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DEPARTMENT OF TREASURY  
LANSING

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**BULLETIN NO. 12 of 2016**  
**CHANGES FOR 2017**  
**October 18, 2016**

TO: Assessors  
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2017 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2017 assessment year.

**A. Inflation Rate Used in the 2017 Capped Value Formula.**

The inflation rate, expressed as a multiplier, to be used in the 2017 Capped Value formula is 1.009. The 2017 Capped Value Formula is as follows:

**2017 CAPPED VALUE = (2016 TAXABLE VALUE - LOSSES) X 1.009 + ADDITIONS**

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.009 is lower than 1.05.

**B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2016.**

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 \$20,160 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 \$20,160. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2017 assessments.

| Size of Family Unit        | Poverty Guidelines |
|----------------------------|--------------------|
| 1                          | \$ 11,880          |
| 2                          | \$ 16,020          |
| 3                          | \$ 20,160          |
| 4                          | \$ 24,300          |
| 5                          | \$ 28,4400         |
| 6                          | \$ 32,580          |
| 7                          | \$ 36,730          |
| 8                          | \$ 40,890          |
| For each additional person | \$5,200            |

**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 2017 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 2017 ASSESSMENTS OF FREESTANDING COMMUNICATIONS TOWERS**

| <b>YEAR OF CONSTRUCTION</b> | <b>MULTIPLIER</b> | <b>YEAR OF CONSTRUCTION</b> | <b>MULTIPLIER</b> |
|-----------------------------|-------------------|-----------------------------|-------------------|
| 2016                        | 0.97              | 1996                        | 0.92              |
| 2015                        | 0.95              | 1995                        | 0.91              |
| 2014                        | 0.93              | 1994                        | 0.91              |
| 2013                        | 0.92              | 1993                        | 0.91              |
| 2012                        | 0.91              | 1992                        | 0.91              |
| 2011                        | 0.90              | 1991                        | 0.88              |
| 2010                        | 0.86              | 1990                        | 0.86              |
| 2009                        | 0.84              | 1989                        | 0.85              |
| 2008                        | 0.86              | 1988                        | 0.87              |
| 2007                        | 0.88              | 1987                        | 0.85              |
| 2006                        | 0.90              | 1986                        | 0.83              |
| 2005                        | 0.92              | 1985                        | 0.82              |
| 2004                        | 0.98              | 1984                        | 0.82              |
| 2003                        | 0.96              | 1983                        | 0.79              |
| 2002                        | 0.95              | 1982                        | 0.84              |
| 2001                        | 0.92              | 1981                        | 0.89              |
| 2000                        | 0.95              | 1980                        | 0.97              |
| 1999                        | 0.94              | 1978                        | 1.08              |
| 1998                        | 0.93              | 1978                        | 1.15              |
| 1997                        | 0.92              | 1977 and prior              | 1.22              |

**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 for 2017 equalization:

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 2016 studies for 2017 equalization the dates are as follows:

Two Year Study: October 1, 2014 through September 30, 2016

Single Year Study: October 1, 2014 through September 30, 2015

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* September 30, 2016, should still be considered and included when submitting evidence in a Tax Tribunal appeal involving the 2017 tax year.

Assessors should also be aware of the changes for the 2017 studies used for 2018 equalization. At its meeting on August 23, 2016, the State Tax Commission adopted to change the dates for the two year study period effective for the 2017 studies for the starting base for 2018 Equalization. For the 2017 studies for the 2018 equalization two year study the dates are as follows: April 1, 2015 through March 31, 2017. The single year study dates did not change and will remain October 1, 2016 through September 30, 2017.

## **F. Changes to Personal Property Tax**

Beginning with the 2016 assessment year, qualified new personal property and qualified previously existing personal property located on occupied real property is exempt from ad valorem taxation and is instead subject to the State Essential Services Assessment. Additionally, certain P.A. 198 (IFT) Property and New Personal Property (P.A. 328) are subject to the State Essential Services Assessment.

On May 5, 2016, Public Acts 107-110 of 2016 were signed into law with immediate effect. These Public Acts amended the General Property Tax Act, Industrial Facilities Exemption Act, Essential Services Assessment Act and the Alternative Essential Services Assessment Act and address implementation issues associated with the Essential Services Assessment. These Public Acts provide for several legislative changes including the clarification of the reporting and filing requirements for Eligible Manufacturing Personal Property (EMPP), streamlining the appeal process, transferring the State Tax Commission's responsibilities to the Michigan Department of Treasury and defining acquisition cost for construction in progress as 50% of the fair market value at the time of acquisition by the first owner beginning with the 2017 tax year.

To claim the eligible manufacturing personal property (EMPP) exemption for the 2017 assessment year, a fully completed Form 5278, *Eligible Manufacturing Personal Property Tax Exemption Claim, Ad Valorem Personal Property Statement, and Report of Fair Market Value of Qualified New and Previously Existing Personal Property (Combined Document)*, must be received by the Assessor of the local unit of government where the qualified personal property is located no later than February 20, 2016 (due to holiday, February 21, 2017). Taxpayers should not complete this affidavit and statement unless the personal property meets the definition of eligible manufacturing personal property.

