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DEPARTMENT OF TREASURY
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TO: Kelli Sobel, Executive Secretary
State Tax Commission

FROM: T. J. Schnelle, Manager
Commercial/Industrial/Utility Valuations Section
Assessment & Certification Division

SUBJECT: Exposure Draft Memorandum Recommending Principles for Classification of Personal Property

You have requested that Staff provide an Exposure Draft of our recommendations for establishing personal property classification principles. Since the adoption of Single Business Tax and Michigan Business Tax credits and millage exemptions for some personal property, based on the classification of the personal property, many assessors have questioned their previous determinations of classification. In many cases, these previous determinations have been modified or challenged, despite the fact that they were probably correct. As you will note from the discussion below, we believe that in interpreting MCL 211.34c, the focus should be the original goal of property classification, which was to provide a technical tool to assure uniformity of assessments from one type of property use to the next. With that fact in mind, the principles which Staff believes should be considered when deciding personal property classification issues are as follow:

FIRST PRINCIPLE: All personal property subject to ad valorem assessment which is owned by the same taxpayer at a given location should be similarly classified, according to the usage which most significantly influences the total valuation of the personal property at that location, even if multiple personal property parcels have been established and multiple parcel identification numbers assigned to that location. For purposes of implementing this Principle, “location” is deemed to include all real property parcels that are contiguous and are not separated by a public right of way and “taxpayer” is deemed to include all entities that are affiliates or that would be considered to be members of the same control group for the purposes of MCL 211.27a(7)(j) and MCL 211.27a(7)(l).

Reasoning: Historically, assessors have assigned parcel numbers for personal property with a variety of practical and policy objectives in mind. Sometimes, for legal reasons, it is necessary to separately assess portions of the personal property found at a given location. For example, personal property that benefits from an Industrial Facilities Exemption must be assessed separately from the other personal property at the location. Other times it is convenient to separately assess the several different processes taking place at the location or to combine personal property at separate locations into one parcel. In some cases, separate, but related,

owners occupy the same location. The Commission itself has suggested that one acceptable way to separately report the assessment made to leasehold improvements, as required by MCL 211.24c(8) is to establish a separate parcel. In order to sensibly evaluate personal property classification, some uniform rule must be adopted that is used regardless of the number of parcels created or the number of related companies operating out of a location. The method suggested above is logical and serves to emphasize that the original and, from an assessing standpoint, the most useful and theoretically valid equalization strategy is to aggregate the assets at a location which are owned by the same integrated entity into one group for the purpose of determining the correct classification. One effect of applying this PRINCIPLE is that assessors may, in rare instances, have to establish separate parcels for the personal property of the same taxpayer at different locations, if the separation is necessary to reflect the different activities at the different locations.

SECOND PRINCIPLE: The classification of personal property under MCL 211.34c is not dependant on, or controlled by, the MCL 211.34c classification of the real estate on which it rests on Tax Day. Instead, the classification of personal property at a location which is owned by the same taxpayer is determined by the usage of said personal property which most significantly influences the total valuation of the personal property of that taxpayer at that location.

Reasoning:

- There is no sound reason for construing the phrase “on industrial parcels” as contained in MCL 211.34c(3)(c)(i), as meaning “on parcels of real property classified as industrial real property.” This construction, if it were adopted, would amount to a conclusion that the legislature intended to imply the addition of the word “classified” and also intended to imply the addition of the phrase “real property” (in two places, once in relation to the word “parcels” and a second time in relation to the word “industrial”). If the legislature had intended that the meaning of the phrase “on industrial parcels” should be tied to the classification of the real property it easily could have so provided, but it did not.
- Further, construing the phrase “on industrial parcels” to mean “on parcels of real property classified as industrial real property” requires that the word “parcels” be interpreted so that its meaning is limited to include only real property parcels. Such a limitation is not apparent from examining the General Property Tax Act (the GPTA) as a whole. The words “parcel” and “parcels” are often used in a context that relates to personal property. Many provisions of the GPTA use the words “parcel” or “parcels” in a context that applies to both real and personal property assessments. See MCL 211.10f(3), MCL 211.24c(1) and (8), MCL 211.27a(2) and (10), 211.34c(5) and (6), 211.44(3), (5) and (7) and MCL 211.55. Further, it is common for assessment professionals to refer to both real property assessments and personal property assessments as “parcels.”
- Prior to the adoption of the industrial personal property credit to the Single Business Tax and, subsequently, the industrial personal property credit, and partial commercial and industrial personal property millage exemptions to the Michigan Business Tax, it was usual to base the personal property classification on the use to which the personal property was being put, rather than base it on the classification of the real property.

