

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2016-025-00118R

Parcel No. 14-19-400-006

Michelle Sandquist,
Appellant,

v.

Dallas County Board of Review,
Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on December 20, 2016. Michelle Sandquist was self-represented and participated by phone. Dallas County Assessor Steve Helm represented the Board of Review.

Sandquist is the owner of a one-story residence located at 34846 J Court, Earlham. Built in 2004, it has 2013 square feet of above-grade finish, 1500 square-feet of living-quarter quality basement finish, an open porch, patio, two decks and a three-car attached garage. There are also two steel outbuildings on the 15.17 acre site. (Ex. A).

The property's January 1, 2015 assessment was \$442,450, allocated as \$85,430 in land value and \$357,020 in improvement value. Sandquist asserted the property was misclassified as residential and should be reclassified as agricultural real estate under Iowa Code section 441.37(1)(a)(1)(c). The Board of Review denied the petition. Sandquist then appealed to PAAB.

Applicable Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2015). PAAB is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB considers only those grounds presented to or considered by the Board of Review, but determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. §§ 441.37A(1)(a-b). New or additional evidence may be introduced, and PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); see also *Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

Misclassification Claim

The Iowa Department of Revenue has promulgated rules for the classification and valuation of real estate. See Iowa Admin. Code Ch. 701-71.1. The assessor shall classify property according to its present use. *Id.* Classifications are based on the best judgment of the assessor exercised following the guidelines set out in the rule. *Id.* Boards of Review, as well as assessors, are required to adhere to the rules when they classify property and exercise assessment functions. *Id.* r. 701-71.1(2). “Under administrative regulations adopted by the . . . Department . . . the determination of whether a particular property is ‘agricultural’ or [residential] is to be decided on the basis of its primary use.” *Sevde v. Bd. of Review of City of Ames*, 434 N.W.2d 878, 880 (Iowa 1989). There can be only one classification per property, except as provided for in paragraph 71.1(5) “b”. Iowa Admin. r. 701-71.1(1).

Sandquist asserts her property should be classified agricultural. By administrative rule 71.1(3) agricultural property, in pertinent part, is:

Agricultural real estate shall include all tracts of land and the improvements and structures located on them which are in good faith used primarily for agricultural purposes except buildings which are primarily used or intended for human habitation as defined in subrule 71.1(4). Land and the nonresidential improvements and structures located on it shall be considered to be used primarily for agricultural purposes if its principal use is devoted to the raising and harvesting of crops or forest or fruit trees, the rearing, feeding, and management of livestock, or horticulture, all for intended profit. Agricultural real estate shall also include woodland, wasteland, and pastureland, but only if that land is held or operated in conjunction with agricultural real estate as defined in paragraph “a” or “b” of this subrule. . . .

Findings of Fact

Michelle Sandquist testified regarding the history and use of the subject property. She explained the property is their homestead, and she has lived there for twelve years. At one point during this time they had horses but not now. For the last three years, she and her husband have used roughly ten acres for growing, cutting, and selling hay. Because they were unsure if they were going to continue the operation, they waited to request a change in classification until 2015.

Sandquist submitted a Schedule F, which she believes demonstrates their sincerity in continuing their hay operation. (Ex 1). The Schedule F indicates a net profit of \$290 for 2015. We note the Schedule F does not account for any machinery or equipment that would likely be used in the planting and harvesting of hay, and it does not indicate any hired labor to complete these tasks.

Sandquist acknowledged the subject has not been certified by the Farms Services Agency (FSA) and she does not possess a United States Department of Agriculture (USDA) farm number for it. Sandquist testified they try to do three cuttings a year, which yields twelve to fifteen large bales per cutting. The hay is prairie grass, which Sandquist explained is good for horses; noting that if there are weeds in the hay it goes to cattle. She explained the first cutting is always used for horses.

Sandquist acknowledged the property was solely used as a residence when she first purchased it, noting the dwelling contributes the most value to the overall property

value. She further noted the main factor for moving to the property was for use as a residence.

Dallas County Assessor Steve Helm testified on behalf of the Board of Review. Helm explained his role as Assessor is to determine the primary use of a property in order to classify it for assessment purposes. He testified the primary use of the subject property is as a residence with the majority of the market value in its improvements, not its agricultural use. Moreover, he asserts the next owner will most likely not use the property to grow and sell hay. For these reasons, he asserts the subject property is properly classified residential.

Analysis and Conclusions

PAAB's sole task is to determine its classification following the guidelines as set forth in the Rule. R. 701-71.1(1). The Rule states: "Land and the nonresidential improvements and structures located on it shall be considered to be used primarily for agricultural purposes if its principal use is devoted to the raising and harvesting of crops or forest or fruit trees... all for intended profit."

The parties dispute whether the property is being primarily used for agricultural purposes. The evidence shows that roughly two-thirds of the property is used for the planting and harvesting of hay. The Board of Review argues the primary use of the property must be residential because the improvements contribute the most value to the subject's overall value. Further, acquiring a residential property was Sandquist's stated original purpose when she purchased it. The existence and value of residential improvements on a property are factors, among many, which we may weigh in our evaluation of its primary use, but are not determinative. Weighing the evidence and testimony in this case, however, we are not persuaded the primary use of the property is for agricultural purposes. In our view, the subject's agricultural use is incidental to its main use as a residential property.

Turning to intent to profit, we do not deny that Sandquist is actively engaged in growing and harvesting hay. We note the current net income is less than \$300, which does not appear to account for the machinery and equipment that would be required to

conduct the business, or expenses for hired labor in lieu of owning the machinery to complete the task. Thus, in our opinion, we do not have a complete picture of the subject's profitability. Moreover, there is a lack of evidence suggesting the harvesting and selling of hay will become more profitable in the future.

The evidence presented before PAAB does not demonstrate the property is primarily used for agricultural purposes with an intent to profit. We recognize Sandquist's efforts, but we find the activity results in a nominal income at best, and is unproven to likely see an increase in profits solely from this endeavor. Accordingly, based on the requirements of Rule 701-71.1 we find the property's primary use to be residential.

Order

IT IS THEREFORE ORDERED that the Dallas County Board of Review's action is affirmed.

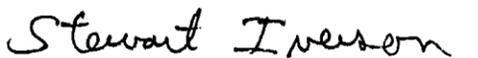
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2015). Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action. Any judicial action challenging this Order shall be filed in the district court where the property is located within 20 days of the date of this Order and comply with the requirements of Iowa Code sections 441.38; 441.38B, 441.39; and Chapter 17A.



Karen Oberman, Presiding Officer



Camille Valley, Board Member



Stewart Iverson, Board Chair

CC:

Michelle Sandquist by eFile

Steve Helm by Efile