Property that was placed in service in 2007 through 2012 will still be reported as ad valorem personal property in Part 2 on Form 5278, the *Combined Document*. Property meeting the definitions of qualified new personal property and qualified previously existing personal property placed in service after 2012 and prior to 2007 will be exempt from ad valorem taxes and will instead pay the state specific Essential Services Assessment.

Assessors are reminded that they are not required to mail Form 5278 to taxpayers. Taxpayers can obtain a copy from the Department of Treasury's website, [www.michigan.gov/esa](http://www.michigan.gov/esa). Assessors should ensure that Form 5278 is timely filed and fully completed by the property owner. The Assessor should carefully evaluate the business activities of the claimant to ensure that they meet the statutory requirements of the Eligible Manufacturing Personal Property Exemption. The Commission strongly recommends that assessors contact taxpayers who have not fully completed Part 1 of Form 5278 in an effort to obtain the missing information before issuance of a denial.

Assessors will have to enter all the Form 5278 information into their assessing software. Assessors that do not have BS&A software and that have taxpayers claiming the personal property exemption will be provided with reporting instructions from the Department of Treasury. All data from Form 5278 must be entered and uploaded to BS&A for submission to the Department of Treasury no later than April 1, 2017.

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](http://www.michigan.gov/ESA). Additional questions should be sent via email to [ESAQuestions@michigan.gov](mailto:ESAQuestions@michigan.gov).

## **G. Disabled Veterans Exemption**

Assessors and Board of Review members are asked to review in detail the STC issued Frequently Asked Questions regarding the Disabled Veterans Exemption and to review Bulletin 22 of 2013 regarding eligibility for the exemption. More information regarding the Disabled Veterans Exemption is available on the Commission website.

## **H. Senior Citizen and Disabled Family Housing Exemption**

P.A. 78 of 2016 was signed into law on April 12, 2016, with an effective date of July 11, 2016. This Act amends MCL 211.7d to provide for an approved exemption to take effect in the year in which the exemption was claimed, if the claim had been filed by October 31 and

the facility was fully and finally complete. The Act requires a claim for exemption to be filed simultaneously with the local assessor and the Department of Treasury. The assessor is required to approve or disapprove a claim for exemption within 60 days after receiving the exemption claim and then notify the owner and the Department of Treasury of the approval or disapproval by December 31 after the initial filing. Assessors and Equalization Directors are encouraged to review P.A. 78 of 2016 and Bulletin 7 of 2016 form more detailed information.

## **I. Principal Residence Exemption**

P.A. 144 of 2016 was signed into law on June 6, 2016 with immediate effect. P.A. 144 of 2016 amends the General Property Tax Act to allow an eligible property owner to retain a principal residence exemption on property if the eligible claimant is absent while on active duty as a member of any branch of the United States Armed Forces, as long as the owner establishes an intent to return to the property. To claim the exemption all of the following statutory conditions must be met: (i) the owner must continue to own the property while deployed or stationed elsewhere for active duty, (ii) the owner has not established a new principal residence, (iii) the owner maintains or provides for the maintenance of the property while deployed or stationed elsewhere for active duty and (iv) the property is not used for any business or commercial purpose except as provided in section 7dd(c). See MCL 211.7cc(32).

P.A. 144 of 2016 also allows an owner of property who previously occupied that property as his or her principal residence but did not occupy that property on June 1 or November 1 while residing in a nursing home or assisted living facility under the circumstances described above or while absent on active duty as a member of any branch of the United States Armed Forces to file an appeal to claim and receive a principal residence exemption which was not on the tax roll. Principal residence exemption appeals that were not on the tax roll can be filed with the July or December Boards of Review in the year that the exemption was claimed or the immediately succeeding three years. More information regarding these changes can be found on the PRE website at [www.michigan.gov/taxes](http://www.michigan.gov/taxes) (not a live link).

## **J. Transfers of Ownership**

P.A. 243 of 2015 amended MCL 211.27a(7)(c) to create an exception to the general rule that the termination of a life estate, including a life lease or a lady bird deed, is a transfer of ownership. The Act provides that, after December 31, 2014, the termination of a life estate or life lease on residential real property does not result in a transfer of ownership for property tax purposes if the transferee is the transferor's or the transferor's spouse's mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter and the residential real property is not used for any commercial purpose following the transfer. The Act also defines the term "commercial purpose," as used in MCL 211.27a, to mean "used in connection with any business or other undertaking intended for profit, but does not include the rental of residential real property for a period of less than 15 days in a calendar year."

## **K. Computerized Database System Assessment Roll**

P.A. 25 of 2016 was signed into law on March 1, 2016, with an effective date of May 30, 2016. This Act amends the General Property Tax Act to allow local tax collecting units to use a computerized database system as the assessment roll beginning with the 2017 tax year. The use of a computerized assessment roll is only permitted if the local unit and the assessor certify in a form and manner proscribed by the State Tax Commission that the proposed system complies with the requirements of the Act. The State Tax Commission approved Form 5446, *Request for New Certification for Use of a Computerized Assessment Roll by a Local Unit*, for local units of government to submit a request to use a computerized assessment roll. Form 5446 must be fully completed and received by the State Tax Commission no later than October 31st of the year prior to the year in which the computerized assessment roll will be used. Approvals are granted for three years. Form 5446 is available on the Commission's website. Assessors and Equalization Directors are encouraged to review P.A. 25 of 2016 and Bulletin 8 of 2016 for additional information on computerized database system assessment rolls.