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This chapter describes the process used for valuing utility properties. First, this chapter presents an overview of the valuation process. Also, this chapter provides information about distinguishing locally assessed real property from locally assessed personal property and distributable property. Finally, this chapter provides guidelines for identifying local real property for the following types of companies:

- bus companies
- light, heat, or power companies
- pipeline companies
- railroad companies
- sewage companies
- telephone, telegraph, or cable companies
- water distribution companies.

The Handy-Whitman Index is provided at the end of the chapter.

**Overview of the Assessment Process
for Utility Properties**

The State Board of Tax Commissioners annually assesses each public utility company and railroad. The valuation made by the Board includes all real, personal, and distributable property, wherever it is located. Because locally assessed real and personal property is contained in the unit valuation, the Board removes the value of this property from the unit valuation to avoid duplication of assessment. The Board subtracts from the unit value all of the locally assessed property, both real and personal, reported to the Board by the county assessor. The Board allocates the remainder, or the distributable property, to the various taxing districts.

Based on the facts and circumstances, the township assessor calculates the replacement cost of structures located on properties owned by utility companies. The replacement cost is derived from the cost schedules found in Appendix G.

Understanding Property as Real, Personal, or Distributable

The use of a specific item or unit of property determines its classification as either locally assessed real property, locally assessed personal property, or distributable property:

- If an item is personal property, but is not directly used to provide the utility services, it is locally assessed personal property.
- If the item is land, a building, or a building improvement, it is locally assessed real property.
- If the item or unit is directly used to provide utility service, it is distributable property.

Some items or units of property may have dual uses. A portion may be used to produce or provide utility service, while the remainder is specifically attributable to a building or structure. To determine whether a central system is locally assessed real property, locally assessed personal property, or distributable property, the following standards apply:

- The portion of the central system that is specifically attributable to the building or structure is locally assessed real property.
- The portion of the central system that was installed to specifically accommodate the utility process or activity conducted in the facility is distributable property or locally assessed personal property depending on the specific facts and circumstances of the activity.
- If the central system has a dual purpose, an allocation is made based on the specific facts and circumstances surrounding the use of the system. For example, the allocation of a central system would be a plumbing system that was installed both to serve the occupants of a building and also to supply water to cool an item of distributable property. In this case, an allocation is made to account for the portion of the central system that is locally assessed real property, and the portion of the central system that is attributable to the distributable property.

The following items are examples of locally assessed real property (LRP), locally assessed personal property (LPP), or distributable property (DIST):

1. Air conditioning units are assessed as follows:
 - building air conditioning for comfort of occupants—LRP
 - package units, through-the-wall commercial type—LRP
 - special process, LPP or DIST, depending on the application, for example:
 - used to control the temperature and humidity of computer equipment—LPP
 - used to control the temperature and humidity of telephone switching equipment—DIST
 - window units—LPP or DIST depending on application
2. Air lines for machinery and equipment, LPP or DIST, depending on the application, for example:
 - used in maintenance shops—LPP

- used to control distributable property—DIST
- 3. Ash handling system, pit, pond and framing, or damming related to system—DIST
- 4. Ash holding pond land—LRP
- 5. Auto-call and telephone system—LPP
- 6. Bins, permanently affixed for storage—LRP
- 7. Boilers:
 - electric production steam boilers—DIST
 - building service—LRP
 - central system—Allocation is based on the facts and circumstances.
- 8. Welding booths:
 - related to production, transmission, or distribution system—DIST
 - general plant—LPP
- 9. Bucket elevators (open or enclosed, including casing)—LPP or DIST depending on circumstances
- 10. Bulkheads making additional land area—LRP, as part of the improved land
- 11. Carpeting, commercial:

Note:The local real property assessment includes a finished floor.

