

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-2053/1	Introduction Number AB-0344
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Description
 telephone company tax exemption for property used to provide broadband service

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566(3)(a)	

Agency/Prepared By DOR/ Craig Steinfeldt (608) 266-5705	Authorized Signature Jamie Adams (608) 266-6785	Date 7/29/2019
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Fiscal Estimate Narratives

DOR 7/29/2019

LRB Number	19-2053/1	Introduction Number	AB-0344	Estimate Type	Original
Description telephone company tax exemption for property used to provide broadband service					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, telecommunications services, which generally does not include cable services—are assessed telephone company taxes based on real and tangible personal property using the net tax rate in the taxing jurisdictions where the description or item is located.

The bill exempts property used to provide broadband service to a rural or underserved area from the telephone company tax if the property installed prior to January 1, 2020 provides Internet access service to a rural area at a download speed of at least 25 megabits per second and an upload speed of at least 3 megabits per second. Property installed after December 31, 2019 must be used to provide speeds at those speeds or, if higher speeds, designated by the Federal Communications Commission.

The bill defines an underserved area as an area served by fewer than two wired service providers and a rural area as any area in the state that is located outside a federal metropolitan statistical area or is located in a city, village, or town with a population of not more than 14,000. For property installed prior to January 1, 2020, the determination of a rural area is based on the 2010 federal decennial census.

The fiscal estimate is indeterminate as the department does not have data on internet provider speeds and information on wired providers. For 2018 assessments, approximately \$54.77 million in telephone company taxes were due to tangible personal property classified as cables, poles, towers, central office equipment, and equipment shelters. The department does not have information on the portion of equipment that is used to provide internet access to rural and/or underserved areas. Approximately \$27.59 million is derived from equipment allocated to areas with a population less than 14,000 in the 2010. To the extent additional exempt equipment used to provide internet access to rural and underserved areas is located outside of those areas, the revenue loss would be larger.

The department estimates the one-time administrative costs for computer programming at \$59,900.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description telephone company tax exemption for property used to provide broadband service			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$59,900			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		7/29/2019	