- The purpose of the classification provision of MCL 211.34c, is to assure uniform assessment among the various classes of property, and implicitly to assure that property used for a particular purpose will not bear a heavier burden of taxation than property used for another purpose. This purpose cannot be addressed unless the classification is based on the use of the property. If the classification of personal property is determined based on the happenstance of the classification of the real property, then the classification of personal property used for similar purposes will not be the same. Instead, property used for similar purposes can, and often will be, differently classified.
- If the classification of personal property is determined based on the classification of the real property, then the classification of personal property can be changed at the will of the taxpayer, simply by moving it onto a parcel of real property that is classified as industrial. For example, construction equipment can be moved onto industrial real property parcels at year end to create a credit and exemption. This serves no uniformity or equalization purpose and simply allows manipulation of the credit and exemption provisions of the Michigan Business Tax.
- Given the fact that it is not uncommon for industrial activity to be conducted on real property parcels which are classified as commercial real, and vice versa, a determination that the classification of personal property must agree with the classification of the real property on which the activity is conducted will undermine the primary goal of property classification. It will deprive activities which are legitimately industrial in nature of the benefits of the Michigan Business Tax credits and exemptions associated with the industrial classification and grant the benefits of an industrial classification to activities which are commercial in nature. For example, flex mall buildings are multi-tenant structures located on one tax parcel and owned by one landlord, but such structures are commonly occupied by a mix of commercial and industrial activities. If personal property classification must agree with real property classification, the classification of all personal property assessments must be the same even though the activities of some tenants are commercial and those of others are industrial. Further, the classification of all parcels can change as often as annually depending on the mix of occupancies. Further, even purely industrial parcels often shelter business activities which are commercial in nature. For example, most large industrial taxpayers permit vending machine operators to locate their machines on the industrial site.
- If the classification of personal property is determined based on the classification of the real property, the result would be that similar property of the same taxpayer used for similar purposes might be classified differently, even in the same assessment jurisdiction depending on its location rather than on its use. Examples include leased or rented pagers, coin vending equipment, waste containers and construction equipment.
- Some personal property, such as wireless equipment, billboards and news boxes, are commonly located on exempt property which has no classification. If the classification of personal property is determined based on the classification of the real property, then there would be no statutory guidance for classifying such personal property.

THIRD PRINCIPLE: To be industrial personal property, the property must be directly used to carry on an industrial activity. For purposes of MCL 211.34c, industrial activity is the:

- **Manufacturing of parts, components and subassemblies used to make finished goods; or,**
- **Manufacturing of finished goods, including the assembly of finished goods and the processing of food, when the activity produces goods for sale to those engaged in wholesale or retail trade; or,**
- **Conduct of research and development activity, but only when the research and development activity is carried out by the taxpayer for the purpose of developing improvements to existing designs, or developing new designs of parts, components, subassemblies, or other products of a tangible personal property nature, which will be manufactured by that taxpayer, or its affiliates; or**
- **Extraction of raw materials and minerals from the ground; or**
- **Processing or refinement of substances to be used as raw materials in later industrial or commercial processes or for sale to those engaged in wholesale or retail trade of such substances; or,**
- **Generation of electricity for the taxpayer's own use in engaging in industrial activity or for sale to the public or to public utilities.**

