET NO. 35-0103-1702

NOTICE OF RULEMAKING – ADOPTION OF TEMPORARY RULE

EFFECTIVE DATE: The effective date of the temporary rule is January 1, 2017.

AUTHORITY: In compliance with Section 67-5226, Idaho Code, notice is hereby given this agency has adopted a temporary rule. The action is authorized pursuant to Sections 67-5224 and 67-5291, Idaho Code.

DESCRIPTIVE SUMMARY: The following is the required finding and concise statement of its supporting reasons for adopting a temporary rule:

Rules 406 - Rules Pertaining to Market Value of Operating Property of Rate Regulated Electric Utility Companies: House Bill 30 amended Section 63-205B, Idaho Code to require that a flotation cost component of twenty hundredths of one percent (0.20%) be added to the market discount rate determined when valuing rate-regulated electric utility companies. Because House Bill 30 is effective retroactive to January 1, 2017 requiring this cost component to be added when appraising rate-regulated electric utility companies for the 2017 assessment, the provisions of property tax Rule 406 need to be changed to reflect the provisions of Paragraph 63-205B(1)(c), Idaho Code, as amended.

TEMPORARY RULE JUSTIFICATION: Pursuant to Section 67-5226(1), Idaho Code, the Governor has found that temporary adoption of the rule is appropriate for the following reasons:

Compliance with deadlines in amendments to governing law or federal programs, and confers a benefit to taxpayers.

FEE SUMMARY: Pursuant to Section 67-5226(2), the Governor has found that the fee or charge being imposed or increased is justified and necessary to avoid immediate danger and the fee is described herein: N/A

ASSISTANCE ON TECHNICAL QUESTIONS: For assistance on technical questions concerning the temporary rule, contact Alan Dornfest (208) 334-7742.

DATED this 19th Day of April 2017.

Alan Dornfest
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**THE FOLLOWING IS THE TEXT OF THE TEMPORARY RULE FOR DOCKET NO. 35-0103-1702
(Only Those Sections With Amendments Are Shown.)**

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

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

01. Valuation of Operating Property of Rate Regulated Electric Utility Companies. The market value for assessment purposes of operating property of rate regulated electric utility companies shall be determined by the State Tax Commission using statute, these rules as referenced in Rule 001 of these rules, any other applicable law, and the following: (3-20-14)

a. Depending on the weighting placed on the income approach, as described in Subsection 406.01.d. of this rule, no more than twenty percent (20%) weight will be placed on the cost indicator when utilizing the Historic Cost Less Depreciation (HCLD) method in the system value correlation. (3-20-14)

b. In the income approach, income to be capitalized will be normalized, utilizing the Gross Domestic Product Implicit Price Deflator found in Table 1.1.9 from the United States Department of Commerce, Bureau of Economic Analysis www.bea.gov/national/txt/dgpa.txt last accessed August 12, 2013, by using an average of at least the previous four (4) years' net operating incomes and by adjusting each year's net operating income for unusual non-recurring items. ~~(3-20-14)~~ (1-1-17)T

c. In the income approach, a market discount rate will be determined ~~and will include to which~~ a flotation cost component ~~supported by nationally recognized sources~~ of twenty hundredths of one percent (0.20%) will be added. ~~(3-20-14)~~ (1-1-17)T

d. A weighting between eighty percent (80%) and one hundred percent (100%) will be placed on the income approach in the system value correlation. (3-20-14)

e. Within the market approach, as prescribed in Rule 405 of these rules, a sales comparison approach may be used if reliable data is available and appropriate comparison adjustments can be made. No weight will be placed on a stock and debt approach in the system value correlation. (3-20-14)

f. For rate regulated electric utility companies, the weightings prescribed in this rule shall supersede any weightings in the system correlation prescribed in Subsection 405.08 of this rule. (3-20-14)

02. Accounting For Obsolescence. Subsection 406.01.a. of this rule shall be construed to mean that the use of no more than twenty percent (20%) weight placed on the cost indicator, when utilizing HCLD method to calculate the cost approach, accounts for any and all forms of depreciation, including any and all forms of obsolescence, and the appraiser shall not consider any further obsolescence as provided for in Subsection 405.05 of these rules. (3-20-14)