



MAINE REVENUE SERVICES PROPERTY TAX DIVISION PROPERTY TAX BULLETIN NO. 25

VALUATION OF POWER LINES

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1. The Law. Section 8 of Article IX of the Constitution states that "all taxes upon real and personal estates . . . shall be . . . assessed equally, according to the just value thereof . . ."

Title 36, M.R.S.A., section 551 defines lines of electric light and power companies as being real estate for the purposes of taxation.

2. What is "just value?" Just value is a complex concept when considered in the context of regulated public utilities. There is no normal or free market in such properties. The operating property of a public utility cannot be sold except with prior approval of the Public Utilities Commission.

Effectively, as far as utility operating property is concerned, the "just value" is primarily influenced by the book value as filed with the Public Utilities Commission for rate making purposes. This book value is original cost with adjustments for depreciation and improvements. As long as land and improvements are an integral part of the utility operation and are dedicated to that purpose, it is their earning capacity as utility property that determines their market value. A rate base restricted to original cost less depreciation affects the value of a utility and should be given controlling emphasis in any proper assessment of such property.

Title 35-A, M.R.S.A., section 303 clearly states that current value must be excluded in determining reasonable value for rate making:

In fixing a reasonable value, the Commission shall give due consideration to evidence of the cost of the property when first devoted to public use and the prudent acquisition cost to the utility, less depreciation on each, and any other material and relevant factors or evidence, but the other factors shall not include current value.

Tax administrators, tax assessors and appraisers must keep in mind that public utilities are heavily regulated by Federal and State agencies and that by law the quantity and quality of service as well as the price of the product are regulated with the intent to set a limit on earnings based upon original cost.

3. How should "just value" be used? The Constitution provides that taxes shall be "assessed equally according to just value." This means that if the relationship of assessed valuations of other properties to market value is 100%, then 100% of the just value should also be used for utility property. If some ratio other than 100% is used for other property, that same ratio should be applied to utility property.

The unit values on the attached sheet have been derived from company records. A separate analysis was performed on each electric utility company based upon their cost records. Consequently, no two companies have exactly the same "just values" for the various units described.

These costs have been depreciated. Therefore, they represent 100% of just value. If, for example, your town is assessing at 70%, then you should use 70% of these values for your assessment.

4. How should transmission and distribution property be classified? In accordance with statute they shall be assessed as real estate and not personal property. The valuations should be entered in the valuation book in the column entitled "land."

NOTE: This bulletin is intended solely as advice to assist persons in determining, exercising or complying with their legal rights, duties or privileges. If further information is needed, contact the Property Tax Division of Maine Revenue Services.

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