

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 440

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO PROPERTY TAXES; AMENDING CHAPTER 2, TITLE 63, IDAHO CODE, BY THE
2 ADDITION OF A NEW SECTION 63-205B, IDAHO CODE, TO ESTABLISH SPECIAL PRO-
3 VISIONS FOR ASSESSMENT OF OPERATING PROPERTY OF RATE REGULATED ELECTRIC
4 UTILITY COMPANIES AND TO PROVIDE FOR RULES; DECLARING AN EMERGENCY AND
5 PROVIDING RETROACTIVE APPLICATION.
6

7 Be It Enacted by the Legislature of the State of Idaho:

8 SECTION 1. That Chapter 2, Title 63, Idaho Code, be, and the same is
9 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
10 ignated as Section 63-205B, Idaho Code, and to read as follows:

11 63-205B. ASSESSMENT OF OPERATING PROPERTY OF RATE REGULATED ELECTRIC
12 UTILITY COMPANIES. (1) In the assessment of the operating property of rate
13 regulated electric utility companies, the market value shall be determined
14 by the state tax commission by applying applicable law, statutes, property
15 tax administrative rules and the following criteria:

16 (a) Depending on the weighting placed on the income approach, as de-
17 scribed in subsection (1) (d) of this section, no more than twenty per-
18 cent (20%) weight shall be placed on the cost indicator when utilizing
19 the historic cost less depreciation (HCLD) method in the system value
20 correlation.

21 (b) In the income approach, income to be capitalized will be normal-
22 ized, utilizing the gross domestic product implicit price deflator from
23 the United States department of commerce, bureau of economic analysis,
24 by using an average of at least the previous four (4) years' net oper-
25 ating incomes and by adjusting each year's net operating income for un-
26 usual nonrecurring items.

27 (c) In the income approach, a market discount rate will be determined
28 and will include a flotation cost component supported by nationally
29 recognized sources.

30 (d) A weighting between eighty percent (80%) and one hundred percent
31 (100%) will be placed on the income approach in the system value corre-
32 lation.

33 (e) Within the market approach, a sales comparison approach may be used
34 if reliable data is available and appropriate comparison adjustments
35 can be made. No weight will be placed on a stock and debt approach in the
36 system value correlation.

37 (f) For rate regulated electric utility companies, the weightings pre-
38 scribed in this section shall control the weightings used in the system
39 correlation or reconciliation.

40 (2) Subsection (1) (a) of this section shall be construed to mean that
41 the use of no more than twenty percent (20%) weight placed on the cost indica-
42 tor, when utilizing the HCLD method to calculate the cost approach, accounts

1 for any and all forms of depreciation, including any and all forms of obso-
2 lescence and the appraiser shall not consider any further obsolescence.

3 (3) The state tax commission is hereby authorized to promulgate rules
4 to implement the provisions of this section.

5 SECTION 2. An emergency existing therefor, which emergency is hereby
6 declared to exist, this act shall be in full force and effect on and after its
7 passage and approval, and retroactively to January 1, 2014.