

# Public Service Company Section



# NCGS for Public Service Companies

- Article 23 of the Machinery Act details how the NCDOR is to appraise, apportion and allocate the values of the PSC. This also defines many terms used in the appraisal of PSC
- NCGS 105-333 thru 105-344 (Article 23)

# Who are the Public Service Companies?

- Airline
- Bus
- Motor Freight
- Communication – Landline
- Communication – Wireless / Cell Tower
- Gas
- Pipeline
- Power (Includes EMC's & Solar Power Firms)
- Railroad

# Who is NOT a Public Service Company?

- Cable Companies
- Water Companies
- Radio/Television Companies

Per NCGS 105-333 (14)

# PSC (Why Should you Care)

- NC DOR Appraises, Apportions and Allocates the taxable value of PSC to your office.
- All you have to do is bill and collect the value NC DOR certified to you.
- So why should you care?

# PSC Stats (From TY 2016)

- NCDOR appraised approximately 33 Billion in PSC Value.
- On average, counties get about 3% of their property tax base from PSC.
  - However it ranges from (1% - 20%)
- The amount of value certified to the counties from PSC range from 11 million (smallest county) to 4.6 billion (largest county).
- There are only (3) counties that have a larger property tax base than the 33 Billion we appraise.

# **UNIT VALUATION METHOD**

What was it worth back then?



**1999 Toyota Camry**



The 1999 Toyota Camry MSRP  
was \$23,263  
(when purchased new).

- The Alliance of American Insurers estimated that the parts for a 1999 Toyota Camry would cost \$101,335 if bought one part at a time (plus assembly cost).

– Journal of Property Valuation and Taxation Volume  
13 – Number 2

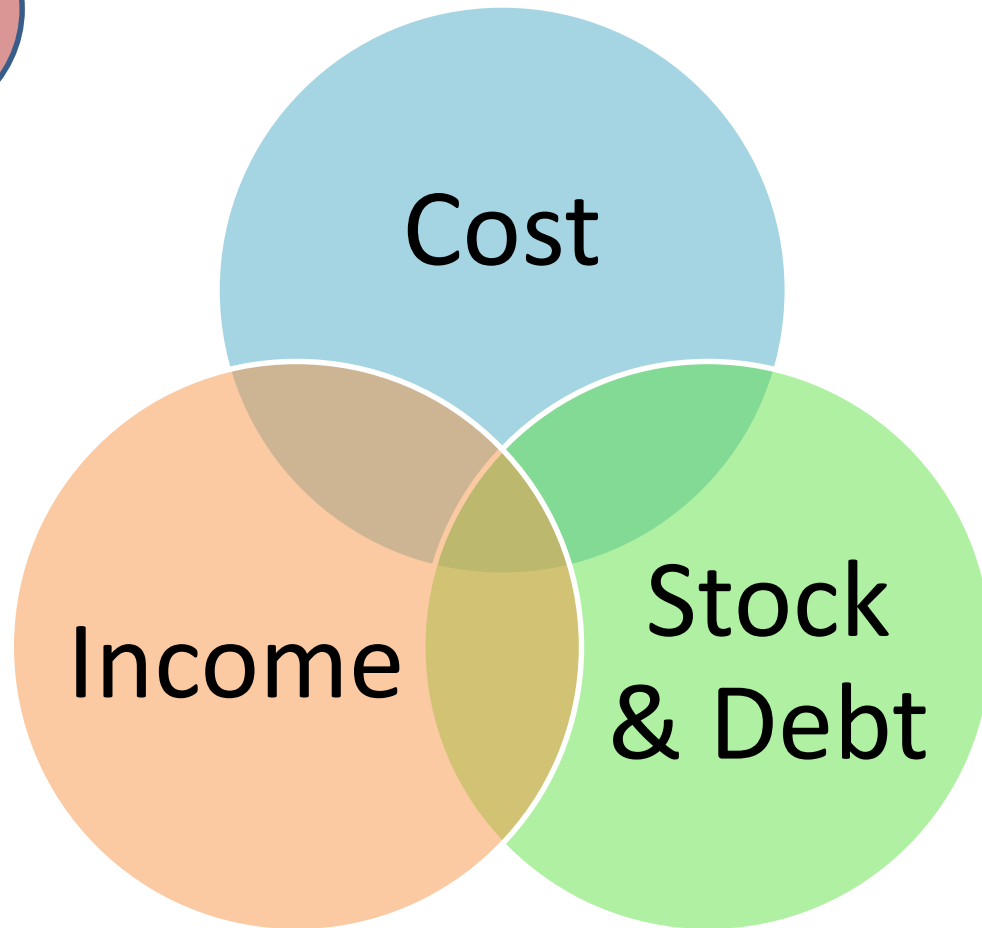
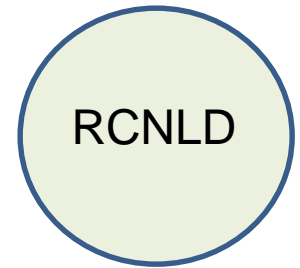
# Unit Valuation

