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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 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 Department of Local Government Finance annually assesses each public utility company and railroad. On May 4, 2015, Governor Pence signed into law House Enrolled Act 1388 (“HEA 1388”), which introduced legislative changes concerning state distributable property assessment. Section 3 of HEA 1388, amended language concerning the Department’s certification of state distributable property assessed values to county assessors and auditors. As of 2017, the Department is required to certify the values to county assessors and auditors on or before June 15. All companies engaged in public utility business in Indiana were required to file Form 1 (Tax Return-Fixed Personal Property of Public Utilities) with the local assessing official for each taxing unit where fixed personal property is located. Effective with the March 1, 2010 assessment date, all companies engaged in public utility business in Indiana are no longer required to file the Form 1 with the local assessing official. The property that was previously reported on the Form 1 is now reported with the company’s filing with the Department on its Utility Ad Valorem Tax Return (Annual Report – Form UD-45).

Based on the facts and circumstances, the assessing official 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 locally assessed real property or distributable 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 or any other personal property, 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 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.
- 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) 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, DIST, depending on the application, for example:
 - used to control the temperature and humidity of computer equipment—DIST
 - used to control the temperature and humidity of telephone switching equipment—DIST
- window units—DIST

2. Air Lines for Machinery and Equipment—DIST, for example:

- used in maintenance shops—DIST

- 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**—DIST
- 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. **Booths** (welding):
 - related to production, transmission, or distribution system—DIST
 - general plant—LPP
- 9. **Bucket Elevators** (open or enclosed, including casing)—DIST
- 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—DIST
 - 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) DIST, depending on the application, for example:
 - used in the maintenance shops—DIST
 - used in connection with distributable property—DIST

- 18. Crane Runways**—including supporting columns or structure and foundation inside or outside of buildings—DIST depending on the classification of the crane used on the runway
- 19. Docks:**
- barge—DIST
 - boat docks—LRP
 - coal handling—DIST
 - non-coal handling—LRP
 - truck dock—LRP
 - dock levelers—DIST
- 20. Drapes**—DIST
- 21. Electric Transmission and Distribution Towers**—DIST
- 22. Fence (security)**—LRP
- 23. Alarm Systems (fire and burglar)**—DIST
- 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**—DIST
- 31. Lighting:**
- yard lighting—DIST
 - special purpose lighting, inside—DIST
- 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)**—DIST
- 40. Radio and Microwave Towers**—DIST

- 41. Railroad Siding** (except belonging to railroad)—LRP
- 42. Refrigeration Equipment**—DIST
- 43. Sanitary System**—LRP
- 44. Satellite Dishes** (commercial use)—DIST
- 45. Scale Houses**—LRP
- 46. Scales**—DIST
- 47. Sheds or Buildings:**
 - permanent, affixed, or portable confinement buildings—LRP
 - open portable pull-type—DIST
 - detached storage structures—LRP
- 48. Signs** (including supports and foundation)—DIST
- 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—DIST
 - microwave towers—DIST

- 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)—DIST
- 64. Unloader Runway**—DIST
- 65. Ventilating**—LRP or DIST depending on the facts and circumstances associated with a dual system
- 66. Walls** (portable partitions)—DIST
- 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—DIST
 - 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 assessing official 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 Department of Local Government Finance 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, as well as all other personal property.

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

The assessing official 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 Department of Local Government Finance 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
- turbo-generator 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
- all other personal property

Where a light, heat, or power company owns or operates a hydraulic or hydro-electric generating facility, the dam structure is assessed by the assessing official. The hydraulic production equipment is assessed by the Department 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, 2019 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 assessing official. 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 Department as distributable property.

Identifying Property to Be Reassessed for Pipeline Companies

The assessing official 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 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 Department of Local Government Finance 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 assessing official assesses the non-operating land and improvements of a railroad company as local real property. The following are examples of non-operating 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 assessing official 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 Department of Local Government Finance.

