

**State Tax Commission Bulletin No. 1 of 2000**  
**January 12, 2000**  
**New Personal Property Multipliers For Locally Assessed Public Utilities**

DATE: January 12, 2000  
TO: Assessors, Equalization Directors  
FROM: State Tax Commission(STC)

**RE: NEW PERSONAL PROPERTY MULTIPLIER TABLES FOR VALUING ELECTRIC AND PIPELINE TRANSMISSION AND DISTRIBUTION ASSETS**

On November 23, 1999 and on December 29, 1999, the State Tax Commission (STC) adopted new personal property multiplier tables for the valuation of electric and pipeline transmission and distribution assets (Electric and pipeline transmission and distribution companies will be referred to in this bulletin as "locally-assessed public utilities".)

The purpose of this bulletin is to instruct assessors on the use of these new tables. This bulletin will also be useful to taxpayers who wish to know more about the valuation of these assets.

**Important Note:** Several units of government are currently seeking an injunction in Wayne County Circuit Court to prohibit the use of the utility multiplier tables for assessing gas and electric transmission and distribution property. The Court has indicated that it will render an opinion in this matter on or before January 25, 2000. The STC will inform you about the court decision as soon as possible after it is rendered.

**1. General Guidelines Regarding the Use of Personal Property Multiplier Tables**

STC Bulletin 12 of 1999 contains many guidelines regarding the valuation of property assessed on the personal property roll. The assessor is advised to review Bulletin 12 of 1999 since its guidelines also apply to the valuation of electric and pipeline transmission and distribution assets.

The following is one of the guidelines contained in Bulletin 12 of 1999:

**Assessors Required to Use Personal Property Multiplier Tables (Bulletin 12 of 1999, Page 2)**

In order to have a uniform approach throughout the State, the Tax Commission requires that assessors shall use the personal property multiplier tables and the related procedures adopted by the State Tax Commission and discussed in this bulletin.

The State Tax Commission believes that the use of the tables and the related procedures discussed in this bulletin will result in accurate indicators of true cash value for the total assets of most taxpayers.

The Commission recognizes that there may be special or unusual circumstances related to the valuation of the assets of a particular taxpayer which might cause the assessor to adjust the answer produced by the use of the STC Multiplier Tables.

An example of this would be a property which has experienced an obviously abnormal amount of physical deterioration or functional obsolescence. When these special or unusual circumstances occur, the assessor and/or the taxpayer shall seek the advice of the State Tax Commission.

2. **The OLD STC Personal Property Multiplier Tables For the Valuation of Electric and Pipeline Transmission and Distribution Assets.**

The following are the STC Personal Property Multiplier Tables which were used by assessors for the valuation of electric and pipeline transmission and distribution assets for assessment year 1999 and before:

**Table 1:** Gas Distribution Mains and Equipment

**Table 2:** Electric Transmission and Distribution and Crude Oil and Fluid Pipelines

**Table 2a:** Gas Transmission Pipelines(Adopted 8/13/96)

A copy of these tables with their yearly multipliers can be found on page A-1 of the addendum to this bulletin.

**Tables 1 and 2 have been replaced by the Commission and shall no longer be used starting with 2000 assessments. The Tax Commission has determined that Table 2a continues to result in valid indicators of true cash value for Gas TRANSMISSION pipeline assets. Table 2a has been relabeled and is now Table J.**

3. **The NEW STC Personal Property Multiplier Tables for the Valuation of Electric and Pipeline Transmission and Distribution Assets**

The STC has adopted the following 4 personal property multiplier tables for the valuation of electric and pipeline transmission and distribution assets:

**Table H** for the valuation of Gas Distribution Pipelines and Related Equipment

**Table I** for the valuation of Electric Transmission and Distribution Assets and Related Equipment.

**Table J** for the valuation of Gas Transmission Pipelines and Related Equipment

**Table K** for the valuation of Crude Oil and Fluid Pipelines and Related Equipment

A copy of these tables with their yearly multipliers can be found on page A-2 of the addendum to this bulletin.

4. **Valuation of the Personal Property Assets of a Locally-Assessed Public Utility Which are NOT Electric or Pipeline Transmission and Distribution Assets**

Locally-Assessed Public Utilities frequently have personal property assets which are not electric or pipeline transmission or distribution assets.

These assets are NOT valued using Tables H, I, J, or K. They are valued using one of the other tables discussed in STC Bulletin 12 of 1999.