- Unit Valuation appraises a company as a whole or as a unit, as opposed to a summation methodology.
  - Again, think back to the 1999 Camry example. We're appraising the 1999 Camry as a unit, and not a summation of its parts.

# Why Unit Method

- These companies work as a Unit.
  - Would you want to ride on a RR that was missing (1) foot of track?
  - They don't typically sell of sections, when they sell they sell as a Unit.
- Most of these companies cross multiple jurisdictional lines.
  - It keeps counties/munis/districts from fighting over the same values.

# Unit Valuation



# Unit Valuation Companies

- Used only for the following types of companies:
  - Communication (Landline Companies Only)
  - Gas
  - Pipeline
  - Power/EMC
  - Railroad

# Non – Unit Valuation Method

- The following companies are appraised using traditional trend schedules:
  - Airline
  - Bus
  - Communication (Wireless & Cell Towers)
  - Motor Freight

# Appraisal of Rolling Stock

- Our office appraises the Rolling Stock of the Airline, Bus & Motor Freight Companies using trend factors similar to how you appraise your BPP.
- All other property is appraised locally at the county (Real Estate, M&E, FF, etc)



# What about leased Vehicles?

- NCGS 105-335 (c) says that a Motor Freight, Airline or Bus Company are to list for apprais all rolling stock and flight equipment owned or **leased**.
- Thus if FedEx starts leasing a vehicle on June 2012, they will file this with our office on January 1, 2013.

# Appraisal of Wireless/Cell Tower

- For Wireless Companies we are appraising all Tangible Personal Property.
  - You (the county) will be appraising all Real Property.
- For Cell Tower Companies we are appraising the tower, fencing and shelters.
  - You (the county) will be appraising only the land at the site.

# **APPORTIONMENT & ALLOCATION OF VALUE**

**(ALSO KNOWN AS DISTRIBUTION)**

# Apportionment

(NCGS 105-337)

- Apportionment is the process of determining how much of the Unit Value of a PSC should be allotted to NC.
- This can be done using multiple factors such as: Original Cost and Gross Revenue, etc.

# Using Original Cost as an Apportionment Factor

State	Original Cost	%
Alabama	25,000	6.25
Florida	50,000	12.5
Georgia	25,000	6.25
North Carolina	<b>200,000</b>	<b>50.00</b>
South Carolina	100,000	25.00
<b>Unit Totals</b>	<b>400,000</b>	<b>100.00</b>

**So in this example, NC would get 50% of the overall Unit Value**

# Allocation

NCGS (105-338)

- Allocation (Distribution) is done by allocating value to taxing districts **based on the investment in a county, and where applicable the municipality and or districts.**
  - This is done by using factors such as: Original Cost, Miles of Wire, Mile of Tract, etc.

# PSC with \$1,000,000 NC Value

District	Original Cost	Factor	Value
Wake County	800,000	.667	533,333
Raleigh	450,000	.667	300,000
Garner	200,000	.667	133,333
Cary	150,000	.667	100,000
Durham County	500,000	.667	333,333
Durham	200,000	.667	133,333
Bahama FD	150,000	.667	100,000
Redwood FD	150,000	.667	100,000
Johnston County	200,000	.667	133,333
Smithfield	150,000	.667	100,000
<b>County Total's</b>	<b>1,500,000</b>	<b>.667</b>	<b>\$1,000,000</b>

The NC Value (1,000,000) divided by the total Original Cost (1,500,000) gives us a factor of .667

# Distribution - Summary

- NCDOR finalizes the value of a PSC before any distribution is considered.
- The current market value of an individual piece of property is irrelevant as it will only be used for distribution purposes and not for appraisal purposes.
  - **Remember – we are appraising the company as an unit – not its individual components!!**
    - **Think 1999 Toyota Camry**



# **SYSTEM PROPERTY VS NON-SYSTEM PROPERTY**

# System Property – (Unit PSC)

NCGS 105-333 (17)

- All Property that is used by a PSC in its Public Service Activities.  
(This includes leased property).
  - Examples - Office Buildings, ROW, Transmission Lines, RR Lines, (Land deemed needed by the FERC)
  - System property is part of the Unit Value.

