5102 (Rev. 04-15)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Bulletin 16 of 2018
October 22, 2018
Changes for 2019

TO: Assessing Officers and County Equalization Directors

FROM: State Tax Commission

SUBJECT: Procedural Changes for the 2019 Assessment Year

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2019 assessment year.

A. Inflation Rate Used in the 2019 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2019 Capped Value Formula is 1.024.

The 2019 Capped Value Formula is as follows:

2019 CAPPED VALUE = (2018 Taxable Value – LOSSES) X 1.024 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.024 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2019

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 $20,780 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 $20,780. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2019 assessments:

Size of Family Unit	Poverty Guidelines
1	$12,140
2	$16,460
3	$20,780
4	$25,100
5	$29,420
6	$33,740
7	$38,060
8	$42,380
For each additional person	$4,320

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 6 of 2017 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 2019 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.

Property Statement for Communication Towers (Form 3594) is to be used 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.

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 (Form 632 (L-4175)). If so, the assessor would only need to send Form 3594 if more detailed information regarding costs is needed. The assessor IS NOT REQUIRED TO SEND 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 2019 ASSESSMENTS OF FREESTANDING COMMUNICATIONS TOWERS

YEAR OF CONSTRUCTION	MULTIPLIER	YEAR OF CONSTRUCTION	MULTIPLIER
2018	0.97	1998	0.89
2017	0.96	1997	0.87
2016	0.92	1996	0.88
2015	0.91	1995	0.87
2014	0.88	1994	0.87
2013	0.87	1993	0.87
2012	0.87	1992	0.86
2011	0.85	1991	0.85
2010	0.82	1990	0.81
2009	0.81	1989	0.80
2008	0.82	1988	0.84
2007	0.83	1987	0.82
2006	0.84	1986	0.80
2005	0.87	1985	0.76
2004	0.93	1984	0.79
2003	0.91	1983	0.81
2002	0.92	1982	0.85
2001	0.89	1981	0.90
2000	0.90	1980	0.99
1999	0.88	1979 and prior	1.09

D. Sales Studies

Equalization study dates are as follows for 2019 equalization:

Two Year Study: April 1, two years prior through March 31, current year
Single Year Study: October 1, preceding year through September 30, current year

For 2018 studies for 2019 equalization the dates are as follows:

Two Year Study: April 1, 2016 through March 31, 2018
Single Year Study: October 1, 2017 through September 30, 2018

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.

Please be advised that the above sale study dates **are not** the same as the valuation date used in appeals before the Michigan Tax Tribunal. Evidence presented in a Tax Tribunal appeal should reflect the value of the property as of tax day (December 31). This means that sales occurring *after* March 31, 2018 and September 30, 2018 should still be considered and included when submitting evidence in a Tax Tribunal appeal involving the 2019 tax year.

E. 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.

F. Updated Assessors Manual

The State Tax Commission at their February 14, 2017 adopted the new Assessors Manuals and approved their required use for the 2019 year. While the printed manual did not change from prior versions of the manual, the way CAMA software providers obtain the updated costs in the manual did change. This has caused some confusion regarding some items in the manual including the County Multiplier. The State Tax Commission will continue to annually receive from Marshall Swift and annually approve County Multipliers. Because of the electronic connection to the manual, those multipliers are included in the costs the CAMA providers electronically retrieve. Therefore, assessors will no longer be required to add a separate County Multiplier.

Staff continue to work with Marshall Swift and CAMA software providers on issues related to tracking of costs between the printed and electronic manual. Updates will be provided via listserv once a final solution is reached.

G. Updated Recommended Classification Codes

At the February 13, 2018 State Tax Commission meeting, the Commission adopted CAMA Data Standards, which included updated property classification codes. As a result of the Commission's prior action, the State Tax Commission at their meeting on April 9, 2018 rescinded the State Tax Commission Recommended Classification Codes adopted on April 21, 2011 and approved for use by assessors revised Recommended Classification Codes. The updated State Tax Commission Recommended Classification Codes are available online at www.michigan.gov/statetaxcommission.

H. Tax Tribunal Small Claims Division Hearings

Assessors should carefully read all notices, orders and other correspondence sent by the Tax Tribunal. Assessors should pay special attention to the Notice of Hearing and ensure they are available at the date and time of the scheduled hearing. It is important to appear at the hearing and to timely file with the Tax Tribunal and serve a copy to the taxpayer of all evidence and documentation you wish to be considered at the hearing.

Assessors representing their local unit in Tax Tribunal hearings need to submit evidence to support the value of the property under appeal. If the assessor is relying on the property record card as evidence of value, the property record card must be for the year(s) being appealed. The complete property record card, including all calculations should be provided; do not submit a property record card that states "calculations too long" and then fail to include the additional calculations. Also, it is important to submit the studies prepared that support the economic condition factor and land value on the record card. Assessors should also be able to explain at the Tax Tribunal hearing how the value shown on the property record card was calculated. More information regarding the Michigan Tax Tribunal, including Tribunal Rules, forms and instructions is available at www.michigan.gov/taxtrib.

