



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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**DATE:** February 20, 2004

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

**FROM:** State Tax Commission

**SUBJECT:** Proper Reporting of Costs by Electric Cooperatives on 2004 Personal Property Statements and the Assessment of Rural Electric Cooperatives

It has come to the attention of the State Tax Commission that some electric cooperatives are uncertain about the proper reporting of assets on personal property statements for 2004 assessment purposes. The following directives by the State Tax Commission address this matter:

- 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, **STARTING IN 2004**, assessors shall not include Contributions in Aid of Construction (CIAC) when valuing the assets of electric cooperatives.
- 4) The State Tax Commission has learned that some electric cooperatives are not reporting assets using a vintage year accounting system. Instead, they are using a rolling average cost accounting system. The State Tax Commission directs that those electric cooperatives which are not using vintage year accounting shall submit a plan to the State Tax Commission to correct this reporting procedure as soon as possible but no later than April 30, 2004.

Form 663 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**.

To find Form 633, click on **Forms/Instructions** on the left side of the page. Next click on **Property Tax Forms**.

Finally, click on the **Real and Personal Property Statements** link and scroll down to Form 633. Form 633 is in the process of being revised by eliminating those areas which require the reporting of CIAC.

While the staff of the Property Tax Division continues to study alternate methods of valuing the assets of electric cooperatives, the existing method will again be used in 2004. The following System Economic Factors will be used in 2004:

<b>Cooperative</b>	<b>Factor</b>
Alger Delta	.65
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.

- 5) The State Tax Commission, at its meeting on July 17, 2003, directed that all electric cooperatives shall supply a copy of their 2003 reporting forms to the Commission. Electric cooperatives are requested to send copies of their 2003 personal property reports to the Commission as soon as possible, but no later than April 30, 2004.