# Leased Equipment

- 105-334 Duty to file report...
  - (a) Every Public Service Company shall report ... to the Department of Revenue ... property it owns and the system property it leases.
- 105-335 Appraisal of property of PSC
  - b) ... Property leased shall be included in the appraising the value of its system property ...

# Nonsystem Property - (Unit PSC)

NCGS 105-333(12)

- All Property owned by a PSC but not used in Public Service activities. (This includes leased property).
  - Examples - Old depot being used as mixed commercial shops, abandoned ROW, house on a lake being rented.
  - Nonsystem is appraised using the county schedule of values – thus real property is reappraised every reappraisal. BPP is appraised each year.
  - Nonsystem is not part of the Unit Value.

# **CERTIFICATIONS OF VALUE**

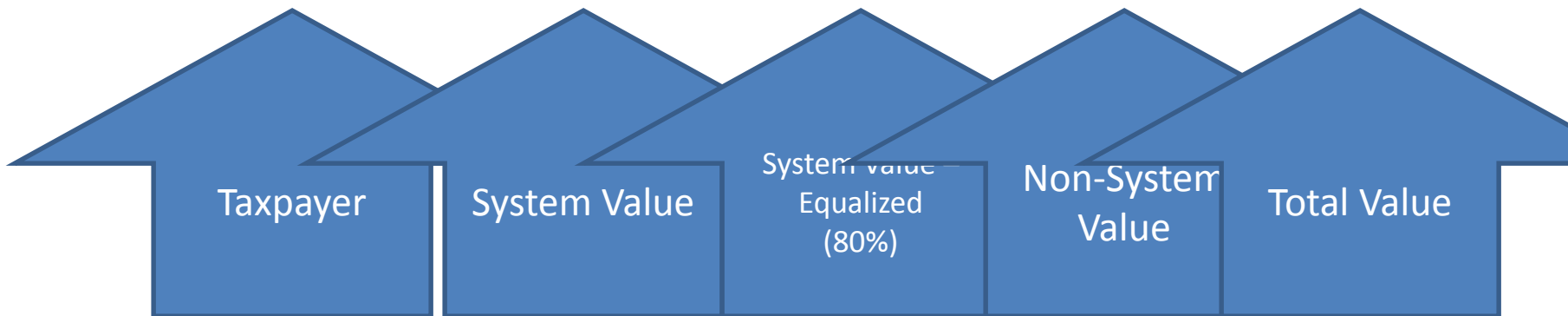
## **(COUNTIES AND OTHER LOCAL TAXING DISTRICTS)**

# Certifications

- Certifications are typically mailed out around the end of August to early September.
- Certifications tell the county or municipality whom to bill and what value to bill.

# Certification Example

Taxpayer	100% System Value	Equalized System Value	Nonsystem Value	Total Value (Bill this Amount)
American Airlines	1,000,000	1,000,000		1,000,000
BellSouth	10,000,000	8,000,000		8,000,000
CSX	12,000,000	9,600,000	200,000	9,800,000
Duke Energy	300,000,000	240,000,000		240,000,000
Progress Energy	20,000,000	16,000,000	500,000	16,500,000
<b>County Totals</b>	<b>343,000,000</b>	<b>274,600,000</b>	<b>700,000</b>	<b>275,300,000</b>



# Actual County Certification

Form AV-31  
(Revised 8/12)

2012

N.C. DEPARTMENT OF REVENUE  
PROPERTY TAX DIVISION  
P.O. BOX 871, RALEIGH, N.C. 27602  
**CERTIFICATION TO COUNTIES**

HENDERSON COUNTY

Date: August 31, 2012

Name of Taxpayer	Total 100% System Value	Equalized System Value	Non-System Value	Total Value (Bill this Value)
<b>NORFOLK SOUTHERN</b>	9,708,547	9,708,547		
BLUE RIDGE FD		1,772,378		
ETOWAH		7,958		
FLETCHER		1,000		
GREEN R		19,485		
MOUNTAIN HOME		1,156,298		1,156,298
RAVEN ROCK FD	711,944	711,944		711,944
VALLEY HILL FD	461,122	461,122		461,122
<b>PROGRESS ENERGY CAROLINAS</b>	7,302,412	7,302,412		7,302,412
FLETCHER FD	7,302,412	7,302,412		7,302,412
<b>PUBLIC SERVICE COMPANY OF NC INC</b>	34,450,558	34,450,558	63,700	34,514,258
BLUE RIDGE FD	2,981,084	2,981,084		2,981,084