 - if the carpet is installed over an existing finished floor—LPP
 - if, as in the case of many newer buildings, carpeting has been specified and is the only finished floor—LRP
- 12. Coal handling system, including conveyors, hoppers, special railcar unloading systems, barge unloading systems, and other coal handling equipment—DIST
- 13. Control booth—DIST
- 14. Control rooms:
 - equipment—DIST
 - structure—LRP
- 15. Conveyors:
 - housing—DIST
 - tunnels—LRP
 - unit, including belt and drives—DIST
- 16. Cooling towers, directly used in or for production of utility service—DIST
- 17. Cranes, moving crane, LPP or DIST, depending on the application, for example:
 - used in the maintenance shops—LPP
 - used in connection with distributable property—DIST
- 18. Crane runways, including supporting columns or structure and foundation inside or outside of buildings—LPP or DIST depending on the classification of the crane used on the runway
- 19. Docks:
 - barge—DIST
 - boat docks—LRP
 - coal handling—DIST

- noncoal handling—LRP
 - truck dock—LRP
 - dock levelers—LPP
20. Drapes—LPP
 21. Electric transmission and distribution towers—DIST
 22. Fence, security—LRP
 23. Fire alarm systems and burglar alarm systems—LPP
 24. Fire walls, masonry—LRP
 25. Floors, computer room—LRP
 26. Foundations that support distributable property, including the pilings installed to support the machinery and equipment foundations, but not building foundations—DIST
 27. Foundations that support buildings—LRP. When foundations are used in a dual capacity, a reasonable allocation is made.
 28. Gas lines for equipment or processing—DIST
 29. Hoist, hoist pits—DIST
 30. Hydraulic lines, LPP or DIST, depending on the application, for example:
 - used in maintenance areas—LPP
 - lines used with or to control distributable property—DIST
 31. Lighting:
 - yard lighting—LPP
 - special purpose lighting, inside—LPP
 32. Mixers and mixing houses—DIST
 33. Ovens, processing—DIST
 34. Piping, process piping above or below ground—DIST
 35. Pits for equipment or processing—DIST
 36. Power lines and auxiliary equipment—DIST
 37. Pumps and motors—DIST
 38. Pump house, including substructure, but excluding clear well—LRP
 39. Racks and shelving (portable or removable)—LPP
 40. Radio and microwave towers—LPP
 41. Railroad siding, except belonging to railroad—LRP
 42. Refrigeration equipment—DIST
 43. Sanitary system—LRP
 44. Satellite dishes, commercial use—LPP
 45. Scale houses—LRP
 46. Scales:
 - scales, including pit—LPP
 - dormant scales—LPP
 47. Sheds or buildings:
 - permanent, affixed, or portable confinement buildings—LRP
 - open portable pull-type—LPP

- detached storage structures—LRP
- 48. Signs, including supports and foundation—LPP
- 49. Silos:
 - ash storage silo—LRP
 - containing a utility process—DIST
 - storage—LRP
- 50. Spray pond:
 - masonry reservoir—LRP
 - piping and equipment—DIST
- 51. Sprinkler system—LRP
- 52. Stacks:
 - supported individual stacks servicing boilers classified as locally assessed real property—LRP
 - servicing distributable property units or a process—DIST
 - central systems—Allocation is based on the facts and circumstances.
- 53. Steam electric generating equipment—DIST
- 54. Storage facilities, permanent of masonry or wood—LRP
- 55. Storage vaults and doors—LRP
- 56. Substations:
 - building—LRP
 - equipment—DIST
- 57. Tanks:
 - storage only above or below ground—LRP
 - used as a part of the utility process—DIST
- 58. Towers:
 - radio towers—LPP
 - microwave towers—LPP
 - electric transmission and distribution towers—DIST
 - cooling towers used for distributable property—DIST
- 59. Transformers—DIST
- 60. Tunnels—LRP
- 61. Tunnels, waste heat, or processing—DIST
- 62. Unit heaters, nonportable—LRP
- 63. Unit heaters, portable—LPP
- 64. Unloader runway—DIST
- 65. Ventilating—LPP, LRP, or DIST depending on the facts and circumstances associated with a dual system
- 66. Walls, portable partitions—LPP
- 67. Water lines, for processing above or below ground—DIST
- 68. Water pumping station, building and structure—LRP
- 69. Water pumps and motors—DIST
- 70. Water treating and softening plant, building and structure—LRP
- 71. Water treating equipment—DIST