Activity which otherwise meets the definition of industrial activity, as described above, is not disqualified from such treatment by the fact that the taxpayer markets the parts, components, subassemblies, finished goods, or other products of a tangible personal property nature itself, or builds machinery or equipment used for business purposes to the business customer's specifications. Generally, however, the construction of real property structures, the construction of public improvements, and the construction of land improvements, or the providing of construction materials for such activities, is a commercial activity, not an industrial activity. Further, the making of consumer goods to the end-user's specific order and/or specification is not an industrial activity, unless the specification can be deemed merely the selection of one of several standard pre-established options of a consumer product.

Reasoning: Although there are a variety of definitions of industrial activity contained in the Michigan statutes, there is no definition of the word "industrial" contained in MCL 211.34c or, for that matter, anywhere else in the General Property Tax Act. Further, the definitions set forth elsewhere in the Michigan statutes are influenced by a variety of policy objectives other than fostering uniform assessments. Unless the State Tax Commission provides a definition of industrial activity, there will be no uniformity in the classification of personal property. Staff believe that the definition set forth above reflects both past assessment practice and the common understanding of what industrial activity entails.

FOURTH PRINCIPLE: To be commercial personal property, the property must be used to carry on a business activity which does not result in it being classified as agricultural or utility personal property and which does not meet the definition of industrial personal property contained in the THIRD PRINCIPLE above.

Reasoning: Generally, residential and agricultural personal property is exempt. It is unlikely that a circumstance will arise where personal property is correctly classified as either residential personal property or agricultural personal property. Further, if under extraordinary circumstances

personal property fits within either of these two classifications, staff believes that such treatment will be obvious. Utility personal property, on the other hand, is specifically defined by MCL 211.34c, and it is unlikely that utility personal property will be mistakenly thought to be commercial personal property. As the result, the uncertainties over the classification of personal property generally revolve around the question of whether the personal property should be classified as commercial personal property or industrial personal property. Staff propose a definition of industrial activity in the THIRD PRINCIPLE above. Under these circumstances, staff believe that an acceptable method of defining commercial personal property is simply to indicate that it is personal property which is used for business purposes and which is neither agricultural, utility nor industrial.

FIFTH PRINCIPLE: Activities which:

- **Entail the breakdown of larger shipments or lots into customer orders; or**
- **Constitute wholesale or retail trade; or**
- **Entail the measurement, cutting, fitting, mixing, combination or assembly of ingredients, materials or other commodities that are manufactured or extracted elsewhere, to the specific order and/or specifications or needs of an end-user, for immediate delivery to that end-user, either for installation on the premises of the end-user, or for the immediate use or placement into use or service by that end-user; or**
- **Entail the production of a artistic or graphic design applied to a commercial product or as a artistic limited edition or unique item; or**
- **Entail research and development, engineering or testing that is performed by an independent contractor, or as speculative research that is not associated with product development by a manufacturer; or**
- **Entail the repair or rebuilding of existing personal property, even if significant replacement parts are installed; or**
- **Entail the construction of real property structures, the construction of other improvements to real property or the construction of public or private infrastructure;**

are not industrial activities, even if a mixing or assembly process results in the occurrence of a chemical reaction. Instead, such an activity is the delivery of a service, which, in turn, is a commercial activity.

Reasoning: A central issue in determining correct classification of personal property between industrial activities and commercial activities is determining the point at which a commercial activity becomes an industrial activity. For example, a restaurant is generally thought to be a commercial activity even though it processes food ingredients for sale, while a plant that produces and cans soup or that freezes and packages vegetables or that mills flour is generally thought to be an industrial activity. As another example, an engine rebuilder (a mechanic) is generally thought to be carrying on a commercial activity, while an engine manufacturer is generally thought to be carrying on an industrial activity. As a further example, the creation of fine art, as an artistic creation, is generally thought of as a commercial activity while the manufacturing of decorative art in mass quantities for sale into wholesale or retail trade is

generally thought of as an industrial activity. In many cases, the division between commercial activity and industrial activity is clear, simply by reference to the PRINCIPLES previously stated. This PRINCIPLE is proposed in order to clarify the application of those PRINCIPLES to certain common fact situations where the application is less clear.

