

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

PAAB Docket Nos. 2020-079-00129A; 2020-079-00130A; 2020-079-00131A; 2020-079-00132A; 2020-079-00139A; 2020-079-00140A; 2020-079-00142A; 2020-079-00143A; 2020-079-00144A; 2020-079-00145A; 2020-079-00146A

Scott Renaud,

Appellant,

vs.

Poweshiek County Board of Review,

Appellee.

Introduction

These appeals came on for hearing before the Property Assessment Appeal Board (PAAB) on January 13, 2021. Scott Renaud was self-represented and requested the appeals be consolidated. The Poweshiek County Board of Review was represented by County Assessor Amy Vermillion.

Scott and Brent Renaud and Robert Renaud own multiple agriculturally classified parcels located outside of Grinnell in Poweshiek County. This appeal concerns the following eleven parcels and their January 1, 2020 assessments: (Exs. H).

Docket No.	Parcel	Size (acres)	Land Assessment (Before BOR Petition)	Land Assessment (After BOR)
2020-079-00129A	0429500	8.0	\$6,140	\$6,140
2020-079-00130A	0403300	38.8	\$32,650	\$32,650
2020-079-00131A	0429400	40.0	\$43,830	\$43,830
2020-079-00132A	0403200	37.6	\$28,000	\$28,000
2020-079-00139A	3364700	29.61	\$34,930	\$34,930
2020-079-00140A	0428400	24.09	\$25,170	\$18,140
2020-079-00142A	0427900	33.0	\$33,310	\$24,040
2020-079-00143A	0428200	38.8	\$42,700	\$42,700
2020-079-00144A	0428300	40.0	\$39,380	\$39,380
2020-079-00145A	0428600	38.8	\$34,600	\$34,600
2020-079-00146A	0428000	40.0	\$38,250	\$33,310

Renaud petitioned the Board of Review claiming the parcels were assessed for more than the value authorized by law. Iowa Code § 441.37(1)(a)(1)(b). The Board of Review modified parcels 0428400, 0427900 and 0428000 and denied the petitions on the remaining parcels. (Ex. F).

Renaud appealed to PAAB reasserting the claim the assessed values are for more than the value authorized by law and now also asserts an error in the assessment. § 441.37(1)(a)(1)(b & d).

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2019). 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 may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code Rule 701-126.2(2-4). PAAB 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).

Findings of Fact

The subject properties include eleven agriculturally classified parcels. Scott Renaud testified on his own behalf. He described the parcels as being marginal agricultural land that is hilly and rocky; with poor drainage and unsuitable for crops. He testified to his disagreement with the CSR method for valuation as applied to his properties. Because of his desire to be a good steward of the land these areas are only used for pasture ground. The pasture ground is rented for \$50 per acre which is typical for the area. He explained between \$17 and \$20 per acre of pasture land is paid out for real estate taxes each year.

Renaud provided a spreadsheet detailing the properties' taxes as a percentage of their income. (Ex. 1). He believes Iowa Code section 441.21(1)(e) limits the amount of real estate tax paid on agricultural land to 7% of its income. He referenced the use of a 7% capitalization rate as the basis of his claim and asserts the Board of Review has not followed the Iowa Code. He testified his appeal concerns his taxes and not his assessed value.

Amy Vermillion testified on behalf of the Board of Review. She explained assessments for three of the parcels were modified by the Board of Review to better reflect the actual use of the property. Some portions of these three parcels were incorrectly identified as crop land. The Board of Review corrected these areas to non-crop which ultimately lowered the assessments.

She disagreed with Renaud's application of the capitalization rate and explained taxes are not considered in the assessment process. Additionally, she testified the Iowa Code was used for assessing all of the properties and the same method of assessing was applied to all of the parcels.

Analysis & Conclusions of Law

The Appellants contend there is an error in their assessments and that their properties are assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(1)(b & d).

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(1)(b), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted).

Under Iowa Code section 441.37(1)(a)(1)(d), an aggrieved taxpayer or property owner may appeal their assessment on the basis "[t]hat there is an error in the assessment." An error may include, but is not limited to, listing errors or erroneous mathematical calculations." Iowa Admin. Code R. 701-71.20(4)(b)(4).

