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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN NO. 12 of 2011
CHANGES FOR 2012
October 31, 2011

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2012 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2012 assessment year.

A. Inflation Rate Used in the 2012 Capped Value Formula.

The inflation rate, expressed as a multiplier, to be used in the 2012 Capped Value formula is 1.027. The 2012 Capped Value Formula is as follows:

2012 CAPPED VALUE = (2011 TAXABLE VALUE - LOSSES) X 1.027 + ADDITIONS

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.027 is lower than 1.05.

B. Klooster v. City of Charlevoix

On March 10, 2011, the Michigan Supreme Court issued a decision in the case of *Klooster v City of Charlevoix* which reversed the decision previously made in that case by the Michigan Court of Appeals. The decision will significantly affect the analysis used by Michigan assessors in determining whether a "transfer of ownership" of property has occurred, as that phrase is defined in Michigan Compiled Laws 211.27a(6), in cases involving the creation, modification or termination of joint tenancy ownerships.

A memo detailing the decision and offering several examples was posted by the Commission on June 2, 2011 and that memo is posted on the STC website.

General questions regarding transfers of ownership are addressed in the State Tax Commission's Transfers of Ownership publication, available on the Commission's website under the Publications link. Specific questions regarding the Klooster case and transfers of ownership may be directed to Heather Frick or Tim Schnelle at 517-335-3429

C. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2012.

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 $18,500 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 $18,500. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2012 assessments.

Size of Family Unit	Poverty Guidelines
1	$ 10,900
2	$ 14,700
3	$ 18,500
4	$ 22,400
5	$ 26,200
6	$ 30,000
7	$ 33,800
8	$ 37,600
For each additional person	$3,800

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 7 of 2010 for more information on poverty exemptions.

D. 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 2012 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 2012 ASSESSMENTS OF FREESTANDING COMMUNICATIONS TOWERS

YEAR OF CONSTRUCTION	MULTIPLIER	YEAR OF CONSTRUCTION	MULTIPLIER
2011	0.97	1991	0.95
2010	0.92	1990	0.92
2009	0.91	1989	0.92
2008	0.93	1988	0.94
2007	0.94	1987	0.92
2006	0.96	1986	0.89
2005	1.00	1985	0.88
2004	1.05	1984	0.88
2003	1.04	1983	0.86
2002	1.03	1982	0.88
2001	1.01	1981	0.91
2000	1.01	1980	0.95
1999	1.00	1979	1.04
1998	0.99	1978	1.06
1997	0.99	1977	1.13
1996	0.98	1976	1.23
1995	0.99	1975	1.34
1994	0.98	1974	1.47
1993	0.99	1973	1.62
1992	0.97	1972 and prior	1.74

E. Classification Appeals

The Supreme Court on May 23, 2011 ruled in *Iron Mountain Information Management, Inc. v. Robert Naftaly, et al* that classification was a private right and that the decision of the STC was quasi-judicial in nature and therefore the final sentence of MCL 211.34c(6) which indicated there was no appeal from the decision of the Commission was unconstitutional and appeals of a decision of the STC regarding classification are to Circuit Courts.

F. 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 2010 studies for 2012 equalization the dates are as follows:

Two Year Study: October 1, 2009 through September 30, 2011
Single Year Study: October 1, 2010 through September 30, 2011

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.

The Commission orders the use of 2011 single year sales studies for the 2012 starting base for the residential class for all local units. County Equalization Directors on behalf of their local units may request an exception to this order. In order to request an exception, Equalization Directors must present compelling evidence to support the use of a two year study. Requests for an exception should be directed to Kelli Sobel, State Tax Commission at P.O. Box 30471, Lansing, MI 48909 or via email at sobelk2@michigan.gov.