**FD Value  
7,302,412**

**County Value  
7,302,412**

7,302,412

7,302,412



# County Certification – How to Bill

- So the County would bill:
  - \$7,302,412 (County) x County Tax Rate
  - plus**
  - \$7,302,412 (Fletcher FD) x Fletcher FD
- You don't bill:
  - \$7,302,412 (County) x County Tax Rate
  - plus**
  - \$7,302,412 (Fletcher FD) x County Tax Rate + Fletcher FD

TOWN OF FLETCHER  
 4005 HENDERSONVILLE RD  
 FLETCHER, NC 28732

The following is an official statement to the above named municipality for the appraised valuations of Railroad, Pipeline, Gas, Electric Power, Electric Membership, Telephone, Telegraph companies; and the rolling stock of Bus Line and Motor Freight Carrier Companies; and the flight equipment of Airline Companies for the year 2012 pursuant to Article 23, Subchapter 105 of the General Statutes of North Carolina as revised through Session Laws of 2011. The values listed below under "Equalized System Value" have been adjusted where appropriate for a sales ratio study analysis.

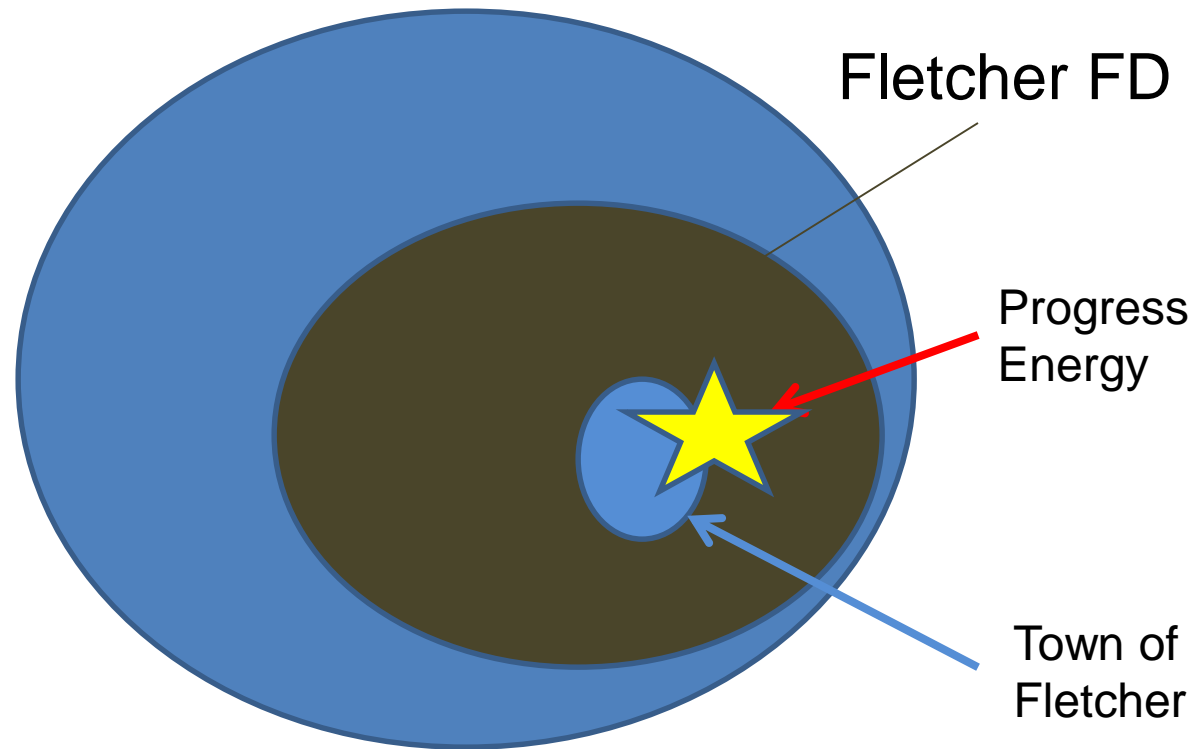
Name of Taxpayer	Total 100% System Value	Equalized System Value	Non-System Value	Total Value (Bill this Value)
AAA COOPER TRANSPORTATION	255,211	255,211		255,211
BELLSOUTH TEL CO				493,911
CHARTER FIBERLINK				870
DUKE ENERGY CORP				165,223
DUKENET COMMUNICATIONS LLC	40,121	40,121		40,121
FEDEX NATIONAL LTL INC COMPANY MERGED WITH FEDEX FREIGHT, INC. AS OF 12/31/2011				0
NORFOLK SOUTHERN	1,743,879	1,743,879		1,743,879
PROGRESS ENERGY CAROLINAS	666,768	666,768		666,768
PUBLIC SERVICE COMPANY OF NC INC	2,435,570	2,435,570		2,435,570