Iowa Code section 441.21(1)(e) states "[t]he actual value of agricultural property shall be determined on the basis of productivity and net earning capacity of the property determined on the basis of its use for agricultural purposes capitalized at a rate of seven percent and applied uniformly among counties and among classes of property." Any formula or method employed to determine productivity and net earning capacity of property shall be adopted in full by rule. § 441.21(1)(e). The formula or method for determining aggregate values of agricultural real estate (also known as the "ag productivity formula") is set forth in Rule 701-71.12(1). This rule has remained largely unchanged in the three decades since its inception. *In the Matter of Ringgold Cnty. v. Iowa Dep't of Rev.*, 2014 WL 4809000 *8 (Dep't of Inspections and Appeals, Administrative Hearings Div. Jan. 6, 2014). Subsequently, "in spreading the valuation among individual parcels of such agricultural property," assessors are to consider the results of a modern soil survey, if completed. § 441.21(1)(f); Iowa Admin. Code R. 701-71.3. This process was summarized by the Iowa Supreme Court in *H & R Partnership v. Davis County Board of Review*:

The first step in that process is to calculate the total crop-producing value for the county. The assessor begins this process by examining the county's per-acre crop-producing value as computed by the Iowa Department of

Revenue and Finance. That agency reviews each county's crop yields and gross crop-production income over a five-year period. The county's total gross income is then reduced by the aggregate production costs. The agency then adjusts this net figure to account for real estate taxes and, then, to comport with Iowa Code section 441.21(1)(e), capitalizes the resulting value at the rate of seven percent.

...

This aggregate value is spread to each parcel to be assessed in proportion to the ratio of the corn-suitability rating of the particular tract to the sum of all corn-suitability ratings within the county. That computation establishes the valuation of the land on each parcel and is stated separately from the valuation of the buildings on that parcel.

654 N.W.2d 521, 525-26 (Iowa 2002). Additionally, in 2013 IDR amended rule 701-71.3(1) “to address the lack of uniformity in the distribution of agricultural productivity value at a parcel level across the state of Iowa.” IAB Vol. XXXV, No. 24 (5/29/13) p. 1897, ARC 0770C. Pursuant to the rule, assessors are now to make specified adjustments on non-cropland. *Id.*

Renaud interprets section 441.21(1)(e) as a limitation on his real estate taxes. Considering the scope of section 441.21 and the plain language of subparagraph (e), however, we find Renaud is misinterpreting and applying section 441.21(1)(e). The reference to seven percent in section 441.21(1)(e) relates to the methodology for capitalizing income when calculating actual assessed value across the class of agricultural property and is not a limitation on the property taxes of an individual agricultural classified property. APPRAISAL INSTITUTE, DICTIONARY OF REAL ESTATE APPRAISAL 31 *Capitalization Rate* (6th ed. 2015) (“A ratio of one year’s net operating income provided by an asset to the value of the asset; used to convert income into value in the application of the income capitalization approach.”).¹ We note tax rates are

¹ We note, mostly for Renaud’s benefit, there are other statutory sections meant to limit assessment growth. Section 441.21(4) limits the aggregate growth in assessments of agricultural classified property to three percent. Notably, this assessment growth limitation is not property specific; thus, an individual property’s assessment may increase by more than three percent. § 441.21(4) (describing the limitation as applying to “each class of property”); See Iowa Dept. of Revenue, Property Tax - Assessment Limitations, available at <https://tax.iowa.gov/property-tax-assessment-limitations> (last visited Jan. 22, 2021).

determined by taxing bodies after assessments are set and, without going into unnecessary detail, Renaud's approach would upend the statutorily-defined assessment and budgetary process; likely either requiring assessors to back-in to assessment valuations after tax rates are set, or the use of different levy rates when taxing agricultural land.

Because we find Renaud is misinterpreting and applying section 441.21(1)(e), we cannot conclude he has shown an error in his assessment or that the subject properties are assessed for more than the value authorized by law. We appreciate Renaud's concerns regarding the agricultural assessment method and have heard similar concerns in other appeals. Regardless, these properties appear to have been valued in a manner consistent with the statutory language and the administrative rules.

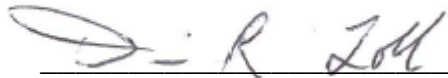
Order

PAAB HEREBY AFFIRMS the Poweshiek County Board of Review's action.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2020).

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 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A.



Dennis Loll, Board Member



Elizabeth Goodman, Board Member



Karen Oberman, Board Member

Copies to:

Scott Renaud by efile

Board of Review by efile