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StateLine Cooperative v. Iowa Property Assessment Appeal Board

Supreme Court of Iowa - April 30, 2021 - N.W.2d - 2021 WL 1702891

Taxpayer, an agricultural cooperative, petitioned for review of Property Assessment Appeal Board's (PAAB) decision upholding county's denial of property tax exemption for stand-alone corn silos and overhead ingredient bins within taxpayer's feed manufacturing facility.

The District Court affirmed. Taxpayer appealed. The Court of Appeals affirmed in part. PAAB and county applied for further review, which was granted.

In a case of apparent first impression, the Supreme Court held that:

- Corn silos were not tax-exempt machinery used in a manufacturing establishment;
- Overhead ingredient bins were tax-exempt machinery; and
- PAAB acted unreasonably, arbitrarily, and capriciously in attributing no value to ingredient bins for exemption purposes.

Supreme Court would decline to give deference to Property Assessment Appeal Board's (PAAB) interpretation of statute providing for property tax exemption for machinery used in manufacturing establishments, since Iowa Code did not expressly confer interpretive authority on PAAB, and the term "machinery" was not a substantive term within PAAB's special expertise.

Stand-alone corn silos that were connected to feed manufacturing facility of taxpayer, which was an agricultural cooperative, by underground conveyor were not "machinery" used in a manufacturing establishment, and thus did not qualify for a property tax exemption, where no processing or manufacturing occurred at silos themselves.

Customized overhead ingredient bins within feed manufacturing facility of taxpayer that was an agricultural cooperative were "machinery" used in a manufacturing establishment, and thus qualified for a property tax exemption; bins constituted, essentially, part of a continuous piece of machinery within that building.

Property Assessment Appeal Board (PAAB) acted unreasonably, arbitrarily, and capriciously in attributing no value to customized overhead ingredient bins within taxpayer's feed manufacturing facility for purposes of bins' exemption from property tax as machinery used in a manufacturing establishment, where county's own expert valued bins at $778,240.

A remand to Property Assessment Appeal Board (PAAB) for a determination of value of tax-exempt ingredient bins in taxpayer's feed manufacturing facility was warranted upon Court of Appeals' reversal of denial of property tax exemption, where there was conflicting evidence as to appropriate exemption amount, even though there was sufficient evidence in record for Court to reach values of claimed exemptions.

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