SIXTH PRINCIPLE: Personal property of a taxpayer at a given location which is not used for industrial, agricultural or utility purposes as defined by MCL 211.34c is commercial personal property, even if the personal property is owned by an industrial taxpayer, and even if the activity in which the personal property is used is carried out as part of a larger industrial activity conducted at the same or another location.

Reasoning: Staff believes that the underlying intention of the property classification system is to classify properties under the same classification when both properties are being used to carry out similar activities. Under this reasoning, the direct use to which the property is being put should determine the classification, rather than the general nature of the owner's activities. For example, personal property used in conjunction with a warehouse, a distribution center-or an administrative office building is commercial personal property, simply because those activities are not themselves industrial activities. There are many taxpayers who engage only in warehousing, in engineering, in office related activities, without doing any manufacturing or other industrial activity at all. While research and development and testing associated with product development by a manufacturer, that is intended to provide future manufacturing opportunities, or to improve existing products, is commonly thought to be a part of the manufacturing process (and has been so treated in the FIFTH PRINCIPLE above), activities which entail providing professional services for a number of clients, and whose services can be obtained by all who need them on a contract basis are essentially commercial activities, and have historically been treated as such by assessors. If personal property is to be uniformly classified, the process cannot, in the estimation of staff, involve variant determinations based on the assessor's (perhaps subjective) perception of the overall "nature" of the taxpayer. Personal property of a taxpayer which is used for commercial purposes should be treated as such, even if it is located on a site where industrial activities are also carried on. However, given the fact that the usage of the personal property which most significantly influences the total valuation of the personal property of that taxpayer at that location determines the classification of all the personal property at that location, such commercial personal property may still be classified as industrial personal property.

SEVENTH PRINCIPLE: The rental or leasing of real property is a commercial activity and landlord-owned personal property that is located on premises which are rented or leased is classified as commercial personal property, regardless of the classification of the real property and regardless of the activity of tenant.

Reasoning: Staff reached the conclusion recommended in this PRINCIPLE simply by applying the FIRST PRINCIPLE above and the SECOND PRINCIPLE above, in conjunction with each other. The landlord is not engaged in manufacturing at a location simply arising from the fact that the location is being used by someone for industrial activities, or from the fact that the landlord's personal property is being used by someone to carry on industrial activities. If the

landlord's property is being used by a tenant engaged in industrial activity, the landlord is implicitly renting the equipment to the tenant rather than engaging an industrial activity itself. The landlord is not bearing the risk associated with conducting an industrial activity. Instead, the risk it bears is that the tenant will not pay its rent or will cause damage to the property, a commercial activity risk.

EIGHTH PRINCIPLE: Rental and leasing of personal property is a commercial activity, regardless of the use to which the personal property is being put by the renter or lessee.

