

HB 2063 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist

Meeting Dates: 2/23

WHAT THE MEASURE DOES:

Adds specified requirements regarding property tax exemption available to company with property subject to central assessment when company builds, maintains and operates a qualified gigabit symmetrical service project in Oregon. Specified requirements include: minimum historical or original cost of the newly constructed or installed property, maximum monthly charge for service, and maximum initial fee for the service. Indexes monthly charge limit using U.S. City Average Consumer Price Index. For companies where a majority of company's residential broadband customers reside within Portland, Salem and Eugene MSAs, requires company to offer symmetrical gigabit service to a majority of company's residential broadband customers residing outside the specified MSAs. Clarifies that initial application for exemption applies to any company whose property has not been granted qualified project exemption. Changes apply to applications relating to property tax years beginning on or after July 1, 2017.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Chapter 23, Oregon Laws 2015 (SB 611 - 2015) made a number of changes to Oregon's central assessment statutes and created or expanded a number of new/existing property tax exemptions related to companies subject to central assessment. Section 5 of SB 611 created an exemption available to a centrally assessed communication company that builds, maintains and operates a qualified project in Oregon. A project is a qualified project if:

- Project requires capital investment in newly constructed or installed real or tangible personal property constituting infrastructure that enables the company to offer communication services, including a capacity of at least one gigabit per second symmetrical service, to a majority of the residential customers of the company's broadband services, and
- Company does not deny access to the communication services to any group of residential customers because of the income level of the residential customers in the local service area.

Exemption value is computed as follows and is granted for up to 20 consecutive years:

Exemption= (OR Unitary RMV-OR Exemptions) - max(\$250 million,RMV of OR real & tangible property)

The effect of the exemption is to exempt value above the greater of \$250 million or RMV of OR real & tangible property. This has the potential to effectively eliminate the intangible value of a company that receives the exemption, depending upon company's real and tangible property value in Oregon.

Company seeking exemption is required to submit an application to the Public Utility Commission (PUC) on or before January 15 preceding the first property tax year for which exemption is sought. PUC is required to determine whether the project is a qualified project on or before March 1 of the year in which application is submitted. The Department of Revenue (DOR) grants the exemption annually to qualified projects that are built, maintained and operated.

On or before December 15th of each year, assessors are required to submit to DOR a report stating, for both current tax year and estimates of following tax year:

HB 2063 STAFF MEASURE SUMMARY

- Amount of exemption granted to the property of each company,
- Amount of property taxes imposed on the property, and
- Amount of property taxes that were not imposed on the property because of the exemption.

No later than January 1 of each year, DOR is required to submit report compiling county received information and provide report to PUC. No later than February 1 of each year, PUC is required to submit a report to the interim committees on revenue. Required contents of the report are contained in ORS 308.681.