The following are examples of these types of assets and the tables which should be used for valuing them for assessment purposes:

### **Recommended**

<u>Asset</u>	<u>Table to Use</u>
a) Tools and garage equipment	Table B
b) Laboratory equipment	Table D
c) Communication equipment	Table D
d) Office furniture	Table A
e) Computer Equipment	Table F
f) Machine tools and machinery	Table B

### **5. STC Form 3589: Form for Filing Electric and Pipeline Transmission and Distribution Assets**

The State Tax Commission has adopted a new Personal Property Statement (STC Form L-4175) for use by taxpayers starting in 2000. This form is an 8-page form which was included in the Addendum of STC Bulletin 12 of 1999.

STC Form 3589(copy attached) is a new supplementary form which is filed along with the main 8-page form (L-4175). STC Form 3589 is designed to be used by either locally-assessed public utilities or cable television companies. A locally-assessed public utility should use STC Form 3589 for filing its electric and pipeline transmission and distribution assets. The other assets of a locally-assessed public utility (discussed in paragraph 4 of this bulletin) should be reported on the regular schedules found on the 8-page form (L-4175).

### **6. REA System Economic Factors for 2000**

The equipment of rural electric distribution and generation cooperatives is valued by multiplying the original cost of the equipment by the State Tax Commission personal property multipliers. The depreciated reproduction cost determined after application of the personal property multipliers is adjusted by the individual distribution cooperative's System Economic Factor. The resultant amount is the True Cash Value of that cooperative's personal property.

The System Economic Factor is an attempt to adjust each cooperative's personal property value for differences in service area such as number of customers per mile, number of seasonal customers, etc., that could affect the market value of that cooperative's personal property in relation to the value of other Michigan cooperatives and non-cooperatives. The use of a System Economic Factor in the valuation of a distribution cooperative's personal property was upheld in the 1968 Court of Appeals case Alger-Delta Cooperative Electric Association v Bay DeNoc Township, 13 Mich App. 41.

The following are the REA System Economic Factors for 2000 assessments expressed as multipliers:

<u>COOPERATIVE</u>	<u>FACTOR</u>
Alger Delta	.70
Cherryland	.90
Cloverland	.85
Great Lakes	.80
Midwest Energy Corp.	.95
Ontonagon	.65
Presque Isle	.70
Thumb	.75
Tri-County	.80

Effective January 1, 1998, Fruitbelt and Southeastern merged and changed its name to Midwest Energy. Top O'Michigan and Western merged with Great Lakes Energy, effective January 1, 1999. In addition to the factors for these merged cooperatives, two other factors changed from those approved by the STC for use in 1999. Cherryland's factor changed from .85 to .90 and Cloverland's Factor changed from .80 to .85.

**Important Note:** The State Tax Commission has directed that in 2000, its staff make an in-depth analysis of whether application of REA System Economic Factors is still appropriate and if so, whether any changes in the method of calculation are warranted.

## 7. Calculating Capped Value and Taxable Value for Personal Property

**In the past**, assessors have been advised that it was usually not necessary to calculate a Capped Value for most personal property which is valued using the STC Personal Property Multiplier Tables. This was generally true because existing personal property would seldom increase in value from year to year.

**Starting with 2000 assessments**, there may be rare occasions where the value of existing personal property assets **increases** in the year 2000 over what it was in 1999 (not considering the value of ADDITIONS). If this increase exceeds 1.9% for the year 2000, the assessor shall calculate Capped Value for the current year. In this situation, the Capped Value shall become the Taxable Value of the property. The following are examples of assets which may experience an increase in value in 2000.

1. Crude oil and fluid pipeline assets
2. Communication towers
3. Construction equipment
4. Consumer-coin operated equipment, depending on its age
5. Assets which were under valued in 1999 because the wrong multiplier table was used.
6. Computer controlled equipment for which computer costs were split out prior to 2000.

It may be necessary to calculate Capped Value for a business which owns these assets depending on the nature and amount of other assets the business owns (See paragraph a below).

**Important Note:** If a taxpayer has incorrectly reported an asset in the past, this incorrect reporting may result in an ADDITION in the Capped Value formula. An example would be the incorrect reporting of fine art as furniture and fixtures.

**In the case of crude oil and fluid pipelines,** it is likely that many personal property assessments will increase in the year 2000 over what they were in 1999 (not considering the value of ADDITIONS). This is true because all of the new Table K personal property multipliers are higher than the Table 2 multipliers used in 1999.

The following guidelines shall be followed by assessors regarding the calculation of Capped Value and Taxable Value for personal property. Assessors who have **crude oil or fluid pipelines** in their jurisdictions should pay special attention to paragraph c below.

- 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.

EXAMPLE: If part of the personal property assets of a company at a particular location increased in value more than the rate of inflation but the assets AS A WHOLE went down in value, the assessor shall NOT separately calculate Capped Value for the part which increased in value.