Reasoning: The State Tax Commission has already determined that the rental or leasing of personal property is a commercial activity. A personal property leasing company is not itself engaged in an industrial activity, and instead simply provides a financial service. In addition to the fact that this result is consistent with the application of the FIRST PRINCIPLE, the SECOND PRINCIPLE and the SEVENTH PRINCIPLE above, when taken in conjunction with each other, this conclusion is also consistent with both usual assessment practices and with the needs of effective assessment administration. It is difficult to overemphasize either the historic consistency with which assessors have classified leased personal property as commercial personal property, or the practical and administrative difficulty that would occur if the use of individual items of personal property were deemed relevant to determining the classification of leasing companies. Such treatment would require either a separation of the assessments of leasing companies into individual assessments for each item of personal property, combined with an investigation into the exact location and use of each item of property, or an identification of the use of each item, on an annual basis, along with an analysis of the use to determine which use most significantly affects the value of the lessor's property. Further, in the estimation of staff, no reasonable self-reporting tool could be developed, both due to the involved definitions for each classification and due to leasing companies lack of knowledge of the circumstances surrounding the use of each item of equipment. Further, since the classification process is fundamentally a technical one, which is designed to foster uniformity and equalization the assessor must have control over the decision-making process, since he or she is directly responsible for the outcome. Given the fact that the assessment of many leasing companies entails the valuation of hundreds of items of property, the administrative burden would soon be overwhelming, particularly since, in larger communities, the assessor would have to conduct his or her analysis of the use of each item on an annual basis.

NINTH PRINCIPLE: In cases where it may be unclear whether the owner of the personal property is engaged in an industrial activity, the determination shall be based on whether, as its principle business undertaking at that location, the owner intends to be exposed to the possibility of greater or lesser profit, or the possibility of loss, that arises directly from the success, or lack of success, of an industrial activity. For example, a personal property owner, such as an equipment lessor, who does not directly share in the fruits of success or directly bear the risk of failure of an industrial endeavor, is not engaged in manufacturing. On the other hand, if the owner of the personal property places machinery and/or equipment at the industrial plant of a contractor, for use by that contractor in manufacturing goods on behalf of the owner, then the owner is deemed to be engaged in manufacturing even if it does no actual manufacturing at that location.

Reasoning: This PRINCIPLE was developed in response to a classification appeal that arose from the fact that a local board of review denied an industrial classification for personal property that the owner had placed with a contracting industrial facility so that facility could build a product on behalf of the owner. The owner was not a leasing company and its business model simply provided that instead of building the product itself, it would contract to have the manufacturing done for it. Staff concluded that industrial use by the owner was not affected by whether the machinery and equipment were used by employees of the owner or by contractors hired by the owner. In particular, staff was concerned that common business arrangements such as employee leasing, contracting out production and subcontracting, might dictate classification. This PRINCIPLE states that if the owner is exposed to the risks of an industrial activity, its owned personal property used in the industrial activity will qualify for an industrial classification.

TENTH PRINCIPLE: Unless one or more items of personal property used is being leased, all property, including any associated easement or right of way interests, that is physically integrated into, and necessary for the proper functioning of an electric transmission or distribution system, a gas distribution pipeline system or a gas or fluid hydrocarbon transmission pipeline system, is classified as utility personal property, even if the personal property is physically located on real property owned by the utility.

Reasoning: Staff believes that, unlike the language of some other subsections of the same statute, the language of MCL 211.34c(3)(e) provides a clear definition of “utility personal property.” Staff believes that this subsection, when taken in conjunction with MCL 211.8(g), clearly indicates that all machinery and equipment components, along with the lines, pipes, poles and other components of the system, up to and including easement and right of way interests, are classified as utility personal property, notwithstanding the fact that some of those utility system components may be located on real estate owned by the owner of the utility system that is classified as industrial real property. Essentially, MCL 211.8(g) establishes that the entire utility system, including easements and rights of way, is assessed as personal property and MCL 211.34c(3)(e) establishes that the classification is as utility personal property. As indicated, the exception is that if a piece of machinery or equipment is leased then the NINTH PRINCIPLE applies.

ELEVENTH PRINCIPLE: The eligibility of personal property which is covered by an Industrial Facilities Exemption Certificate (IFT) for exemption from up to 24 mills of local school operating millage (and for a credit against Michigan Business Tax liability) is determined by the classification of the land on which the personal property is located. If the land is classified as Industrial Real Property, then the IFT personal property located on that land qualifies for the partial exemption of up to 24 mills. This PRINCIPLE does not apply to personal property on the ad valorem assessment roll.

