

810-4-1-17 Assessment Procedures for the Valuation of Public Utility and Railroad Property in the State of Alabama.

1. PURPOSE - This regulation is issued pursuant to authority contained in § 40-21-1 through 40-21-34, Code of Alabama 1975, for the purpose of establishing guidelines and procedures for assessing and allocating public utility and railroad property for ad valorem tax purposes in the state of Alabama.

2. DEFINITIONS - For purposes of this regulation the meaning of the following terms shall be:

- a. Fair market value. The price which property will bring at a fair voluntary sale (§ 40-21-1(12)).
- b. Gross investment. The total undepreciated capitalized expense incurred to invest in tangible and intangible assets.
- c. Public utility and railroad companies. All companies described under §40-21-1.
- d. Unitary appraisal. An appraisal of the total operating company's capitalized tangible and intangible assets.

3. PROCEDURES - To ensure the equitable taxation and allocation of public utility and railroad property in Alabama, the Ad Valorem Tax Division of the Alabama Department of Revenue shall determine the fair market value of the tangible and intangible property of the public utility and railroad companies (? 40-21-21) using generally accepted appraisal and unitary appraisal methodologies embraced by nationally and internationally recognized appraisal groups. These appraisal groups include but are not limited to:

- a. The National Conference on Unit Valuation States
- b. The International Association of Assessing Officials
- c. The American Institute of Real Estate Appraisers
- d. The Appraisal Foundation
- e. The Society of Real Estate Appraisers

1. After January 1st of each year, the division will notify the utility and railroad company of record located in Alabama. This notification will include requests for financial and market value information needed by the division to complete the assessment and allocation process. Whether notified by the division or not, the utility or railroad company located in Alabama shall contact the division to ascertain what information they are required to file. This information is required to be filed with the Property Tax Division of the Department of Revenue by March 1st of each year (§40-21-3).

2. After receiving the information needed to assess and allocate the property, the Property Tax Division will review the documentation and determine the best methodology needed to compute the unitary market value of the company (§ 40-21-6).

3. After computing the unitary market value of the company, the allocated Alabama value will be determined by computing the percentage of the gross investment the company has in Alabama divided by the total gross investment everywhere. This percentage is multiplied by the total unitary market value of the company to calculate the Alabama taxable value. Intangible properties of a public utility with undeterminable physical locations may be allocated to Alabama based on the level of business as measured by the gross revenue generated in Alabama divided by the gross revenue generated everywhere by the company (§ 40-21-22). Intangible property of this nature generally arises from acquisitions or mergers of other companies with purchase prices paid in excess of the book value of the acquired companies. The sum of the allocated Alabama tangible and intangible property will compose the Alabama taxable value.

4. The Alabama taxable value will then be multiplied by the constitutionally required property class assessment ratio to determine the tentative assessed value (§ 40-8-1(a), Code of Alabama 1975). Once the tentative assessed value of each company has been calculated, the taxpayer will be sent notice of this assessment and given the opportunity for an informal hearing (§ 40-2A-7(b)(1)(a), Code of Alabama 1975). After the informal hearing, or if no hearing is requested after 30 days has passed, the taxpayer will be sent a final equalized assessment adjusted by the state determined equalization ratio. The taxpayer will also be sent information on how to appeal the final assessment.

5. After the yearly assessment process has been finalized, the tangible and intangible equalized assessed values of the company's property in Alabama will be apportioned to each county and taxing jurisdiction in Alabama based on the percentage of the tangible gross investment in each Alabama taxing jurisdiction to the total tangible gross investment in the whole state (§ 40-21-22).

6. On July 1st of each year, or as soon thereafter as practical, the Property Tax Division will distribute to each Alabama county a certified copy of the equalized assessed value of each utility company located in its respective county along with a summary sheet of the total utility property in the county. Copies of these distributions will also be forwarded to each respective utility. This distribution will include a description of the property and the company's total county equalized assessed value and total value of the company located in each respective taxing jurisdiction within the county including school districts and cities. The county tax assessing official will use these assessments as a basis to compute the ad valorem taxes owed to the city, county, and state by each company (§ 40-21-17).