City Value  
**666,768**

# Certifications Continued

<b>District</b>	<b>Bill This Value</b>	<b>Tax Rate</b>	<b>Tax Bill</b>
Henderson County	7,302,412	.5136	\$37,505
Fletcher FD	7,302,412	.1000	\$7,302
Town of Fletcher	666,768	.3250	\$2,167

# Town of Fletcher + Fletcher FD > County



Henderson county

# Billing Issues

- What if your software requires you to bill Town of Fletcher with Fletcher FD?
  - Town of Fletcher \$666,768 \* (.4250/\$100)  
Town of Fletcher Tax Rate + Fletcher FD Tax Rate
  - Fletcher FD \$7,302,412 - \$666,768 \* (.10/\$100)  
Fletcher FD Tax Rate

Note – County Rate would also have to be applied.

# Town of Chapel Hill

Form AV-32  
(Revised 9-2010)

N.C. DEPARTMENT OF REVENUE  
PROPERTY TAX DIVISION  
P.O. BOX 871, RALEIGH, N.C. 27602  
CERTIFICATION TO MUNICIPALITIES

2012

TOWN OF CHAPEL HILL

Date:

Name of Taxpayer	Total 100% System Value	Equalized System Value	Non-System Value	Total Value (Bill this Value)
GREYHOUND LINES INC ( ORANGE COUNTY)	3,583	3,583		3,583
HOLIDAY TOURS INC ( ORANGE COUNTY)	29,163	29,163		29,163
INTERSTATE FIBERNET INC ( ORANGE COUNTY)	5,154	5,154		5,154
ITC DELTACOM COMMUNICATIONS, INC. ( ORANGE COUNTY)	3,007	3,007		3,007
KENAN TRANSPORT CO ( ORANGE COUNTY)	115,335	115,335		115,335
LEVEL 3 COMMUNICATIONS INC. ( DURHAM COUNTY)	9,100	9,100		9,100
LEVEL 3 COMMUNICATIONS INC. ( ORANGE COUNTY)	93,881	93,881		93,881
MADISON RIVER COMMUNICATIONS LLC ( DURHAM COUNTY)	2,162	2,162		2,162
MADISON RIVER COMMUNICATIONS LLC ( ORANGE COUNTY)	61,629	61,629		61,629
MCI COMMUNICATION SERVICES INC ( DURHAM COUNTY)	674	674		674
MCI COMMUNICATION SERVICES INC ( ORANGE COUNTY)	51,367	51,367		51,367
CHAPEL HILL DNTWN SERV DIST	20,195	20,195		20,195
MOUNTAIN AIR CARGO ( ORANGE COUNTY)				0
NORFOLK SOUTHERN ( ORANGE COUNTY)	50,654	50,654		50,654
PIEDMONT EMC ( ORANGE COUNTY)	1,168	1,168		1,168

\$51,367

51,367

20,195

\$20,195

# Town of Chapel Hill

<b>District</b>	<b>Bill This Value</b>
Chapel Hill	\$51,367
Downtown Service Dist.	\$20,195

How do we bill this?

# Town of Chapel Hill (cont.)

- 1<sup>st</sup> Option – Bill \$51,367 with County + Chapel Hill and Bill \$20,195 with Downtown only
- 2<sup>nd</sup> Option Bill \$31,172 ( $\$51,367 - \$20,195$ ) with County + Chapel Hill and Bill \$20,195 with County + Chapel Hill + Downtown
- 3<sup>rd</sup> Option Bill \$51,367 with County only plus \$51,367 with Chapel Hill only plus \$20,195 with Downtown only.