72. Wells, pumps, motors, and equipment:
 - if used by a water distribution utility—DIST
 - wells and equipment that supply water to distributable property—DIST
73. Wells, clear wells—DIST
74. Wiring, power wiring for distributable property, machinery, and equipment depending on facts and circumstances, with the following examples:
 - power wiring used to operate computer equipment—LPP
 - power wiring used to operate distributable property—DIST

Identifying Property to Be Reassessed

This section provides guidelines for identifying local real property for the following types of companies:

- bus companies
- light, heat, or power companies
- pipeline companies
- railroad companies
- sewage companies
- telephone, telegraph, or cable companies
- water distribution companies.

Identifying Property to Be Reassessed for Bus Companies

The township assessor assesses the following property of a bus company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
 - fencing
 - parking lots
 - driveways.
- Land on which the building and structures are situated.

The State Board of Tax Commissioners assesses the distributable property of the bus company. The distributable property of a bus company includes the bus vehicles and items directly used in providing the bus service.

Identifying Property to Be Reassessed for Light, Heat, or Power Companies

The township assessor assesses the following property of a light, heat, or power company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
 - fencing
 - parking lots
 - driveways
 - substation buildings
 - bridges and trestles

- culverts
 - tunnels
 - waterfront improvements
 - enclosures erected on foundations used for tool or vehicle storage
 - incinerators
 - docks
 - dams and waterways
 - reservoirs.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the light, heat, or power company.

The State Board of Tax Commissioners assesses the distributable property of a light, heat, or power company. Distributable property of a light, heat, or power company includes, such items as the following:

- pole racks
- outdoor yard lighting systems
- boiler plant equipment and foundations
- engines and engine-driven generators
- turbogenerator units and foundations
- accessory electric equipment
- miscellaneous power plant equipment
- hydraulic production equipment
- water wheels
- turbines
- generators
- accessory electric equipment
- miscellaneous hydraulic power plant equipment
- substation equipment and foundations
- towers and fixtures
- switchyards
- poles and fixtures
- overhead conductors and devices
- underground conduit, conductors, and devices
- storage battery equipment
- line transformers.

Where a light, heat, or power company owns or operates a hydraulic or hydro-electric generating facility, the dam structure is assessed by the township assessor. The hydraulic production equipment is assessed by the Board as distributable property. The dam is assessed as local real property and valued as a separate improvement, but is not necessarily placed on a particular tract of land, because the dam may cover numerous parcels. The valuation basis for dams is the original cost of the dam indexed to January 1, 1999 using the “Handy-Whitman Index”, provided in the section ***Using the Handy-Whitman Index*** in this chapter.

Reservoirs and cooling ponds owned or operated by a heat, light, or power company are assessed in the same manner as water company reservoirs, described in the section ***Identifying Property to Be Reassessed for Water Distribution Companies*** in this chapter.

The land located beneath ash and holding ponds is assessed by the township assessor. The land is valued as unusable, undeveloped industrial land. All other features of the ash and holding ponds, including riprap, linings, excavation costs, and so forth are assessed by the Board as distributable property.

Identifying Property to Be Reassessed for Pipeline Companies

The township assessor assesses the following property of a pipeline company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property. Improvements owned by a pipeline company and located on leased land are reassessed if the improvements are real property, as distinguished from personal property.
- Miscellaneous yard improvements, such as the following:
 - fencing
 - parking lots
 - driveways.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the distribution system of the pipeline company.

The State Board of Tax Commissioners assesses the distributable property of the pipeline company. The following are distributable properties of a pipeline company:

- equipment
- piping and appurtenances directly related to pumping, compression, metering, and treatment of petroleum products and natural gas
- outdoor yard lighting systems
- communication equipment used for voice communication and for telemetering with the pipeline operation.

