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DEPARTMENT OF TREASURY  
LANSING

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**BULLETIN NO. 24 of 2017**  
**CHANGES FOR 2018**  
**November 28, 2017**

*Revised February 13, 2018*  
*as the result of Public Acts 261-264 of 2017*

TO: Assessors  
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2018 ASSESSMENT YEAR**

The purpose of this Bulletin is to provide information on statutory changes or procedural changes for the 2018 assessment year.

**A. Inflation Rate Used in the 2018 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2018 Capped Value Formula is 1.021.

The 2018 Capped Value Formula is as follows:

**2018 CAPPED VALUE = (2017 Taxable Value – LOSSES) X 1.021 + ADDITIONS**

The formula above does not include 1.05 because the inflation rate multiplier of 1.021 is lower than 1.05.

**B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2018**

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 \$20,420 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 \$20,420. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2018 assessments.

Size of Family Unit	Poverty Guidelines
1	\$12,060
2	\$16,240
3	\$20,420
4	\$24,600
5	\$28,780
6	\$32,960
7	\$37,140
8	\$41,320
For each additional person	\$4,180

**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 2018 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 2018 ASSESSMENTS OF FREESTANDING COMMUNICATIONS TOWERS**

<b>YEAR OF CONSTRUCTION</b>	<b>MULTIPLIER</b>	<b>YEAR OF CONSTRUCTION</b>	<b>MULTIPLIER</b>
2017	0.97	1997	0.89
2016	0.93	1996	0.88
2015	0.91	1995	0.89
2014	0.90	1994	0.87
2013	0.88	1993	0.89
2012	0.87	1992	0.87
2011	0.87	1991	0.85
2010	0.82	1990	0.84
2009	0.82	1989	0.81
2008	0.83	1988	0.84
2007	0.85	1987	0.82
2006	0.85	1986	0.81
2005	0.88	1985	0.79
2004	0.94	1984	0.77
2003	0.93	1983	0.79
2002	0.91	1982	0.83
2001	0.90	1981	0.88
2000	0.91	1980	0.97
1999	0.90	1979	1.07
1998	0.89	1978 and prior	1.14

**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 2018 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 2017 studies for 2018 equalization the dates are as follows:

Two Year Study: April 1, 2015 through March 31, 2017  
Single Year Study: October 1, 2016 through September 30, 2017

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, 2017 and September 30, 2017 should still be considered and included when submitting evidence in a Tax Tribunal appeal involving the 2018 tax year.

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

PA 329 of 2016 amended MCL 211.9f by requiring that, subsequent to December 31, 2016, eligible local assessing districts and Next Michigan development corporations must enter into a written agreement with eligible businesses prior to adopting a resolution exempting new personal property from the collection of property taxes. The written agreement must contain the following statements:

1. The exemption is revoked if the eligible business is determined to be in violation of the written agreement's provisions.
2. The eligible business may be required to repay all or part of the personal property taxes exempted under MCL 211.9f if it is determined to be in violation of the written agreement's provisions.
3. The exemption is revoked if the eligible business is determined to be in violation of the provisions concerning the exemption set forth in the resolution adopted by the local assessing district.
4. The exemption is revoked if continuance of the exemption would be contrary to any of the requirements of MCL 211.9f.

Form 3427, a sample written agreement and an updated checklist can also be found on the [New Personal Property Exemption](#) webpage.

Public Acts 261-264 of 2017 were signed into law on December 28, 2017. P.A. 261-264 made several changes that affect the EMPP exemption.

To claim the eligible manufacturing personal property (EMPP) exemption for the 2018 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 completed and delivered to the Assessor of the local unit of government where the qualified personal property is located no later than February 20, 2018. P.A. 261-264 changed the statute to allow assessors to accept a postmark by February 20, 2018 for Form 5278 to claim the EMPP exemption.