- 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 LOSSES in the Capped Value formula.

EXAMPLE: If the assessment on a property is \$50,000 in 1999 and \$49,000 in 2000, the reduction in assessment of \$1000 is not LOSSES in the Capped Value formula. This example assumes there are no new acquisitions for this property during 1999 and no equipment has been removed.

- 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. Under the present system of reporting on the personal property statement, the assessor can only determine, with certainty, what the ADDITIONS are for the **most recent year**. The assessor is not able to determine what the ADDITIONS and LOSSES are for **prior years**. Since property owners do not ordinarily separately report this information, it may be necessary for the property owner to report additional information to allow assessors to calculate Capped Value.

**Important Note:** Depending on the amount of inflation that occurs, it may also be necessary to calculate capped values for **crude oil and fluid pipeline** assets in the years following 2000 because the multipliers increase as the property gets older. FOR EXAMPLE, the multiplier for year 10 is 1.10 and the multiplier for year 11 is 1.12.

# ADDENDUM

## OLD STC MULTIPLIERS DO NOT USE FOR 2000 ASSESSMENTS

### ORIGINAL COST MULTIPLIERS FOR VALUING TANGIBLE PERSONAL PROPERTY

Assessors, Equalization Departments, and the State Tax Commission will use this schedule in the valuation of personal property for property tax purposes. The amounts arrived at after application of the multipliers to original acquisition cost will be the full true cash value of the property.

#### MULTIPLIERS FOR MACHINERY & EQUIPMENT AND FURNITURE & FIXTURES

TABLE:	<u>1</u>	<u>2</u>	<u>2a</u>	
TITLE:	GAS DISTRIBUTION MAINS & EQUIP MULTIPLIER	ELECTRIC T & D & CRUDE OIL & FLUID PIPELINES MULTIPLIER	GAS TRANSMISSION PIPELINES MULTIPLIER	Column 2a approved by the State Tax Commission on 8/13/99
AGE:				
1	99%	98%	97%	
2	97%	94%	91%	
3	94%	90%	86%	
4	93%	88%	81%	
5	92%	86%	76%	
6	90%	84%	71%	
7	90%	83%	67%	
8	89%	82%	63%	
9	88%	81%	59%	
10	88%	80%	56%	
11	87%	79%	53%	
12	86%	78%	51%	
13	86%	77%	49%	
14	85%	76%	47%	
15 & over	84% min	75% min	45% min	

TITLE:	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
TITLE:	LONG LIVED MULTIPLIER	AVERAGE LIVED MULTIPLIER	SHORT LIVED MULTIPLIER	COMPUTER EQUIPMENT & ASSESSABLE SOFTWARE MULTIPLIER
AGE:				
1	94%	93%	89%	80%
2	83%	79%	69%	60%
3	74%	67%	53%	50%
4	68%	60%	45%	40%
5	63%	54%	38%	30%
6	59%	49%	32%	20%
7	56%	46%	30% min	10% min
8	54%	44%		
9	52%	42%		
10	50%	40%		
11	48%	38%		
12	46%	36%		
13	44%	34%		
14	42%	32%		
15 & over	40% min	30% min		

**STATE TAX COMMISSION  
ORIGINAL COST MULTIPLIERS  
(Expressed as Multipliers)**

**FOR VALUING ELECTRIC AND PIPELINE TRANSMISSION AND DISTRIBUTION ASSETS**

Assessors, Equalization Departments and the State Tax Commission shall use this schedule for the valuation of electric and pipeline transmission and distribution assets. The amounts arrived at after application of these multipliers to original acquisition cost will be the full true cash value of the assets.

	Table H Gas Distribution Pipelines	Table I Electric Transmission and Distribution	Table J Gas Transmission Pipelines	Table K Crude Oil and Fluid Pipelines
Age				
1	.96	.96	.97	.99
2	.90	.93	.91	1.00
3	.84	.90	.86	1.01
4	.79	.86	.81	1.02
5	.74	.82	.76	1.03
6	.69	.78	.71	1.04
7	.65	.74	.67	1.05
8	.61	.70	.63	1.06
9	.57	.67	.59	1.08
10	.53	.64	.56	1.10
11	.49	.61	.53	1.12
12	.45	.58	.51	1.14
13	.41	.55	.49	1.16
14	.38	.52	.47	1.18
15 & Older	.35	.50	.45	1.20

State Tax Commission [Form 3589](#) - 2000 CABLE TELEVISION & PUBLIC UTILITY PERSONAL PROPERTY REPORT