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DEPARTMENT OF TREASURY  
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**DATE:** February 14, 2023  
**TO:** State Tax Commission  
**FROM:** David A. Buick, Executive Director  
**SUBJECT:** Pipeline Economic Factor for 2023 - Updated

After issuing the Pipeline Economic Factor for 2023 memorandum at the December 20, 2022 State Tax Commission meeting, staff has received requests for clarification from stakeholders as to the description and application of the economic factor.

In 2010, the State Tax Commission approved an economic factor for ANR Pipeline and Mid-Michigan Gas Storage. While an economic factor for Great Lakes Gas Transmission was considered, it was determined that a factor for Great Lakes Gas Transmission was not appropriate at that time. The Commission directed that the factors would begin for the 2011 tax year at 65% and moved in increments of 5% down to 50% for the 2014 year. However, in 2013, the Commission approved a 40% economic factor, to be applied for the 2014 tax year, for Great Lakes Gas Transmission. Additionally, the Commission amended the prior factor for ANR Pipeline and Mid-Michigan Gas Storage to 40%. The Commission continued to adopt the same 40% economic factor for the 2015 – 2018 tax years and directed that the factor be applied to ANR Pipeline, Mid-Michigan Gas Storage, and Great Lakes Gas Transmission.

In 2018, staff received a request for the application of a 40% economic factor to Northern Natural Gas Company, which transports natural gas from Texas and Oklahoma to the upper Midwest. Ultimately, the Commission approved of the request and authorized the use of the 40% economic factor for Northern Natural Gas Company.

For the 2019 - 2022 tax years, staff recommended the continuation of a 40% economic factor for ANR Pipeline, Mid-Michigan Gas Storage, Great Lakes Gas Transmission and Northern Natural Gas Company.

After consulting pipeline companies and considering available valuation data for the type of personal property assets receiving the economic factor, staff recommends that the Commission approve an economic factor for ANR Pipeline, Great Lakes Gas Transmission and Northern Natural Gas Company for the 2023 tax year. However, staff also recommends that the Commission discontinue the economic factor for Mid-Michigan Gas Storage.

Staff further recommends that the Commission adjust the factor previously approved to an economic factor of 45% (percent good) and limit the application of the economic factor to personal property assets reported on Table J of Form 3589 *Cable Television and Utility Personal Property Report*. Said factor would not apply to any assets reported on Form 632 *Personal Property Statement* or any another personal property reporting forms utilized by Mid-Michigan Gas Storage, Great Lakes Gas Transmission or Northern Natural Gas Company.

Staff recognizes that assessors have been advised that it was usually not necessary to calculate a Capped Value for most personal property which is valued using the State Tax Commission's Personal Property Multiplier Tables. However, there are occasions where the value of existing personal property assets increase in value from the prior year (not considering the value of additions). If the increase in value exceeds inflation rate multiplier for the current year, the assessor must calculate the taxable value using the Capped Value Formula.

In the case of those entities receiving the economic factor, assessors must consider the possibility that the change in the factor may require the application of the Capped Value Formula. The following guidelines shall be followed by assessors regarding the calculation of Capped Value and Taxable Value for personal property.

- a. Capped Value and Taxable Value shall be calculated for the total assets of a company at the location under consideration. The assessor shall NOT separately calculate Capped Value and Taxable Value for a part of the total property being assessed.
- b. The reduction in value on personal property from one year to the next (as reflected in personal multipliers which go down from one year to the next) is not considered LOSSES in the Capped Value formula.
- c. If the value of the total personal property covered by one parcel code has increased in value from one year to the next (not considering the value of ADDITIONS), it will be necessary to ascertain the individual ADDITIONS and LOSSES which occurred at the property in the past year. An example of LOSSES would be property which has been removed from the premises during the prior year. An example of ADDITIONS would be new acquisitions of equipment in the prior year. In the event Move-ins and Disposals are not fully disclosed, it may be necessary for the property owner to report additional information to allow assessors to calculate Capped Value.

For more information on calculating capped value and taxable value for personal property, please refer to State Tax Commission Bulletin 12 of 1999. Assessors requiring assistance regarding the calculation of taxable value for personal property are encouraged to reach out to the State Tax Commission via email at [State-Tax-Commission@michigan.gov](mailto:State-Tax-Commission@michigan.gov).