ARIZONA SUPREME COURT
ORAL ARGUMENT CASE SUMMARY

A & P RANCH LTD., et al. v. COCHISE COUNTY, et al.
CV-25-0217-PR

PARTIES:

Petitioners: Arizona Department of Revenue ("ADOR") and Cochise County ("County")

Respondents: A &P Ranch Ltd.; Michael and Kami Allred; Chase Farms LLC; Farmers Investment Co.; Fort Bowie Ranches, L.L.C.; Four Star Pistachio, LLC; James and Ruth Graham; HFT Pecan Orchard, LLC; Heirborn Partners LLC; J & P Pistachio Ranch, LLC; Rodney and Janice Keeling; S&H Farms, LLC; Summit Nut Company, LLC; Richard Searle; Whitetail Creek Orchard, LLC; and Alfredo and Sabrina Zamora (collectively, "Taxpayers")

FACTS:

ADOR publishes the Agricultural Property Manual (the "Manual"), which includes guidelines for valuing agricultural property for tax purposes. To assist county assessors, the Manual previously contained a table of crop values for common types of permanent crops grown in Arizona. Under the Manual's approach, a county assessor would determine the value of an orchard or vineyard by adding the value of the permanent crops to the value of the underlying land.

ADOR updated the Manual in 2022. The 2022 Manual no longer allows assessors to use the old crop value tables. Instead, it instructs assessors to use their discretion in determining permanent crop values that reflect the market in their jurisdictions. For the 2023 tax year, the County followed the updated Manual's directives in reappraising the agricultural properties in its jurisdiction. The County's market value approach to appraising permanent crops resulted in an average 2,000% increase in orchard values and an average 8,000% increase in vineyard values.

Taxpayers sued the County, asserting that its valuation contradicted the statutory scheme for taxing agricultural property. ADOR intervened, and the parties filed cross-motions for summary judgment. The tax court granted summary judgment in Taxpayers' favor. The court concluded that the Manual's practice of valuing permanent crops separately from the underlying land contradicts the statutory scheme. ADOR and the County appealed. The court of appeals affirmed, holding that Arizona's agricultural property taxation scheme requires "permanent crops" to be valued with their land using the income approach mandated by A.R.S. § 42-13101. ADOR and the County each filed petitions for review, and the Court granted review of the following issues.

ISSUES:

1. The Legislature mandated that all agricultural property that A.R.S. § 42-12151 identifies, including permanent crops, be valued and taxed. Section 42-12002(1)(a) provides that qualifying agricultural property is valued under two separate methods: full cash value or A.R.S. § 42-13101. Section 42-13101 prescribes a method to value just the land underlying agricultural property. No

other statute prescribes a method to value the permanent crops—trees and vines—on that land. Under A.R.S. § 42-11001(6), "[i]f a statutory method is not prescribed, full cash value is synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques." Does the statutory scheme require that the value of the permanent crops be determined by using standard appraisal methods and techniques?

2. Did the court of appeals err in holding that under A.R.S. § 42-13101, the valuation method that applies to "land used for agricultural purposes" does not apply exclusively to the land, but also to improvements on the land such as permanent crops (orchard trees or vines)?