Also, P.A. 261-264 changed the appeal procedure for the EMPP exemption. Eligible claimants who miss the filing deadline for the exemption may file Form 5278 directly with the March Board of Review of the local unit in which the personal property is located. The March Board of Review should grant the EMPP exemption as long as the claimant otherwise qualifies for the exemption.

Taxpayers should not complete Form 5278 unless the personal property meets the definition of eligible manufacturing personal property.

Property that was placed in service in 2008 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 2008 will be exempt from ad valorem taxes and will instead pay the state specific Essential Services Assessment. Property that is subject to an IFT certificate that has expired, but is subject to extension under MCL 207.561a, will report property placed in service in 2008 through 2012 in Part 2 and property placed in service in all years of Part 3. Property that is subject to a New Personal Property (P.A. 328) exemption that has expired, but is subject to extension under MCL 211.9f(9), will report property placed service in all years of Part 3.

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 is responsible for granting the exemption and should therefore 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 *accurately* 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, 2018.

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**

### **Mid-Year Changes**

If the disabled veteran buys a home mid-year, the Commission's guidance remains that the veteran can only receive the exemption on taxes they have paid or will pay on that new home. The Commission has advised assessors that they should ask to see the closing documents to determine if there is any information that will assist in the determination of those taxes the veteran has paid or will pay. In the absence of relevant information contained in the closing documents, the STC advises assessors to divide the total taxes for the year by 12 and then multiply that number by the number of months the veteran will own the home and use it as their homestead. This is a calculation that is easy for the taxpayer to understand.

If a disabled veteran sells their home mid-year or dies mid-year and has no surviving spouse, assessors are advised to file a MCL 211.154 petition with the STC to put the property back on the assessment roll. Taxes to be billed to the new owner or estate can be calculated using the same methods described above.

If the status of the veteran changes mid-year, meaning they are granted 100% disability status and if they have owned the home for the full year and meet all other statutory requirements, the STC advises that the July or December Board of Review can grant the exemption for the full year.

### **Unremarried Surviving Spouse**

The State Tax Commission is aware that the Michigan Tax Tribunal in MTT Docket 16-004780 - *Deborah E. Rabun v City of Farmington Hills*, held that a surviving spouse cannot qualify for the exemption when the deceased disabled veteran never owned or occupied the subject property as a homestead.

While the STC understands that is the position of the Tax Tribunal, the STC does not agree or support that determination. The STC in their original guidance indicated that: *the Disabled Veteran's exemption is not an exemption for the benefit of the property. Instead, it is an exemption personal to the qualifying disabled veteran or the unremarried surviving spouse of the qualified deceased disabled veteran.*

Since the Disabled Veterans Exemption is personal to the qualified individual, the STC is advising assessors and Boards of Review that they can and should approve exemptions for unremarried surviving spouses that meet all other statutory requirements, regardless of if the disabled veteran ever owned or occupied that subject property as a homestead.

More guidance on the Disabled Veterans Exemption can be found on the STC website under the Disabled Veterans Exemption link.

## **H. Principal Residence Exemption**

Governor Snyder signed into law on October 10, 2017 Public Acts 121 and 122 of 2017 regarding the PRE Affidavit. The Acts amend MCL 211.7cc and MCL 211.120 of the General Property Tax Act to provide that the assessor of a local tax collecting unit, the Department of

Treasury, or a county treasurer or equalization director can require a person who claimed a principal residence exemption (PRE), within 30 days of claiming the PRE, to file the Principal Residence Exemption Affidavit of Similar Exemption in Other States, Form 5565, stating that he or she had not claimed a substantially similar exemption, deduction, or credit in another state. Public Act 121 also prohibits a person from rescinding a substantially similar exemption, deduction, or credit claimed in another state in order to qualify for the Michigan PRE for any years denied, if the assessor of a local tax collecting unit, the Department of Treasury, or a county denied an existing claim for a PRE. The Act also prescribes a penalty of \$500 for a person who claimed a PRE under the Act and a substantially similar exemption, deduction, or credit in another state.