# Certifications Continued

- Our Certifications tell you exactly how much property should be taxed by districts.
- If your billing software has specific rate code combinations, you may have to make additional calculations.

# **SALES ASSESSMENT RATIO STUDIES**

## **(EQUALIZATION OF PSC & MANDATORY REAPPRAISALS)**

# Sales Assessment Ratio Study

$$\text{Ratio} = \frac{\text{Assessed Value}}{\text{Sales Price}}$$

- From the ratio we calculate 5 statistics.
  - Median
  - COD
  - PRD
  - Range
  - Mean

# Sales Ratio Basics (Median)

<b>Parcel</b>	<b>Assessed Value</b>	<b>Sale Price</b>	<b>Ratio</b>
1	\$140,000	\$250,000	0.5600
2	\$95,000	\$120,000	0.7917
3	\$125,000	\$137,500	0.9091
4	\$210,000	\$230,000	0.9130
5	\$375,000	\$380,000	0.9868
	<b>Median</b>	<b>0.9091</b>	

# Sales Assessment Ratio Study

- Used primarily for equalization of PSC and trigger for mandatory reappraisal.
  - Equalization Key years are – Reappraisal and 4<sup>th</sup> & 7<sup>th</sup> years thereafter.
  - If ratio falls below 90% on a key year, then equalization occurs.
  - If ratio falls below 95% on any year, Railroads get equalized (4R Act).

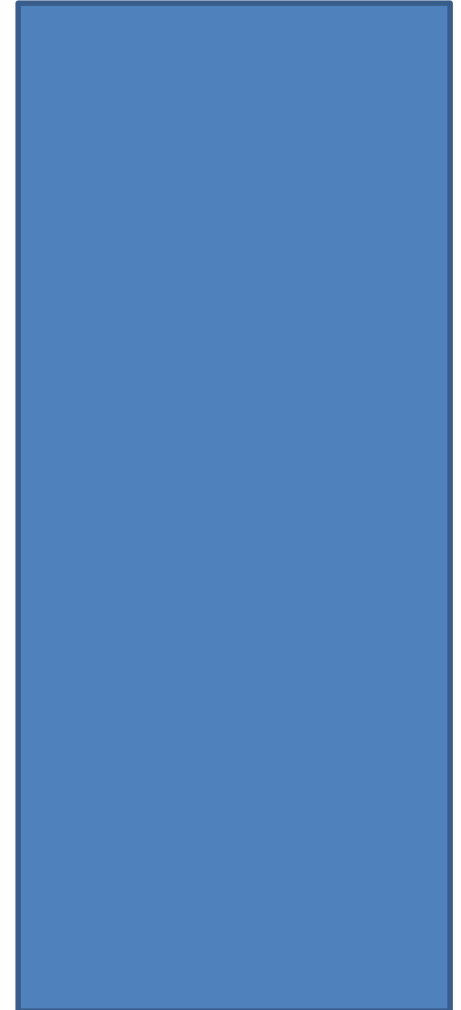
# Equalization of a PSC

- Equalization only applies to the: **Communication, Gas, Pipeline, Power and Railroad Companies.**
  - Only the companies we appraise using the Unit Approach that includes Real Property.
- We do NOT equalize **Airline, Bus, Motor Freight Companies, Solar or Wireless and Cell Tower companies.**
  - For these companies, we are not appraising the Real Property.

# Equalization / Sales Ratio – Cont.

**(Communications, Gas, Pipeline, Power)**

<b>Tax Year</b>		<b>Sales Ratio</b>	<b>Weighted Percentage</b>
2005	Reapp.	99.5%	100.00%
2006	1st	92.3%	100.00%
2007	2nd	90.1%	100.00%
2008	3rd	87.2%	100.00%
2009	4th	84.5%	86.20%
2010	5th	82.3%	86.20%
2011	6th	77.9%	86.20%
2012	7th	72.5%	74.20%
2013	Reapp.	99.8%	100.00%



# Certification Sample – Tax Year 2009

(Equalized at 86.2%)

<b>Taxpayer</b>	<b>100% System Value</b>	<b>Equalized System Value</b>	<b>Nonsystem Value</b>	<b>Total Value (Bill this Amount)</b>
American Airlines	1,000,000	1,000,000		1,000,000
BellSouth	10,000,000	8,620,000		8,620,000
CSX	12,000,000	10,344,000	200,000	10,544,000
Duke Energy	300,000,000	258,600,000		258,600,000
Progress Energy	20,000,000	17,240,000	500,000	17,740,000
<b>County Totals</b>	<b>343,000,000</b>	<b>295,804,000</b>	<b>700,000</b>	<b>296,504,000</b>



# Budgeting with Equalization

- Our office will notify you on or before April 15<sup>th</sup> of your sales ratio study.
- If your PSC's are to be equalized this will affect your upcoming budget as well as your tax rate you are setting in July.
- Keep this in mind for your Municipalities and Districts as well!!

