



Senate

General Assembly

File No. 602

February Session, 2000

Substitute Senate Bill No. 530

Senate, April 13, 2000

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

An Act Concerning The Assessment Of The Personal Property Of Certain Public Service Companies.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-63 of the general statutes, as amended by
2 section 1 of public act 99-290, is repealed and the following is
3 substituted in lieu thereof:

4 (a) [The] Except as otherwise provided in this section, the present
5 true and actual value of land classified as farm land pursuant to
6 section 12-107c, as forest land pursuant to section 12-107d, or as open
7 space land pursuant to section 12-107e shall be based upon its current
8 use without regard to neighborhood land use of a more intensive
9 nature, provided in no event shall the present true and actual value of
10 open space land be less than it would be if such open space land
11 comprised a part of a tract or tracts of land classified as farm land
12 pursuant to section 12-107c. The present true and actual value of all

13 other property shall be deemed by all assessors and boards of
14 assessment appeals to be the fair market value thereof and not its value
15 at a forced or auction sale.

16 (b) (1) For the purposes of this subsection, (A) "electronic data
17 processing equipment" means computers, printers, peripheral
18 computer equipment, bundled software and any computer-based
19 equipment acting as a computer, as defined in Section 168 of the
20 Internal Revenue Code of 1986, or any subsequent corresponding
21 internal revenue code of the United States, as from time to time
22 amended; (B) "leased personal property" means tangible personal
23 property which is the subject of a written or oral lease or loan on the
24 assessment date, or any such property which has been so leased or
25 loaned by the then current owner of such property for three or more of
26 the twelve months preceding such assessment date; and (C) "original
27 selling price" means the price at which tangible personal property is
28 most frequently sold in the year that it was manufactured.

29 (2) Any municipality may, by ordinance, adopt the provisions of
30 this subsection to be applicable for the assessment year commencing
31 October first of the assessment year in which a revaluation of all real
32 property required pursuant to section 12-62 is performed in such
33 municipality, and for each assessment year thereafter. If so adopted,
34 the present true and actual value of tangible personal property, other
35 than motor vehicles, shall be determined in accordance with the
36 provisions of this subsection. If such property is purchased, its true
37 and actual value shall be established in relation to the cost of its
38 acquisition, including transportation and installation, and shall reflect
39 depreciation in accordance with the schedules set forth in subdivisions
40 (3) to (6), inclusive, of this subsection. If such property is developed
41 and produced by the owner of such property for a purpose other than
42 wholesale or retail sale or lease, its true and actual value shall be
43 established in relation to its cost of development, production and
44 installation and shall reflect depreciation in accordance with the

45 schedules provided in subdivisions (3) to (6), inclusive, of this
46 subsection. The provisions of this subsection shall not apply to
47 property owned by a public service company, as defined in section 16-
48 1.

49 (3) The following schedule of depreciation shall be applicable with
50 respect to electronic data processing equipment:

51 (A) Group I: Computer and peripheral hardware, including, but not
52 limited to, personal computers, workstations, terminals, storage
53 devices, printers, scanners, computer peripherals and networking
54 equipment:

T1	Assessment Year	Depreciated Value
T2	Following Acquisition	As Percentage of
T3		Acquisition Cost Basis
T4	First year	Seventy per cent
T5	Second year	Forty per cent
T6	Third year	Twenty per cent
T7	Fourth year	Ten per cent

55 (B) Group II: Other hardware, including, but not limited to, mini-
56 frame and main-frame systems with an acquisition cost of more than
57 twenty-five thousand dollars.

T8	Assessment Year	Depreciated Value
T9	Following Acquisition	As Percentage of
T10		Acquisition Cost Basis
T11	First year	Ninety per cent
T12	Second year	Sixty per cent
T13	Third year	Forty per cent
T14	Fourth year	Twenty per cent
T15	Fifth year and thereafter	Ten per cent

58 (4) The following schedule of depreciation shall be applicable with
 59 respect to copiers, facsimile machines, medical testing equipment, and
 60 any similar type of equipment that is not specifically defined as
 61 electronic data processing equipment, but is considered by the assessor
 62 to be technologically advanced:

T16	Assessment Year	Depreciated Value
T17	Following Acquisition	As Percentage of
T18		Acquisition Cost Basis
T19	First year	Ninety-five per cent
T20	Second year	Eighty per cent
T21	Third year	Sixty per cent
T22	Fourth year	Forty per cent
T23	Fifth year and thereafter	Twenty per cent

63 (5) The following schedule of depreciation shall be applicable with
 64 respect to machinery and equipment used in the manufacturing
 65 process:

T24	Assessment Year	Depreciated Value
T25	Following Acquisition	As Percentage of
T26		Acquisition Cost Basis
T27	First year	Ninety per cent
T28	Second year	Eighty per cent
T29	Third year	Seventy per cent
T30	Fourth year	Sixty per cent
T31	Fifth year	Fifty per cent
T32	Sixth year	Forty per cent
T33	Seventh year	Thirty per cent
T34	Eighth year and thereafter	Twenty per cent