Assessors are also advised that Public Act 121 also eliminates the requirement that the local tax collecting unit submit to the Michigan Department of Treasury copies of all filed Principal Residence Exemption Affidavit Forms 2368 and Request to Rescind Principal Residence Exemption Forms 2602; instead these forms, along with Form 5565, shall be forwarded to the Michigan Department of Treasury only if requested. However, the local tax collecting unit is still required to submit to the Michigan Department of Treasury copies of filed Conditional Rescission of Principal Residence Exemption (PRE) Forms 4640, Foreclosure Entity Conditional Rescission of Principal Residence Exemption (PRE) Forms 4983, Principal Residence Exemption Active Duty Military Forms 4660, Notice of Denial of Principal Residence Exemption (Local (City/Township)) Forms 2742, and Notice of Denial of Principal Residence Exemption (County) Forms 4075.

Public Act 122 amends the General Property Tax Act to extend a misdemeanor penalty to a person who claimed a substantially similar exemption, deduction, or credit on property in another state with the intent to obtain a PRE under the Act.

More information can be found on the PRE website at [www.michigan.gov/PRE](http://www.michigan.gov/PRE).

## **I. Transitional Qualified Forest Property**

On June 28th, 2016, Governor Snyder signed into law Public Acts 260, 261, and 262 of 2016. These Acts provide an opportunity for landowners to transfer Commercial Forest property into the Qualified Forest Program (QFP) without payment of a Commercial Forest Reserve withdrawal penalty. Instead, the statutory changes provide for a graduated return to ad valorem property taxes by allowing a five year incremental return to full tax liability. This is accomplished by the creation the Transitional Qualified Forest Property (TQFP) exemption and specific tax.

Public Act 260 creates the “Transitional Qualified Forest Property Specific Tax” for taxes levied after December 31, 2015. To be “Transitional Qualified Forest Property” the property must have previously been Commercial Forest property and must qualify for and have been approved as Qualified Forest Property under MCL 211.7(jj)[1]. Additionally:

1. The property must have been owned by the current owner no later than September 1, 2016,
2. The property must have been CFR no later than September 1, 2016, and
3. The application must be made by September 1, 2021.



If a landowner withdraws property from the Commercial Forest exemption program provided, they may apply to have the forest land determined to be Transitional Qualified Forest Property (TQFP) for a period not to exceed five (5) years. The exemption is limited to a total of 160 acres within each township.

When notified of the exemption (through the receipt of the recorded qualified Forest Property Affidavit and a copy of the recorded CRF withdrawal certificate), the assessor exempts the property from the collection of ad valorem taxes until December 31 of the year in which the property is no longer TQFP. The assessor determines the assessed and taxable values in the same manner as for other properties but instead of paying ad valorem tax, the owner pays a specific tax that is described in detail in Bulletin 8 of 2017.

Public Act 261 amends the General Property Tax Act by making minor changes to MCL 211.7jj to accommodate the Transitional Qualified Forest Property Exemption and to add MCL 211.vv, which exempts TQFP from ad valorem assessment.

More information regarding this exemption can be found in Bulletin 8 of 2017 available on the STC website under the Bulletins tab.

## **J. Qualified Agricultural Property Changes**

PA 375 of 2016 was signed by Governor Snyder on December 28, 2016. This Act amends MCL 211.27a(6)(k) to allow a property owner to request that the assessor establish a separate tax parcel for a portion of a parcel that will no longer be qualified agricultural property. The establishment of the separate parcel *is not* a land division under the Land Division Act, Public Act 288 of 1967, until and unless the separate tax parcel is conveyed. The status of the remainder of the original parcel as qualified agricultural property is not affected by the establishment of the separate parcel that is not qualified agricultural property.

The separately established parcel which is no longer qualified agricultural property is immediately subject to the qualified agricultural property recapture tax, however the taxable value of the separate parcel of property does not uncap until and unless there is a transfer of ownership.

More information can be found in Bulletin 7 of 2017 available on the STC website under the Bulletins tab.

## **K. 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.