Identifying Property to Be Reassessed for Railroad Companies

The township assessor assesses the nonoperating land and improvements of a railroad company as local real property. The following are examples of nonoperating property:

- right-of-way land and buildings leased to commercial tenants
- land adjoining the right-of-way devoted to industrial parks
- any abandoned right-of-way
- land held for future use
- other railroad land and buildings used for purposes other than railroad operations.

The township assessor does not assess any land or improvement used by the railroad company in its operations. Land used as right-of-way by the railroad company is operating property and is assessed by the State Board of Tax Commissioners.

For the purpose of determining whether land is locally assessed or is assessed by the Board, railroad right-of-way is considered abandoned when the main track is removed from the right-of-way, following approval by the Interstate Commerce Commission. Abandoned railroad right-of-way is assessed locally by the township assessor as follows:

- In an agricultural setting, the abandoned railroad right-of-way is valued as non-tillable agricultural land.
- In commercial, industrial or residential settings, the abandoned railroad right-of-way is valued as unusable underdeveloped acreage.

The Board assesses all of the operating property of the railroad company. The following are examples of operating property:

- right-of-way
- track
- yard facilities
- buildings and structures that are used for railroad operations.

The township assessor consults with the Board or the railroad company to determine whether property is operating or nonoperating property.

Identifying Property to Be Reassessed for Sewage Companies

The township assessor assesses the following property of a sewage company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
 - fencing

- parking lots
- driveways.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the collection system of the sewage company.

The State Board of Tax Commissioners assesses the distributable property of the sewage company. The distributable property of a sewage company includes any of the following:

- equipment
- piping and appurtenances directly related to pumping
- collection
- disposal
- treatment of sewage.

Where all improvements are directly involved in the sewage treatment process, the township assessor assesses the land only. The Board assesses the sewage plant and mains as distributable property.

Identifying Property to Be Reassessed for Telephone, Telegraph, or Cable Companies

The township assessor assesses the following property of a telephone, telegraph, or cable company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
 - fencing
 - parking lots
 - driveways
 - pole yards
 - subterranean bunkers
 - structures at antenna sites.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the distribution system of the telephone, telegraph, or cable company.

The State Board of Tax Commissioners assesses the distributable property of the telephone, telegraph, or cable company. The distributable property of a telephone, telegraph, or cable company includes the following:

- pole racks
- outdoor yard lighting systems
- microwave and radio antennas (microwave and radio towers are assessed as local personal property)
- electronic and electrical communicating equipment
- telephone poles

- lines and cables
- telephone booths
- portable buildings.

Identifying Property to Be Reassessed for Water Distribution Companies

The township assessor assesses the following property of a water distribution company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements and facilities such as the following:
 - fencing
 - parking lots
 - driveways
 - impounding reservoirs.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the distribution system of the water distribution company.

The State Board of Tax Commissioners assesses that portion of a building or structure that is used as a clear well. A clear well is generally a basement or other subterranean area of a building or other structure used by the water distribution company to hold treated water. In the case of a clear well, the township assessor does not assess the basement or subterranean portion of the building used as a clear well.

If property is used for the primary purpose of treating, pumping, transmitting, or distributing treated water, water to be treated, or water in the process of treatment, it is assessed by the Board as distributable property. The following items are examples of distributable property:

- Wells
- Settling basins and filters
- Reservoirs for the storage of treated water or water in the process of treatment
- Elevated storage tanks and standpipes
- Appurtenances to any building or structure such as machinery, equipment, attendant fixtures, or piping, if such appurtenances are used for the primary purpose of treating, pumping, transmitting, or distributing treated water, water to be treated, or water in the process of treatment.

Land and buildings located outside the boundaries of the line demarcating the used and useful reservoir property are assessed by the township assessor and valued in the same manner as all similar land and buildings of like construction within the taxing district.

