

## Property:

### Michigan: Big-Box Retailer Potentially Allowed Functional Obsolescence Deduction in Valuation Case

*Case No. 358974*, Mich. Ct. App. (11/10/22). In a property tax valuation case involving a big-box retail store, the Michigan Court of Appeals (Court) vacated the Michigan Tax Tribunal's (Tribunal) earlier ruling and remanded the case back to the Tribunal "to make an independent determination of how much functional obsolescence exists due to modification costs." In doing so, the Court explained that the subject property under the facts was owner-occupied and "built for its specific requirements," and that if sold, the new owner would have to perform some "reconfigurations for its own branding." According to the Court, "this is the type of functional obsolescence that is not eliminated by adoption of the replacement cost approach." Pursuant to state caselaw, the Court concluded that once the Tribunal finds that a typical buyer in the marketplace would incur modification costs – as was the case here – it is *not* free to wholly reject a taxpayer's claim for functional obsolescence without making its own determination of how much functional obsolescence should be deducted to arrive at a property's true cash value. Please contact us with any questions.

**URL:** [https://www.courts.michigan.gov/4ab97e/siteassets/case-documents/uploads/opinions/final/coa/20221110\\_c358974\\_56\\_358974.opn.pdf](https://www.courts.michigan.gov/4ab97e/siteassets/case-documents/uploads/opinions/final/coa/20221110_c358974_56_358974.opn.pdf)

— Holly Swisher (Columbus)  
Managing Director  
Deloitte Tax LLP  
hswisher@deloitte.com

Scott Steinbring (Houston)  
Partner  
Deloitte Tax LLP  
ssteinbring@deloitte.com

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