STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

BULLETIN NO. 14 of 2014
CHANGES FOR 2015
October 13, 2014

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2015 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2015 assessment year.

A. Inflation Rate Used in the 2015 Capped Value Formula.

The inflation rate, expressed as a multiplier, to be used in the 2015 Capped Value formula is 1.016. The 2015 Capped Value Formula is as follows:

2015 CAPPED VALUE = (2014 TAXABLE VALUE - LOSSES) X 1.016 + ADDITIONS

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.016 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2015.

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons **shall not** be set lower than $19,790 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than $19,790. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2015 assessments.

Size of Family Unit	Poverty Guidelines
1	$ 11,670
2	$ 15,730
3	$ 19,790
4	$ 23,850
5	$ 27,910
6	$ 31,970
7	$ 36,030
8	$ 40,090
For each additional person	$4,060

Note: PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available. Please see STC Bulletin 5 of 2012 for more information on poverty exemptions.

Note: P.A. 135 of 2012 changed the requirements for filing documentation in support of a poverty exemption to allow an affidavit (Treasury Form 4988) to be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current year or in the immediately preceding year. This does include the owner of the property who is filing for the exemption.

C. Multipliers for the Valuation of Free-Standing Communication Towers.

The State Tax Commission recommends that, subject to the qualifications stated below, communication towers should be valued for the 2015 assessment year using the table of **historical** (original cost when the tower was new) cost valuation multipliers set forth in the multiplier table below. These multipliers have been developed in a manner such that they account for the typical depreciation which is expected for a tower of the indicated age and also account for changes in the cost of the tower and erecting it that have occurred since the time the tower was constructed. On this basis, the multiplier table which is shown below is intended to predict the current true cash value of a tower of the vintage year in which the tower was constructed. An important component in determining the current value of a tower built in a given year is the change in the cost of materials, particularly changes in the cost of steel, between the time of construction and the current Tax Day. Since the table considers both depreciation and changes in construction costs, and since changes in construction cost have not always occurred at a constant rate, the multiplier table does not always evidence a decline in the rate by which the historical cost must be adjusted in order to determine current value. This effect is expected and can be better understood if one remembers that the multiplier table is not a depreciation table and the multipliers are applied to the historic cost of construction, not to the current replacement cost.

Communication towers are real property. When a communication tower is built on land owned by the owner of the tower, the tower is valued and assessed as a real property improvement to the land on which it is located. When a communication tower is built on leased land, the owner is required to report the original construction cost of the tower on Section N of its personal property statement, in the same way that it would report any other structure on leased land. Although the construction costs are reported on the personal property statement, a tower on leased land is not assessed on the personal property assessment roll. Instead, the assessor is required to establish a separate real property assessment for a tower located on leased land, using the procedures set forth in State Tax Commission Bulletin 8 of 2002 and State Tax Commission Bulletin 1 of 2003.

Please note: Sometimes communication towers are located on land that is exempt because the land is owned by an exempt entity such as a municipality or is otherwise exempt. When this occurs, the tower must be assessed to the tower owner on the real property roll as a structure on leased land. IN ADDITION, the assessor must also consider whether the land should also be assessed to the tower owner as provided by MCL 211.181.

There may be situations where the value of a particular freestanding communication tower is more or less than the figure developed by using this table. This could be due to unusual depreciation (physical deterioration and/or obsolescence) or an unusual enhancement in value caused by supply and demand factors in a particular area.

The State Tax Commission has developed STC Form 3594 for reporting the costs of freestanding communication towers. This form was developed for the specific purpose of gathering construction cost information for communication towers. The assessor may use this form to gather detailed information regarding the construction costs of communication towers. This cost information can then be used as a basis for valuation by multiplying the historic cost by the appropriate multiplier from the table located below.

Please note the following:

- The preferred method for valuing freestanding communication towers is using original cost new multiplied by the appropriate multiplier from the following table.

- In some cases historical/original cost may be unobtainable. Those cases may require using the Assessor's Manual cost new multiplied by the Assessor's Manual depreciation table multiplier.

