

Mineral Property

Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

In accordance with [article XIII A](#), all real property receives a base year value and, on each lien date, the taxable value of the real property unit is the lesser of its adjusted base year value or current market value. [Section 105](#) defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. [Rule 469\(e\)\(2\)\(C\)](#) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. The assessor should use this unit for the purpose of measuring a possible decline in value.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the fixtures and equipment or an overassessment of the mineral rights.

Eff. 1/1/18, section 53.5 is repealed (AB 1718, Stats. 2017, ch. 592). Thus, leach pads, settling ponds, and tailing facilities are no longer treated as separate appraisal units.

Treat settling ponds as a separate appraisal unit.

Most mining operations will include some area designated as a location for waste material produced by the mining operation. These settling ponds and tailings facilities are typically used to collect water used for washing the gravel to provide a clean product that meets the customer's specifications and needs. The wash water is then collected to allow the small particulate matter to settle before the water is recycled. Site inspections, use permit application reviews, or reviews of satellite photos of the mineral property can easily determine the existence of settling ponds. An acceptable method to value these components would be the following: (1) determine the cost to construct the improvement and establish a base year value, and (2) each year thereafter, value each settling pond based upon the remaining capacity of the improvement to dispose of waste material.

Section 53.5 provides that the assessor shall establish a base year value for each settling pond, leach pad, and tailing facility, and that each settling pond, leach pad, and tailing facility shall be considered a separate appraisal unit for purposes of determining its taxable value on each lien date subsequent to the lien date upon which the initial base year value was determined. Failure to treat settling ponds as a separate appraisal unit is contrary to statute and may result in incorrect assessments.

Determine the current market value of the mineral appraisal unit for all properties.

Proper appraisal procedure for mineral properties is to estimate the current market value of the total mineral property each and the quantity of proved reserves to be produced over the time period for the value estimate. Once the current market value of the total property has been estimated, the current market value of the mineral rights (proved reserves) is estimated by segregating the current market value of land, improvements, fixtures and equipment, and personal property from the total property

value. Once the current market value of the mineral rights has been estimated, it is possible to make adjustments to base year values to account for depletion and other changes to reserves.

If annual estimates of the current market value of the total mineral property are not made, it is impossible to make the adjustments necessary for a proper accounting of changes in the base year value of proved reserves for mineral properties.

Add the present worth of the future rental payments to the sale price of an unpatented mining claim.

[Rule 21\(e\)\(1\)\(A\)](#) states that when using the comparative sales approach to value using the direct comparison method, the assessor must add the present worth of the future rental payments to the sale price of the unpatented mining claim. Since unpatented mining claims have no stated term of possession, the assessor should review the practices of claim holders to determine a reasonably anticipated term of possession over which to capitalize the future rental payments to be added to the average sale price.

Without making this adjustment to the average sale price, the value indicator may not reflect the full value of the unpatented mining claim and may result in an underassessment.

Establish base year values for unpatented mining claims.

Unpatented mining claims are taxable possessory interests and, as such, are classified as real property. Pursuant to [section 110.1](#), a base year value must be established for such interests when they are first created or subsequently undergo a change in ownership. Change in ownership provisions with respect to taxable possessory interests are prescribed in [section 61](#).

The assessor must establish a base year value for each unpatented mining claim and track the base year value forward each year in order to compare it to the current market value, so the assessor can enroll the lower of the two values each lien date. The failure to establish base year values makes it impossible to perform this comparison and may result in incorrect assessments.

Assess the mineral rights of all mining properties.

Mineral rights value represents the value associated with the right to explore, develop, and extract mineral commodities. Mineral rights are a real property interest and, as such, assessable. The assessor should determine the initial mineral right value when the property began production and perform an analysis of the current market value of the mineral rights to be compared to the adjusted base year value of the mineral rights.

Failure to properly value and assess all taxable mineral rights results in some properties escaping assessment.