

State Tax Commission February 22, 2011 Tip
Topic: Fluid Pipeline Reporting (Part 3)



Dear STaCy,

While processing my personal property statements I have discovered that a fluid pipeline company has requested an obsolescence allowance for under-utilization. They have computed the claimed under-utilization by dividing the actual throughput of crude oil that passed through the pipeline during the past year by the design capacity of the pipeline and then taking that ratio to the power of .65. They don't explain why they take the ratio to the power of .65, but they call the result a "utilization factor," and multiply it by the true cash value derived from applying the Table K valuation multipliers. The result is an assessed value which is approximately one-third of what it would be if the allowance is not applied. They have not completed Form 3589. I have three questions, which I am presenting separately to avoid confusion. **My third question is whether they are authorized to report their costs without completing Form 3598?**

Sincerely,

Pipeline Pete

Dear Pete,

In answer to your third question, no taxpayer is authorized to forgo the use of the Personal Property Statement (Form L-4175) or any of the other forms that are used in conjunction with the Statement, including Form 3589. Failure to use the required form constitutes an incorrect report and can lead to confusion on the part of the processing assessment jurisdiction. If an incorrect assessment results through the failure to use the required form or forms, the assessment is subject to correction using the procedure contained in MCL 211.154.

Sincerely,
STaCy