Reasoning: MCL 207.564(4) specifically provides for this result. Notice that although this subsection specifically provides that personal property which is benefited by an Industrial Facilities Exemption will qualify for the industrial credit and exemption if the land on which it is situated is classified as industrial real property, the language of this subsection is different from MCL 211.34c(3)(c)(i).

TWELTH PRINCIPLE: Attached building components installed by the owner of the building that become fixtures are assessed and classified as real property, not as personal property, regardless of the method used to record the components on the owner's financial accounting records and regardless of the method of reporting used for Federal income tax purposes, unless established assessment practice clearly provides otherwise.

Reasoning: The definition of a fixture and the limitations imposed by the needs of assessment administration are discussed in detail at the end of this memorandum. Staff believes that the accounting treatment used for financial accounting or Federal income tax purposes is irrelevant in determining property classification for assessment purposes.

THIRTEENTH PRINCIPLE: Trade fixtures, which are not real property fixtures, as described in the TWELTH PRINCIPLE above, are assessed to the tenant as personal property and are classified in conjunction with the tenant's other personal property. The classification of both the trade fixtures and the rest of the personal property owned by a taxpayer at given location is determined by the usage of said personal property which most significantly influences the total valuation of the personal property of that taxpayer at that location.

Reasoning: Trade fixtures are items which have been attached to the real property of a landlord by a tenant and which can be removed by the tenant at the end of the lease term for use elsewhere. Trade Fixtures never lose their character as personal property, despite their attachment to real property. This PRINCIPLE simply states that trade fixtures are classified in the same way that other personal property is classified.

FOURTEENTH PRINCIPLE: The State Tax Commission recommends that tenant-installed leasehold improvements should be assessed as part of the landlord-owned structure in which they are integrated, whenever it is practical to do so, and should be classified as part of the landlord's real property assessment classification. If it is impractical, or in the rare instances where it is illegal, to assess the leasehold improvements as part of the landlord's real property, such leasehold improvements may be assessed as personal property and classified in conjunction with the tenant's other personal property, determined by the usage of said personal property which most significantly influences the total valuation of the personal property of that taxpayer at that location.

Reasoning: This PRINCIPLE, as it relates to the State Tax Commission recommendation, states longstanding Commission policy. Leasehold improvements, as distinguished from trade fixtures, and as distinguished from buildings and other structures erected by a tenant on leased land, are improvements made to a building or structure that is owned by the landlord, or are improvements made by the tenant to land owned by the landlord. As stated in the THIRTEENTH PRINCIPLE above, trade fixtures are assessed and classified as personal property according to the procedures described in that PRINCIPLE. On the other hand, buildings and structures are assessed as real property, rather than as personal property, in accordance with P.A. 415 of 2000 (See STC Bulletins 8 of 2002 and 1 of 2003). MCL 211.8 provides that leasehold improvements can usually be assessed either as real property to the landlord, as part of the real property assessment,

or as personal property to the tenant. Only if the real property is subject to a long term lease that was executed before 1984 and which has not been substantially modified since, is the assessor required to assess the tenant. In any case, leasehold improvements can only be assessed to the tenant to the extent that they have added value to the real property and have not been assessed to the landlord as part of the real property. This PRINCIPLE states current and past practice in the assessing profession. However, in some cases, the assessor enters a separate assessment under a separate parcel number for the leasehold improvements. In such cases the two parcels are considered together in the manner contemplated by the FIRST PRINCIPLE above.

FIFTEENTH PRINCIPLE: Commercial wind energy systems, including associated easement and right of way interests, are classified as industrial personal property. The land on which the system is located is not generally classified as industrial real property and, instead, is classified according to the use which most significantly influences the total valuation of that real property parcel.

Reasoning: This PRINCIPLE conforms to the determination already made by the State Tax Commission and is set forth in this memorandum so that the statement of Principles will be complete.

