SUPREME COURT OF NORTH DAKOTA

American Crystal Sugar Company v. Traill County Board of Commissioners

American Crystal Sugar Co. v. Traill County Board of Commissioners, 2006 ND 118 (2006) · No. 20050343 · Decided June 1, 2006

SUMMARY

The Supreme Court of North Dakota reviewed a tax abatement proceeding involving American Crystal Sugar Company's sugar factory in Traill County. The court upheld the county's use of the trended-cost valuation method and rejected the company's due process challenge, but held that certain equipment within conditioning silos was personal property exempt from taxation. The court affirmed in part, reversed in part, and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of North Dakota
WRITING FOR THE COURT	Mary Muehlen Maring, Justice; Mary Muehlen Maring; Daniel J. Crothers; Dale V. Sandstrom; Carol Ronning Kapsner; Gerald W. VandeWalle, Chief Justice
JURISDICTION	North Dakota
DECIDED	June 1, 2006
DOCKET	20050343
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Traill County Board of Commissioners appealed a district court order reversing portions of the Board's determinations in American Crystal's property-tax abatement proceeding. American Crystal cross-appealed portions of the ruling denying additional tax relief.
STANDARD OF REVIEW	The Supreme Court's review of the local governing body's assessment of value is limited to whether the decision was arbitrary, capricious, or unreasonable, and the Court independently determines the propriety of the local governing body's decision without special deference to the district court. Classification of property as real or personal is a question of law reviewed fully by the Court.
PRECEDENTIAL VALUE	Published North Dakota Supreme Court opinion; precedential

PARTIES	Traill County Board of Commissioners v. American Crystal Sugar Company

TOPICS

property tax · judicial review of agency action · administrative law · tax · municipal law

PRACTICE AREAS

property taxation · administrative law · municipal law · due process

QUESTIONS PRESENTED

1. Whether the Board's hearing procedures denied American Crystal due process.
2. Whether the Board acted arbitrarily or unreasonably by rejecting American Crystal's appraisal and using the trended-cost method to value the property.
3. Whether equipment associated with the conditioning silos, molasses-desugarization extract tanks, and beet-storage freezers was taxable real property or exempt personal property.
4. Whether the basic structures of the conditioning silos, extract tanks, and beet-storage freezers were taxable real property.
5. Whether the plant land should be classified as agricultural rather than commercial property.

HOLDINGS

1. The Board's hearing procedure did not violate due process because American Crystal had an opportunity to present evidence at a meaningful time and in a meaningful manner, and the Board was not required to follow formal judicial procedures such as a particular order of presentation or cross-examination.
2. The Board did not act arbitrarily or unreasonably by rejecting American Crystal's appraisal and relying on the trended-cost method to value the plant.
3. The sprinkler system, leveling equipment, and temperature-control system in the conditioning silos are personal property exempt from taxation, while the basic silo structures are taxable real property.
4. The basic structures of the molasses-desugarization extract tanks are taxable real property, but the associated heat exchangers and air-handling equipment used to prevent spoilage are exempt personal property.
5. The basic structures of the beet-storage freezers are taxable real property, but the associated equipment used to freeze and maintain the beets is exempt personal property.
6. The matter must be remanded to the Board to reassess the property after subtracting the value of the equipment classified as exempt personal property.
7. The district court's order classifying the plant land as agricultural property rather than commercial property was affirmed.

KEY QUOTATIONS

> *"A reviewing court may not reverse the Board's decision simply because it finds some of the evidence more convincing; rather, the reviewing court may reverse only where there is such an absence of evidence or reason that the Board's decision is arbitrary, capricious, or unreasonable."* (¶ 5)

> *"The fundamental requirement of due process is the opportunity to be heard at a meaningful time and in a meaningful manner."* (¶ 8)

> *"Items which pertain to the use of structures and buildings are those items which are used directly in and solely for effectuating that particular purpose to which the taxpayer has employed its structures and buildings."* (¶ 19)

FACTUAL BACKGROUND

American Crystal operates a sugar-beet processing plant in Traill County, including beet-storage freezers, molasses-desugarization extract tanks, and conditioning silos. It sought abatements for property taxes assessed for 2001 through 2003, challenging the valuation method, the classification of certain structures and equipment as taxable real property, and the classification of the plant's land. The Board rejected American Crystal's proposed appraisal and denied the abatements.

PROCEDURAL HISTORY

American Crystal applied for property-tax abatements for tax years 2001 through 2003. The Board denied the applications after a hearing. The district court upheld the Board's valuation method, inclusion of certain property in the taxable valuation, and hearing procedure, but ruled that conditioning silos were personal property and ordered the plant land reclassified as agricultural property. Both sides appealed.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Remand to the Board to reassess the value of the conditioning silos, extract tanks, and beet-storage freezers after excluding the associated equipment classified as exempt personal property. The Board may determine whether additional evidence is necessary. The judgment was affirmed in other respects, including the land classification.

CASES CITED

- Dakota Northwestern Assocs. P'ship v. Burleigh County Bd. of County Comm'rs, 2000 ND 164, ¶¶ 8, 9, 11, 616 N.W.2d 349
- Ennis v. Williams County Bd. of Comm'rs, 493 N.W.2d 675, 679 (N.D. 1992)
- Gray v. North Dakota Game and Fish Dept., 2005 ND 204, ¶ 28, 706 N.W.2d 614
- Ulvedal v. Board of County Comm'rs, 434 N.W.2d 707, 709-10 n.3 (N.D. 1989)
- Appeal of Johnson, 173 N.W.2d 475, 481-82 (N.D. 1970)
- First American Bank & Trust Co. v. Ellwein, 221 N.W.2d 509, 513-17 (N.D. 1974)

- Brinkley v. Hassig, 83 F.2d 351, 356 (10th Cir. 1936)
- County of Ramsey v. Lincoln Fort Rd. Hous. Ltd., 494 N.W.2d 276, 281 (Minn. 1992)
- In re Owens, 547 S.E.2d 827, 831 (N.C. App. 2001)
- Town of Vienna v. Kokernak, 612 A.2d 870, 874 (Me. 1992)
- Williams Elec. Coop., Inc. v. Montana-Dakota Util. Co., 79 N.W.2d 508, 523 (N.D. 1956)
- Sletten v. Briggs, 448 N.W.2d 607, 610 (N.D. 1989)
- Hilltop Basic Res., Inc. v. County of Boone, 180 S.W.3d 464, 470 (Ky. 2005)
- Mike Golden, Inc. v. Tenneco Oil Co., 450 N.W.2d 716, 719 (N.D. 1990)
- Midwest Processing Co. v. McHenry County, 467 N.W.2d 895, 900-01 (N.D. 1991)
- National Sun Indus., Inc. v. Ransom County, 474 N.W.2d 502, 506 (N.D. 1991)
- Ladish Malting Co. v. Stutsman County, 351 N.W.2d 712, 713, 720-22 (N.D. 1984)
- Ladish Malting Co. v. Stutsman County, 416 N.W.2d 31, 33-36 (N.D. 1987)
- In re Borough of Aliquippa, 175 A.2d 856, 861-62 (Pa. 1961)
- FACS of New Ulm, LLC v. County of Brown, 2001 WL 579058, at *3 (Minn. Tax 2001)
- BFC Hardwoods, Inc. v. Board of Assessment Appeals of Crawford County, 771 A.2d 759, 767 (Pa. 2001)
- United States Steel Corp. v. Board of Assessment and Revision of Taxes of Bucks County, 223 A.2d 92, 97 (Pa. 1966)
- Austin v. Towne, 1997 ND 59, ¶ 7, 560 N.W.2d 895
