



Pend Oreille County

BOARD OF EQUALIZATION

Post Office Box 5018 • Newport, WA 99156-5018 • (509)447-2712

Office Hours: Mon. - Fri., 8:00 a.m. to 4:30 p.m.

BOARD ORDER

PROPERTY OWNER: Ethereal Tech US Corporation



PARCEL/ACCOUNT NUMBER: 27877-1001469

PROPERTY LOCATION: 422767 Highway 20 Usk, WA 99180

PETITION NUMBER: BOE 2023-30

ASSESSMENT YEAR: 2023

TAXES PAYABLE IN: 2024

The Board of Equalization for Pend Oreille County Washington was duly convened on November 30, 2023, and hereby orders the property listed above be placed on the Assessment Roll for Pend Oreille County Washington as follows:

ASSESSED VALUE:

Land	\$14,381,913.00
Structures/Improvements	\$
ASSESSED VALUE	\$14,381,913.00

BOE VALUE:

Land	\$14,381,913.00
Structures/Improvements	\$
BOE VALUE	\$14,381,913.00

Date of Hearing: November 30, 2023

Recorded via SoniClear. Hearing Began at: 10:18 a.m. and Ended at: 10:42 a.m.

Hearing Location: Board of Commissioners Meeting Room
625 W. 4th Street
Newport, WA 99156

Attendees:

Board of Equalization Members:

Carl Jackson, Chair

David Sears

Clerk: Alicia Pereyda

Appellant: Jason Lim and Olga Kochmar

Assessor: Not Present

FACTS AND FINDINGS

Appellant estimated value at:

Land	\$7,608,804.00
Structures/Improvements	\$ _____
REQUESTED VALUE	\$7,608,804.00

BOARD ORDER continued

O. Kochmar: First of all, thanks everyone for taking the time today and for allowing us to actually appeal. This is a very frequent process. We run in different states, so we have encountered this kind of situation before. As Jason has already sent over the arguments, we understand that each state has its own evaluating guidelines for the value of the assets as well as assigning specific depreciation factors. We want to work with you and understand how exactly your branch in your state works because the Assessor sent their documents which describe that, however, it's still confusing. If you could clarify that then it would be very helpful. The reason why we're asking you to clarify is because in other states where we operate the tax Assessor assign the bitcoin miner as an asset with a very high depreciation factor and a short useful life and the other places that we have the bitcoin miner servers are assigned to the auxiliary group so it's a very high depreciation factor and short useful life.

Before I move forward to all the statements that we present. I just want to ask a question on the statement that the Assessor responded with, is that the true and fair value of the property for the tax property evaluation, or is it market value? Currently the seller is not looking to sell the property or the equipment. The case of the bitcoin servers is unique in the market and in the sense of common standard taxes for a housing evaluation. The situation for this particular model that we run, has seized in the production of this server because no one is willing to buy it. The two reasons, 1. No one is willing to buy because of the market value of the original house sale (manufacturer wholesale supplier) and the buyer is not willing to take what the property would sell for. In a nutshell, this model is not generating any positive cash flow any longer. If we take into consideration our current operating model and generally the model in the US. The available model is a high efficiency ratio. Another reason why this model was seized from production. Having all this modeling in place does not make any money and has the highest hosting rate in the world. That is the argument explaining why it doesn't generate positive cashflow. 2. considering we acquired these miners at 3,600/unit back in March 2022. In January 2023, the transaction price of this miner, which was reflected and showcased, has shown that the price dropped down to \$1,400. It shows it's correlated and high-risk asset to bitcoin. There's a depreciation factor and the useful life of the miner which is usually two years or at max three years.

Lastly, if we speak about the revenue, as you know in 2022, there were quite a few public miners who went bankrupt. We are in a similar situation, we're not bankrupt, yet, and hopefully won't be but the risk of services fluctuates. The whole market situation and the arguments mentioned here are reflected in our normal agent statement. In this location we can't just terminate the contract because we will be liable for it. We can't stop running machines because we still have to pay for the hosting services and electricity. We're completely negative, so although we thinking this asset is generating revenue so it should be taxed. We're actually not generating good revenue, so I believe these are the key arguments. I greatly appreciate your consideration and further evaluation of the arguments brought today.

Assessors Response: "The true and fair value of the property in money for property tax valuation purposes is its 'market value' or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. (In arriving at a determination of such value the assessing officer can consider only those factors which can, within reason, be said to affect the price in

negotiations between a willing purchaser and a willing seller, and he/she must consider all such factors.)”

Washington State requires business Personal Property to be taxed. As such, the owner of the personal property is to report their items and the cost less sales tax. The assessor then enters the information into the DB based on the figured from the property owner. The property is then put on a depreciation schedule set by the State Department of Revenue (DOR), not the individual counties. The 1st year is taxed at full cost regardless of conditions and subsequent years are depreciated according to the schedule set by the DOR. Therefore, it is not the assessor who determines valuation based on current conditions, but rather determines value based on the reporting by the owner or their representative.

The petitioner was a willing buyer and valuation is based on the statement between box 2 and box 3.

“The true and fair value of the property in money for property tax valuation purposes is its ‘market value’ or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell.”

The property reported to this office had a value of “19,175,884 (as shown on the “Notice of Value” statement). The current valuation is \$14,381,913. This is 75% of the original value based on the DOR depreciation schedule. After 5 years of depreciation from the DOR Schedule the valuation will be 22.2% of the original Valuation.

If valuation is reduced due to current conditions, then the depreciation schedules will still follow the adjusted valuation. And if/when conditions improve, the reduced valuation would still be effective.

Therefore, this would be unfair to the other property taxpayers within the county.

This office in the past 20+ years has never and will not voluntarily adjust Personal Property valuations beyond what the DOR has set with their depreciation schedules for economic reasons. The economy adjusts every year whether it’s up or down. Personal Property valuations do not adjust up or down with the economy. Personal Property is strictly adjusted according to the DOR schedules.

As it stands, the DOR did an advisory appraisal on the facility in which this company has its property. Originally, on the valuation of \$19,175,884 the DOR had a depreciated value of \$17,737,693. After discussions and with the DOR on with depreciation schedule to use. The DOR then did adjust the valuation to \$14,381,913.

To sum this up. The petitioner wants an additional 50% reduction of the already reduced value of 25%. This would be a total of 75% less. When the economic factors change, we can’t change the values back up if they were reduced.

DECISION

The Board, after carefully reviewing the information provided by the appellant and the information provided by the Assessor concludes that the appellant **has not** made an argument sufficiently clear, cogent and convincing to overcome the Assessor’s presumption of correctness due to the appellants septic not being connected to the house.

Market value of the subject property is set at \$14,381,913.00 as of January 1, 2024.

This order is submitted into the record of the Pend Oreille County Board of Equalization.

Mailed on: December _____, 2023.

Carl Jackson, Chair
Pend Oreille County Board of Equalization

Alicia Pereyda, Clerk

NOTICE: This Order can be appealed to the State Board of Tax Appeals by filing a notice of appeal with them at P.O. Box 40915, Olympia, WA 98504-0915, within 30 days of the date of mailing this Order. The Notice of Appeal form is available from either your County Assessor or the State Board of Tax Appeals <http://bta.state.wa.us>.

For tax assistance, visit <http://dor.wa.gov> or call (800) 657-7706. To inquire about the availability of this document in an alternate format or the visually impaired, please call (360) 486-2342. Teletype (TTY) users may call (800) 451-7985.

cc: Assessor, Petitioner, BOE file