# Mandatory Reappraisal Advancement

- 105-286 (a)(2)

States that if your county has a population greater than 75,000 and the Sales Ratio is greater than 1.15 or less than 0.85 the county must reappraise on the third year after being notified by the NCDOR.

# Tax Levying Jurisdictions

- Tax Levying list explains which districts covers areas within a county.
- The PSC use this list along with their records, to know which districts they need to be reporting to.
- On January 1, based on the Tax Levying Jurisdiction Sheets, the PSC are going to take a snapshot of what they own within each Jurisdiction.
  - **It is very important that your county checks this list, and updates as needed.**

# Macon County

MACON		Last Updated:
Contact Person:	Delena Raby	12/23/2010
Contact Phone Number:	828-349-2144	
<u>Municipalities:</u>	<u>Covered By:</u>	
Town of Franklin	* Franklin FD	
Town of Highlands	* Highlands FD	
<u>Districts:</u>		
* Burlington FD		
* Clarks Chapel FD		
* Cowee FD		
* Culla FD		
* Franklin FD		
* Highlands FD		52

Notice the “\*” This means the county must total, thus when adding all “\*” value together, you should get the total county value.

# Counties that Total

- If all your parcels within your county have a county tax + a fire or municipality tax, then your county “Totals”.
  - If your county totals – the value of all districts with an “\*” should total back to the county total.

# Solar, Wind Farms

- If a Solar or Wind Company sells electricity to anyone other than the public – they are not a PSC and should be locally assessed.
  - Ex. SunEdison located in Davidson County sells electricity generated from a solar plant directly to Duke Energy. This property should be locally assessed.

# Solar Power - Exemption

- NCGS 105-275(45)

80% of the appraised value of the Solar Energy Electric System shall be exempt.

– (One time application is required)

- SEES is defined as only the equipment used directly for the conversion of solar energy to electricity.

**\*\* Currently no exemption for Wind \*\***

# PSC Exemptions

- GS 69-25.16
  - Exempts all property for a Power Generating Plant, as long as the Fire Protection District was created after May 1, 1971
- 160A-544
  - Exempts all personal property for any PSC as long as the Municipal Service District was created after January 1, 1977
- 117-3
  - Exempts all property owned by a Telephone Membership Corporation



# Commonly Asked Questions

- What is the appraised value of a building located at parcel X owned by Duke Energy?
- Answer –  
There is technically no appraised value assigned to that parcel.
- There is value assigned to the district where this parcel is located, based on allocation factors.

# Commonly Asked Questions

- Are we assessing a car that Bellsouth leases?
- Answer –  
Yes, we are assessing everything in the Unit Valuation that the PSC owns and leases.

# Commonly Asked Questions

- You (The Local Taxing Jurisdiction) did not receive a value for a PSC that you believe you should have?
- Answer –  
Let us know and we will contact the company.

# Commonly Asked Questions

- What if your distribution is off a few dollars, when trying to total for billing?
- Answer –  
This is normal, as the numbers are being rounded. A company with a value in the millions can easily be off a couple of dollars when distributing to numerous jurisdictions.

# Commonly Asked Questions

- Does the NCDOR perform audits on the PSC?
- Answer –  
Yes, we conduct audits on the PSC. The regulated PSC also are audited by various Regulatory Commissions.

# Commonly Asked Questions

- What if through an audit the DOR discovers that the PSC was in (4) counties instead of the previously reported (3)?
- Answer –  
The DOR would conduct a discovery using NCGS 105-312. Keep in mind, the pie (unit value) won't get any bigger because of a discovery, and at least one county would have to give a refund.

# Questions

You may contact our office at 919-814-1129

Or via email

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[sonya.morgan@ncdor.gov](mailto:sonya.morgan@ncdor.gov)