66 (6) The following schedule of depreciation shall be applicable with
 67 respect to all tangible personal property other than that described in
 68 subdivisions (3) to (5), inclusive, of this subsection:

T35	Assessment Year Following Acquisition	Depreciated Value As Percentage of Acquisition Cost Basis
T37	First year	Ninety-five per cent
T38	Second year	Ninety per cent
T39	Third year	Eighty per cent
T40	Fourth year	Seventy per cent
T41	Fifth year	Sixty per cent
T42	Sixth year	Fifty per cent
T43	Seventh year	Forty per cent
T44	Eighth year and thereafter	Thirty per cent
T45		

69 (7) The present true and actual value of leased personal property
 70 shall be determined in accordance with the provisions of this
 71 subdivision. Such value for any assessment year shall be established in
 72 relation to the original selling price for self-manufactured property or
 73 acquisition cost for acquired property and shall reflect depreciation in
 74 accordance with the schedules provided in subdivisions (3) to (6),
 75 inclusive, of this subsection. If the assessor is unable to determine the
 76 original selling price of leased personal property, the present true and
 77 actual value thereof shall be its current selling price.

78 (8) With respect to any personal property which is prohibited by
 79 law from being sold, the present true and actual value of such property
 80 shall be established with respect to such property's original
 81 manufactured cost increased by a ratio the numerator of which is the
 82 total proceeds from the manufacturer's salable equipment sold and the

83 denominator of which is the total cost of the manufacturer's salable
84 equipment sold. Such value shall then be depreciated in accordance
85 with the appropriate schedule in this subsection.

86 (9) The schedules of depreciation set forth in subdivisions (3) to (6),
87 inclusive, of this subsection shall not be used with respect to
88 videotapes, horses or other taxable livestock or electric cogenerating
89 equipment.

90 (10) If the assessor determines that the value of any item of personal
91 property produced by the application of the schedules set forth in this
92 subsection do not accurately reflect the present true and actual value of
93 such item, the assessor shall adjust such value to reflect the present
94 true and actual value of such item.

95 (11) Nothing in this subsection shall prevent any taxpayer from
96 appealing any assessment made pursuant to this subsection if such
97 assessment does not accurately reflect the present true and actual
98 value of any item of such taxpayer's personal property.

99 (c) (1) The provisions of this subsection shall be applicable to each
100 gas company, electric distribution company or water company, as
101 defined in section 16-1. The true and actual value of the personal
102 property of any gas company, electric distribution company or water
103 company shall be established in relation to such property's original
104 cost and shall reflect the depreciation lives and salvage rates approved
105 by the Department of Public Utility Control, provided the total amount
106 of depreciation allowed shall not exceed seventy per cent. The original
107 cost of such property shall include the costs of materials, labor,
108 installation, overhead and interest during construction. If the original
109 cost is not available, a reasonable estimate may be used. In the event
110 that such property is purchased, original cost means the purchase price
111 of such property provided any portion of such price found imprudent
112 or otherwise excessive by the Department of Public Utility Control and
113 not allowed for recovery in regulated rates or otherwise recoverable

114 shall be excluded. The depreciated cost of such property as reported on
115 the declaration required by section 12-42 or section 12-43 shall be the
116 portion of the property owner's total depreciated cost of such property
117 allocated to the municipality from the total cost appearing on the most
118 recent annual report filed with the Department of Public Utility
119 Control, in accordance with section 16-27. The provisions of section 12-
120 53 shall be applicable with respect to the personal property of any gas
121 company, electric distribution company or water company except that
122 the assessor shall not use a methodology other than the one set forth in
123 this subsection to determine the value of such property.

124 (2) The provisions of this subsection shall be applicable, on and after
125 October 1, 2001, to the personal property of each electric distribution
126 company and shall be applicable, on and after October 1, 2002, to the
127 personal property of each gas company. Notwithstanding any
128 provision of the general statutes, no assessor or designee of an assessor
129 shall use information obtained from the Department of Public Utility
130 Control or a gas company, water company or electric distribution
131 company, as defined in section 16-1, to increase the assessment of any
132 property that is valued in accordance with this section for a grand list
133 prior to that in which the valuation provisions of this section become
134 applicable to such property.

135 Sec. 2. (NEW) Notwithstanding the provisions of section 16-19 of the
136 general statutes, a gas company or electric distribution company
137 whose property value is established in accordance with subsection (c)
138 of section 12-63 of the general statutes, as amended by this act, may
139 apply to the Department of Public Utility Control for the limited
140 purpose of adjusting rates to reflect changes to revenue requirements
141 for municipal property tax assessments and associated expenses due to
142 a change in state law affecting such assessments.