SIXTEENTH PRINCIPLE: When interpreting MCL 211.34c(5), the phrase “classification that most significantly influences the total valuation of the parcel” shall mean that if some personal property of the taxpayer at the location is used for commercial activity and other personal property of the taxpayer at the location is used for industrial activity, then the assessor shall classify the personal property based on the relative true cash values of the personal property engaged in each activity. If the same item of personal property is used to engage in both commercial and industrial activities, then the activity that provides the largest net revenue shall be the activity that determines the classification treatment of that item.

Reasoning: Some rule must be applied to determine the classification when there are several uses. This rule is both logical and in keeping with the method used to classify real property when there are competing uses. An example of the application of this PRINCIPLE is a case where a bakery sells at retail from a store front and, at the same location, bakes bread for wholesale distribution. The store front display cases for the baked goods are used in a commercial activity and are so treated for classification purposes. The ovens are used for both commercial activity and for industrial activity and are treated as personal property used for the activity which provides the taxpayer with the largest net revenue. The bread racks needed to cool the bread and to make deliveries are used for an industrial activity. The overall classification of the personal property of the taxpayer at that location will be based on the relative true cash values of the personal property assigned to each activity.

A FINAL OBSERVATION: Although it is difficult to formulate a consistent principle, no discussion of the classification of tangible personal property would be complete without observing that, even before an analysis is made to determine the correct personal property classification, a decision must be made whether the property is personal property at all. Equipment which is actually or constructively attached to a highly specialized, single purpose,

structure or facility assessed as real property, and which is essential for the proper functioning of the structure or facility in carrying out the structure's special and single purpose, has often been deemed to be part of the real property on which it is located. The considerations that have led to such treatment have included whether the structure is so specialized that the attached equipment should be deemed to be part of the real property, the adaptability of the structure to alternative uses, the uniqueness of the structure itself, the likelihood that the structure will continue to be used for its highly specialized purpose through its entire economic life and the adaptability of the equipment to uses other than its current type of use, along with past guidance given by the State Tax Commission relating to that type structure or facility, if any, and the practices in both the assessment jurisdiction where the structure is located, and the practices that are generally in use by the assessment jurisdictions in the State.

Michigan judicial case law, in general, imposes three requirements in order to determine that property is a fixture to real property and, therefore, part of the real property. First, the property must be actually or constructively attached. Second, the property must be adapted to the overall use of the real property, or to the overall use of the part of the real property to which it is attached. Third, the manifest intention of the installer of the property at the time of installation must have been to make the property a permanent accession to the real property. Unless all three requirements are met, the property is not deemed to be a real property fixture. The case law emphasizes the importance of the facts of each case and it is clear that a particular type of property might be deemed part of the real property (a fixture) in some cases and personal property in other cases. From a property tax assessment standpoint, however, the demands of the assessment process have dictated that attached property of a given type must be treated either always as real property or always as personal property, at least within a given assessment jurisdiction.

This practical aspect has been recognized in Michigan by the Court in Michigan National Bank, Lansing v. City of Lansing, 96 Mich. App. 551, 293 NW 2d 626 (1980); aff'd 414 Mich. 851, 322 NW 2d 173 (1982) where the court determined that some items of the equipment attached to real property by a tenant were assessable as personal property, while other items were assessable as part of the real property. An example of the application of this practical aspect is the State Tax Commission's direction that the attached equipment of an electric generating facility (except wind turbines, which are assessed as personal property by statute), including constructively attached nuclear fuel, is treated as part of the real property. Further, facilities such as fixed location batch plants for ready-mixed concrete, which entail integrated structural and process components that are largely inseparable from each other, have often been deemed to be entirely real property in nature. On the other hand, particularly in cases where equipment is attached to industrial buildings that are adaptable to a number of industrial users, or in cases where the equipment is part of an integrated process in which the process components are physically interconnected among several buildings, or are situated outside of buildings, the property so use is frequently assessed as personal property, in whole or in part.