- Do not apply the Assessor's Manual depreciation table multipliers to the historical/original cost of a tower.

- Do not apply the communication tower multipliers from the following table to the Manual cost new of a tower.

State Tax Commission Form 3594 is a real property statement and, as such, the taxpayer is not required to complete and submit the form to the assessor unless the taxpayer is specifically asked to do so. If a communication tower is located on leased land, the owner should already be reporting its original acquisition costs on Section N of the personal property statement (STC Form L-4175). If so, the assessor would only need to send STC Form 3594 if more detailed information regarding costs is needed. The assessor IS NOT REQUIRED TO SEND STC Form 3594 to tower owners each year. The following table applies to both guyed and self-supporting communication towers.

HISTORICAL (ORIGINAL) COST VALUATION MULTIPLIERS FOR USE IN 2015 ASSESSMENTS OF FREESTANDING COMMUNICATIONS TOWERS

YEAR OF CONSTRUCTION	MULTIPLIER	YEAR OF CONSTRUCTION	MULTIPLIER
2014	0.97	1994	0.95
2013	0.96	1993	0.96
2012	0.95	1992	0.95
2011	0.95	1991	0.93
2010	0.90	1990	0.91
2009	0.88	1989	0.90
2008	0.90	1988	0.92
2007	0.91	1987	0.90
2006	0.93	1986	0.88
2005	0.97	1985	0.86
2004	1.02	1984	0.85
2003	1.01	1983	0.85
2002	1.00	1982	0.86
2001	0.98	1981	0.87
2000	0.98	1980	0.96
1999	0.97	1979	1.06
1998	0.98	1978	1.13
1997	0.97	1977	1.20
1996	0.96	1976	1.30
1995	0.95	1975 and prior	1.42

D. Property Classification

The State Tax Commission reminds assessors that classification is to be determined annually and is based upon the use of the property and not highest and best use of the property. The Commission is aware that some assessors are still classifying property according to highest and best use and/or are not classifying property on an annual basis. The Commission asks that all assessors take the necessary steps to ensure that all real and personal property is properly classified according to MCL 211.34c.

E. Sales Studies

Equalization study dates are as follows:
Two Year Study: October 1, two years prior through September 30, current year
Single Year Study: October 1, preceding year through September 30, current year

For 2014 studies for 2015 equalization the dates are as follows:
Two Year Study: October 1, 2012 through September 30, 2014
Single Year Study: October 1, 2013 through September 30, 2014

Note that the time period revisions apply to all equalization studies, that is: sales ratio studies, land value studies and economic condition factor studies for appraisals. Also note that the revised time period for two year studies applies to all real property classifications.

F. Changes to Personal Property Tax

The State Tax Commission issued Bulletin 11 of 2013 and 12 of 2013 dealing with the personal property tax changes that were effective for the 2014 year. The eligible small business taxpayer exemption remains in effect for 2015. Assessors are encouraged to review Bulletin 11 of 2013 and ensure they are familiar with the due dates for mailing personal property statements and for receipt of the small business taxpayer exemption affidavit (form 5076).

Additional changes regarding personal property go into effect in 2016. The State Tax Commission will release Bulletins during 2015 regarding these additional changes. Assessors are reminded of the reporting requirements associated with the personal property tax changes. Specifically, by June 1, 2015 Assessors are required to transmit to the Department of Treasury a copy of the 2015 personal property statement which identifies eligible manufacturing personal property or the information on the statement see MCL 211.19(9).

Additionally, by June 15, 2015 Each municipality that is a tax increment finance authority shall calculate and report to the Department of Treasury the municipality's tax increment small taxpayer loss for the current year, see MCL 123.1356a.

G. Disabled Veterans Exemption

Assessors and Board of Review are asked to review in detail the STC issues Frequently Asked Questions regarding the Disabled Veterans Exemption and to review Bulletin 22 of 2013 regarding eligibility for the exemption.