STATE OF MICHIGAN

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TO: Assessing Officers
County Equalization Directors
Natural Gas Storage Field Operators

FROM: State Tax Commission

No. 4 - January 25, 1983
Assessable status of interests in underground rock strata used for gas storage

Act No. 539 of the Public Acts of 1982 has clarified the description of interests in underground rock strata used for gas storage purposes. Although Act No. 539 does not take effect until March 30, 1983 the specific direction in the new language is a restatement of the general guideline which has previously been prescribed by sections 211.8 and 211.14 of the Michigan Compiled Laws.

You are directed, for the 1983 assessment of property, to follow the language of 1982 Public Act 539 which is excerpted here:

> "Interests in underground rock strata used for gas storage purposes, whether by lease or ownership separate from the surface of real property, shall be separately valued and assessed as personal property in the township, village, or city in which located to the person who holds the interest. The interests in such underground rock strata shall be reported as personal property to the assessor for all such property descriptions included in the storage field in the township, village, or city and a separate valuation shall be assessed for each school district."

The interest in underground rock strata where it is held by the owner of the surface of real property is not separately assessable.

The value of the interest in underground rock strata is to be determined by the assessor by appraisal.

Underground rock strata storage was assessed as personal property in at least one major field in 1982. Consistent assessment as personal property, beginning in 1983, will simplify the problem of equitable assessment.

If the separately held interests in underground rock strata were not to be reported as personal property, the property would not be exempt. The alternative would involve numerous real property descriptions, each with a separate tax statement. The state tax commission firmly believes that the previous language of section 211.8, M.C.L. was for the purpose of simplifying the description and assessment of utility company usage of multiple descriptions, including public lands; the new language provided by 1982 P.A. 539 merely updates section 211.8.