The township assessor assesses the land located within the used and useful reservoir boundary as commercial or industrial unusable, undeveloped land. The value for this land is established by the township assessor.

Buildings located within the used and useful reservoir boundary usually have very little, if any value, and the intent of the water company usually is to sell, burn, raze, or otherwise dispose of them. In this case, the township assessor places a lower value on the buildings for assessment purposes.

The impounding reservoir and dam are assessed by the township assessor as local real property. The dam is valued as a separate improvement, but is not specifically identified with a particular tract of land, since the dam usually covers numerous tracts. The valuation basis for dams is the original cost of the dam indexed to January 1, 1999, using the Handy-Whitman Index in the section ***Using the Handy-Whitman Index***, in this chapter. The Handy-Whitman Index used by the township assessor is the index for reservoirs, dams, and waterways for the north central region (E-3). The valuation basis for reservoirs is the original cost of construction for the reservoir, excluding the cost of the dam and the cost of the land under the used and useful reservoir property. Once this original cost is calculated, the cost is indexed to January 1, 1999, using the Handy-Whitman Index.

To calculate the multiplier to be applied against the dam and reservoir's original cost, the Handy-Whitman factor for 1999 is divided by the factor for the year of construction of the dam and reservoir. Assuming that a water distribution company constructed a dam and reservoir in 1965, the dam's original cost of \$100,000 and the reservoir's original cost of \$1,000,000 is multiplied by 5.0161. The multiplier is calculated by dividing 311 by 62. The replacement costs are \$501,600 for the dam and \$5,016,100 for the reservoir.

The indexed original cost values for both the dam and reservoir are depreciated at a rate of 2% per year for a maximum period of 35 years. This calculation results in a maximum depreciation of 70%. The dam and reservoir is not depreciated beyond the maximum 70% depreciation as long as the dam and reservoir are used and useful. Depreciation may be accelerated above the 2% per year rate if the owner proves that the anticipated life of the dam or reservoir is substantially less than 100 years.

Land under the used and useful reservoir property is valued using the commercial or industrial unusable, undeveloped category and added to the depreciated value of the reservoir. This value is then divided by the amount of used and useful acreage to arrive at a per acre rate for each acre under the reservoir or an average rate per acre under the various parcels.

The township assessor may contact the Board for assistance in valuing dams and reservoirs.

Using the Handy-Whitman Index

Table 9-1 is the index values for reservoirs, dams, and waterways for the north central region (E-3). The index values were taken from “The Handy-Whitman Index of Public Utility Construction Costs”, published by Whitman, Requardt and Associates, 2315 Saint Paul Street, Baltimore, Maryland; all rights reserved.

Table 9-1. Handy-Whitman Index

Year of Construction	Handy-Whitman Index	Year of Construction	Handy-Whitman Index	Year of Construction	Handy-Whitman Index
1912	8	1952	39	1992	250
1913	8	1953	42	1993	261
1914	9	1954	43	1994	271
1915	9	1955	45	1995	284
1916	10	1956	48	1996	291
1917	14	1957	51	1997	299
1918	16	1958	52	1998	303
1919	17	1959	54	1999	311
1920	18	1960	56		
1921	18	1961	56		
1922	17	1962	57		
1923	17	1963	58		
1924	18	1964	60		
1925	18	1965	62		
1926	18	1966	64		
1927	18	1967	67		
1928	18	1968	70		
1929	18	1969	75		
1930	18	1970	80		
1931	17	1971	87		
1932	15	1972	93		
1933	15	1973	100		
1934	16	1974	104		
1935	16	1975	126		
1936	17	1976	129		
1937	18	1977	133		
1938	18	1978	141		
1939	18	1979	158		
1940	19	1980	177		
1941	20	1981	191		
1942	21	1982	197		
1943	21	1983	203		
1944	21	1984	211		
1945	22	1985	222		
1946	25	1986	225		
1947	29	1987	232		
1948	32	1988	240		
1949	34	1989	247		
1950	35	1990	248		
1951	38	1991	251		

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