143 Sec. 3. (NEW) Upon the acquisition, merger or consolidation of a gas
144 company, water company or electric distribution company, as defined

145 in section 16-1 of the general statutes, which results in a transfer of
146 control of such company, a municipality in which such company's
147 personal property is located may appeal to the Department of Public
148 Utility Control for an administrative hearing for the purpose of
149 determining whether the structure of such transaction establishes a
150 value for such company's personal property that differs from the value
151 determined in accordance with subsection (c) of section 12-63 of the
152 general statutes, as amended by this act. The Department of Public
153 Utility Control shall hold a hearing, in accordance with the provisions
154 of chapter 54 of the general statutes, after giving reasonable notice of
155 the time and place thereof to the municipality who filed the written
156 request for the hearing and to the company whose personal property is
157 the subject of the appeal. At said hearing, the municipality may
158 present evidence to support its claim that the value of the company's
159 personal property is substantially different from the value determined
160 in accordance with subsection (c) of section 12-63 of the general
161 statutes, as amended by this act, and the company may present
162 evidence to refute such claim. The burden of proof regarding such
163 claim shall be on the municipality. In the event that either party is
164 aggrieved by the decision of the Department of Public Utility Control,
165 the municipality or the company may make application in the nature
166 of an appeal to the superior court for the judicial district in which such
167 property is located. Such application shall be made not later than two
168 months after the date the Department of Public Utility Control mails to
169 the municipality and the company a notice of its decision regarding the
170 municipality's claim. Any such application shall be a preferred case, to
171 be heard, unless good cause appears to the contrary, at the first
172 session, by the court or by a committee appointed by the court.

173 Sec. 4. This act shall take effect from its passage.

FIN Committee Vote: Yea 28 Nay 18 JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Affected Agencies: None

Municipal Impact: Precludes a Potential Grand List Increase, Minimal Impact

Explanation

Municipal Impact:

The bill may preclude a future grand list increase to certain municipalities as a result of requiring them to value personal property owned by utility companies using original cost. Since the bill would not allow these municipalities to use other methods currently available, that may yield a higher value, the effect would be to preclude future increases in assessments of personal property owned by utility companies. In other municipalities where amount of utility personal property is small relative to their total grand list or the current valuation methodology results in value similar to that arrived at using the provisions of the bill, the impact is expected to be minimal.

In addition, since the provisions of the bill are not effective until October 1, 2001 for electric company personal property and October 1, 2002 for gas company personal property it is expected that the bill will have no impact on litigation involving the city of Meriden concerning the assessment of personal property owned by utility companies.

OLR Bill Analysis

sSB 530

AN ACT CONCERNING THE ASSESSMENT OF THE PERSONAL PROPERTY OF CERTAIN PUBLIC SERVICE COMPANIES.**SUMMARY:**

This bill requires municipalities to value utility personal property at its original cost for property tax purposes. It also requires them to use depreciation lives and salvage rates approved by the Department of Public Utility Control (DPUC). But it limits total depreciation to 70%.

The bill's valuation requirements apply to gas, electric distribution, and water company personal property. For electric companies, the valuation requirement applies on and after October 1, 2001 and for gas companies, on and after October 1, 2002. The bill bars municipal assessors and their designees and assignees from using information from the DPUC or another utility to increase a property's assessment before the new valuation requirements apply to it.

The bill allows gas and electric companies to apply to the DPUC for rate adjustments reflecting changed revenue requirements for property tax assessments and expenses resulting from changes in state law.

When control of a utility is transferred through acquisition, merger, or consolidation, the bill allows a municipality to ask for, and requires the DPUC to hold, a hearing on whether the transfer establishes a different value for the company's personal property than the one the bill specifies. At the hearing, the municipality may present evidence that supports its claim and the company evidence that refutes it. The burden of proof is on the municipality. Parties aggrieved by the DPUC's decision may appeal to Superior Court.

EFFECTIVE DATE: Upon passage

ORIGINAL COST

Under the bill, original cost includes the cost of material, labor, installation, overhead, and interest during construction. If the property was purchased, the original cost is the purchase price, excluding any amount the DPUC found to be imprudent or excessive and that it did not allow the utility to recover either in rates or in some other way. If the original cost is not available, the municipality may use a reasonable estimate.

DEPRECIATION

The bill requires the total cost of a utility’s property that appears in its most recent annual report to the DPUC to serve as the basis for the depreciated cost of the municipality’s allocated share of the property that is reported in the company’s tax list.

DPUC HEARING

A municipality seeking to establish a different valuation for utility property when control of the company is transferred, must make its request for a DPUC administrative hearing on the matter in writing. The DPUC must hold the hearing in accordance with the Uniform Administrative Procedure Act after giving the municipality and the affected company reasonable notice of its time and place.

APPEALS

If either party is aggrieved by the DPUC’s decision after the hearing, it may appeal to Superior Court in the district where the property is located within two months after the DPUC mails the decision notice. The bill makes such an appeal a preferred case and requires the court or a court-appointed committee to hear it in the first session, unless there is good cause not to do so.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 28 Nay 18