For the purpose of determining whether land is locally assessed or is assessed by the Department, 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 assessing official 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 undeveloped acreage.

The Department 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 assessing official consults with the Department or the railroad company to determine whether property is operating or non-operating property.

Identifying Property to Be Reassessed for Sewage Companies

The assessing official 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 Department of Local Government Finance 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 assessing official assesses the land only. The Department assesses the sewage plant and mains as distributable property.

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

The assessing official 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 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 Department of Local Government Finance 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 assessing official 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 Department of Local Government Finance 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 assessing official 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 Department 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 assessing official and valued in the same manner as all similar land and buildings of like construction within the taxing district.

The assessing official 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 assessing official.

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 assessing official places a lower value on the buildings for assessment purposes.

The impounding reservoir and dam are assessed by the assessing official 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, 2019, using the "*Handy-Whitman Index*" in the section "*Using the Handy-Whitman Index*," in this chapter. The Handy-Whitman Index used by the assessing official 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, 2019, 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 2019 is divided by the factor for the year of construction of the dam and reservoir. Assume you arrive at a factor of 5.0161 from this calculation. Also assume a water distribution company constructed a dam with an original cost of \$100,000 and a reservoir with an original cost of \$1,000,000. The replacement costs would be \$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 assessing official may contact the Department 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, LLP, 801 South Caroline Street, Baltimore, Maryland 21231; 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	1950	35	1988	240
1913	8	1951	38	1989	247
1914	9	1952	39	1990	248
1915	9	1953	42	1991	251
1916	10	1954	43	1992	250
1917	14	1955	45	1993	261
1918	16	1956	48	1994	271
1919	17	1957	51	1995	284
1920	18	1958	52	1996	295
1921	18	1959	54	1997	303
1922	17	1960	56	1998 (Jan. 1)	303
1923	17	1961	56	1998 (Jul. 1)	311
1924	18	1962	57	1999 (Jan. 1)	311
1925	18	1963	58	1999 (Jul. 1)	319
1926	18	1964	60	2000 (Jan. 1)	322
1927	18	1965	62	2000 (Jul. 1)	329
1928	18	1966	64	2001 (Jan. 1)	328
1929	18	1967	67	2001 (Jul. 1)	338
1930	18	1968	70	2002 (Jan. 1)	337
1931	17	1969	75	2002 (Jul. 1)	346
1932	15	1970	80	2003 (Jan. 1)	348
1933	15	1971	87	2003 (Jul. 1)	348
1934	16	1972	93	2004	364
1935	16	1973	100	2004 (Jan. 1)	370
1936	17	1974	104		
1937	18	1975	126		
1938	18	1976	129		
1939	18	1977	133		
1940	19	1978	141		
1941	20	1979	158		
1942	21	1980	177		
1943	21	1981	191		
1944	21	1982	197		
1945	22	1983	203		
1946	25	1984	211		
1947	29	1985	222		
1948	32	1986	225		
1949	34	1987	232		

Year of Construction	Handy-Whitman Index
2005 (Jan. 1)	384
2005 (Jul. 1)	388
2006 (Jan. 1)	399
2006 (Jul. 1)	404
2007 (Jan. 1)	417
2007 (Jul. 1)	428
2008 (Jan. 1)	439
2008 (Jul. 1)	446
2009 (Jan. 1)	447
2009 (Jul. 1)	441
2010 (Jan. 1)	445
2010 (Jul. 1)	449
2011 (Jan. 1)	462
2011 (Jul. 1)	464
2012 (Jan. 1)	476
2012 (Jul. 1)	481
2013 (Jan. 1)	487
2013 (Jul. 1)	488

Year of Construction	Handy-Whitman Index
2014 (Jan. 1)	495
2014 (Jul. 1)	500
2015 (Jan. 1)	511
2015 (Jul. 1)	510
2016 (Jan. 1)	511
2016 (Jul. 1)	514