I. Changes to Personal Property Tax

On May 3, 2018 Governor Snyder signed in law P.A. 132 of 2018. This act made changes to the Small Business Taxpayer Exemption (MCL 211.9o), specifically changing the filing requirements to provide that eligible taxpayers do not have to annually file to receive the exemption. Taxpayers who filed for the exemption in prior years still must file Form 5076, *Small Business Property Tax Exemption Claim Under MCL 211.9o,* in 2019 to claim the exemption. Once granted, the assessor will then continue the exempt the personal property until the taxpayer files a rescission indicating they no longer qualify for the exemption. Assessors can implement an audit program to determine if taxpayers still qualify for the exemption.

As a reminder, Public Acts 261-264 of 2017 were signed into law on December 28, 2017. These Acts made several changes that affect both the Small Business Taxpayer Exemption and the Eligible Manufacturing Personal Property Exemption (EMPP).

P.A. 261of 2017 changes the deadline for filing the Small Business Taxpayer Exemption to February 20 and changed Form 5076 from an Affidavit to a Statement. This allows the assessor to accept either a facsimile or electronic signature on Form 5076. Form 5076 has been updated to reflect these statutory changes.

P.A. 261-264 of 2017 also changed the statute to allow assessors to accept a postmark by February 20 for Form 5278 to claim the EMPP exemption. Form 5278 and Form 632 (Personal Property Statement) have been updated to reflect these statutory changes.

Finally, P.A. 261-264 of 2017 changed the appeal procedure for both the Small Business Taxpayer Exemption and the EMPP exemption. Taxpayers who miss the filing deadline for either exemption may file a late application directly with the March Board of Review. The March Board of Review should grant the exemption as long as the taxpayer otherwise qualifies for the exemption. Both the Assessors Guide to the Small Business Taxpayer Exemption and the Assessors Guide to EMPP and ESA have been updated to reflect these statutory changes.

The updated Guide to the Small Business Taxpayer Exemption and Assessors Guide to EMPP and ESA are available online at www.michigan.gov/propertytaxexemptions.

Further information and guidance on the Eligible Manufacturing Personal Property (EMPP) Exemption, Special Acts and the Essential Services Assessment (ESA) is available at www.michigan.gov/ESA. Additional questions should be sent via email to ESAQuestions@michigan.gov.

J. Principal Residence Exemption

Public Act 133 of 2018 was signed into law on May 3, 2018. The Act amended the General Property Tax Act to remove a requirement that a property must be unoccupied in order for an individual who resides in a nursing home or assisted living facility to continue to claim a principal residence exemption (PRE) on the property. It also allows the exemption to continue for a situation in which the individual is residing in "any other location," as long as the individual is residing there solely for purposes of convalescence. Convalescence is a state of recovering from a disease, operation, or injury. A convalescent is a person in that state. A convalescent may choose to be cared for at home or a relative's home rather than in a nursing home or assisted living center. For example, a person who has just had a stroke and who is recovering and rehabilitating at a relative's home is an example of a convalescent.

More information can be found on the PRE website at www.michigan.gov/PRE. Treasury staff is available to assist and answer questions regarding this Act or other PRE-related questions. The following are key contacts:

- PRE Unit Phone Number: (517) 373-1950
- PRE Program E-mail Address: PTE-Section@michigan.gov

K. Omitted or Incorrectly Reported Property (MCL 211.154)

The State Tax Commission at their meeting on November 28, 2017 approved revised Omitted or Incorrectly Reported Property MCL 211.154 Forms. The prior form versions will no longer be accepted. Please be advised if the old forms are submitted, they will be returned and will need to be resubmitted.

Questions can be directed to the staff at Treas-154petitions@michigan.gov. Additional information, including Bulletin 2 of 2018 and copies of the approved forms are available online at www.michigan.gov/154petitions.

L. Residential Solar Panels

The State Tax Commission at their meeting on February 13, 2018 rescinded their prior guidance on the treatment of solar panels on residential real properties and determined that solar panels on a parcel classified as residential real property shall be assessed as a component of the real property. Assessors are advised to review and utilize the New Assessors Manual to cost residential solar panels as a component of the residential real property improvements. This determination is limited to solar panels on real property classified under MCL 211.34c as residential real property only. The staff memorandum to the State Tax Commission is available online at www.michigan.gov/statetaxcommission.

M. Authority of July and December Boards of Review

The State Tax Commission has become aware of a significant number of instances where Boards of Review are acting outside their statutory authorities. MCL 211.53b specifies: The board of review meeting in July and December shall meet only for the purpose described in subsection (1) (Qualified Errors) and to hear appeals provided for in sections 7u (Poverty Exemption), 7cc (Principal Residence Exemption), 7ee (Qualified Agricultural Exemption), 7jj (Qualified Forest Exemption), and 9o (Small Business Taxpayer Exemption).
Assessors should carefully review the Board of Review FAQ on the Commission's website to ensure their Boards of Review are acting within their statutory authorities.