



HB 2770 and HB 2063 Ending the Gigabit Tax Break

As you probably know, Comcast, and other communication companies are challenging their property taxes. The attachment to my testimony today shows a volunteer's attempt to identify how much is currently outstanding, by county. We don't know the details of the court cases, but we do know that Comcast has now been in court since 2009, and that they don't like being taxed as a centrally assessed communications company where their intangible value is considered in valuing their property for property tax purposes. The amounts show the cumulative amount of taxes deferred. I provide it just for your information in considering another bill you'll hear this year, HB 2407, which will remove the 3% discount for timely payment of taxes when they are deferred and charge a modest interest rate for their use of the money. But to the bills before you today.

HB 2770 and HB 2063

Tax Fairness Oregon supports HB 2770 as the better of the two bills before you today addressing the tax break enacted to lure Google's Gigabit service to Oregon, which several of our pre-existing companies are hoping to use. Google has elected not to come. HB 2770 is clear, it simply eliminates the Gigabit provision altogether. And, since no company has yet used the tax break, elimination should require only a simple majority vote.

I remember when communications were limited to three types: personal conversations, mail delivered five days a week and shared phone lines, where you waited for a neighbor to get off the phone if it was in use. Cell phones arrived, but they were bulky and could be used as phones only. Then came computers, with dial up service and they were amazing, though relatively slow.

Today it's different, and undoubtedly today's technologies will soon seem antiquated.

Despite all those years of advancements, I can find no evidence of any tax breaks for communications companies in Oregon's tax code until 2001. But suddenly, we saw big changes in 2015.

If we understand it correctly, the Gigabit tax break, the one you are considering today, basically exempts intangible property from taxes. But it is not the only tax break for communications companies passed with SB 611 in 2015.

The Tax Expenditure Report, pages 309-312 shows two other tax breaks for communications companies, with anticipated costs in the coming biennium of \$43.3 million.

We have never heard a good explanation for why these companies suddenly needed any tax breaks in 2015. They had, after all, built in Oregon knowing our tax structure. It was a decision they made. In addition to the Gigabit tax break, it looks like the cost of the tax "relief" in SB 611 which reduced taxes owed by the amount owned for FCC licensing or Franchise fees appears to have significant value. In 2013-15, absent the new law, there was already "relief" costing \$17.5 m. For 2017-19 the Tax Expenditure Report says it is expected to offer \$42.3 m in "relief." **The subsidy is up \$24.8 m, which could fund a day of school.**

There is no evidence that customers received any benefit.

“The statute appears to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon. However, the PUC does not have information on which companies have received tax relief under this option. Presumably, this option would remove one potential barrier for some types of companies looking to invest in Oregon.” (Source, LRO analysis in 2015.)

Why did we enact this, and why don't we reverse it right along with the Gigabit tax break?

The only explanation I've ever been given for why the 2015 legislature considered changing the taxes communications companies pay is that Comcast's Oregon taxes were higher than their taxes in any other state.

This answer was offered without any proof. No per customer analysis or even per state analysis. Nothing. **\$25 million in tax breaks without proof or analysis, really? And even if it were true that they pay more per customer than in any other state**, some state will always have the highest taxes, if the argument succeeds, all states will see a downward spiral, so how is this relevant? Do we have the worst communications infrastructure? Do Oregon customers pay the highest rates? Again, no data to support either of these is in the record.

Let's reverse all of the 2015 legislation, and give our kids back their day of school.