



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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**DATE:** December 20, 2004

**TO:** Assessing Officers  
Equalization Directors  
Electric Cooperatives

**FROM:** State Tax Commission

**SUBJECT:** Proper Reporting of Costs by Electric Cooperatives on 2005 Personal Property Statements and the Assessment of Rural Electric Cooperatives

The following directives by the State Tax Commission address the proper reporting of assets on personal property statements for 2005 assessment purposes.

- 1) Electric Cooperatives are required to report their assets on STC Form 633 only.
- 2) Electric Cooperatives are required to report the cost of assets as required by STC Bulletin 1 of 1999.
- 3) The State Tax Commission, at its meeting on July 17, 2003, unanimously approved to apply the Michigan Tax Tribunal decision in MTT Docket No. 273674 to the valuation of electric cooperatives. This means that assessors shall not include Contributions in Aid of Construction (CIAC) when valuing the assets of electric cooperatives.
- 4) The State Tax Commission, at its meeting on October 28, 2004, approved a system of reporting by electric cooperatives which serves as a proxy for vintage year reporting. The following 3 items describe that system:
  - a) Retirements in the current year will no longer be netted against the cost of additions in the current year.
  - b) 75% of the retirements in the current year will be subtracted from the oldest vintage year on the form and the remaining 25% of the retirements will be subtracted from the gross investment amount for each of the other years on the personal property statement, weighted by the amount of gross investment included in that particular year. However, no deduction will be made in the current (most recent) year.
  - c) Any changes adopted will be applied prospectively.

Form 633 and STC Bulletin 1 of 1999 are on the Treasury Department web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury). Bulletin 1 of 1999 can be reached by clicking on the **Local Government** link on the left side of the Treasury home page and then clicking on **State Tax Commission**.

Form 633 can be reached by clicking on the word **Forms** found towards the top of the Web page. Next click on **Property Tax Forms**. Finally, click on the **Real and Personal Property Statements** link and scroll down to Form 633.

While the staff of the Assessment and Certification Division continues to study alternate methods of valuing the assets of electric cooperatives, the existing method will again be used in 2005. The following System Economic Factors will be used in 2005:

<b>Cooperative</b>	<b>Factor</b>
Alger Delta	.70
Bayfield	.70
Cherryland	.90
Cloverland	.80
Great Lakes	.80
Midwest Energy	.95
Ontonagon	.65
Presque Isle	.70
Thumb	.75
Tri-County	.80

In addition to its regular procedures used to determine the System Economic Factors, the State Tax Commission also considered the number of kilowatt hours of electricity sold per mile of distribution line compared to the average number of kilowatt hours of electricity sold per mile of distribution line for all electric utilities as reported to the Michigan Public Service Commission.