

2015-2017
Tax Expenditure Report

Property Tax
Full Exemption

2.069 FCC LICENSES

Oregon Statute: 307.126
Sunset Date: None
Year Enacted: 2001

2013-14 Assessed Value of Property Exempted: \$730 million

	Loss	Shift
2013-15 Revenue Impact:	\$23,200,000	\$4,800,000
2015-17 Revenue Impact:	\$23,200,000	\$4,800,000

DESCRIPTION: The value of the Federal Communications Commission (FCC) licenses held by communication companies is exempt from property taxation and may not be included in the real or tangible personal property value of these companies.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to remove this form of intangible property from property taxation. In the past, this value had been taxed along with other types of centrally assessed intangible property.

WHO BENEFITS: Wireless communication companies are the main beneficiaries of the exemption. FCC licenses held by centrally assessed companies are exempt under tax expenditure 2.070, Intangible Personal Property.

EVALUATION: *by the Public Utility Commission*
This tax expenditure meets the stated purpose of removing the FCC licenses from property taxation, but no specific information is available to determine whether Oregon customers of the affected companies have benefited, e.g., through lower rates.

2017 - 2019 Tax Expenditure Report

nationwide telecommunication companies in assessing their taxable value. The relative size of such assets might be extraordinarily high by historic standards for such businesses. The department, however, lacks the data or direct experience to address this expenditure further.

2.103 GIGABIT INTERNET

Oregon Statute: 308.677

Sunset Date: no new approvals after 6-30-2021

Year Enacted: 2015, (SB 611)

2015-16 Assessed Value of Property Exempted: \$0

	Loss	Shift
2015-17 Revenue Impact:	\$0	\$0
2017-19 Revenue Impact:	Not Available*	Not Available*

* 2017-19 revenue impact not provided, as there are very few companies seeking approval and currently there are no companies that have been approved for this exemption. Revenue impact will not be provided until at least one or more companies are approved.

DESCRIPTION:

A company that is designated to be centrally assessed by ORS 308.515(1) may receive an exemption if the company builds, maintains and operates a qualified project in Oregon.

A project is qualified for this exemption if

- The project requires capital investment in new infrastructure that enables the company to offer communication services with capacity to provide, at least, approximately one gigabit per second symmetrical service, to a majority of the residential customers of the company's broadband services; and
- With respect to communication services offered by the company using the infrastructure, the company does not deny access to the communication services to any group of residential customers because of the income level in the area where they live.

The expenditure exempts value above the greater of \$250 million or the real market value of the company's real and tangible personal property. The exemption is calculated so as to not double count any exemption elected under 2.104, Certain Communication Related Property.

A company seeking this exemption must submit an application to the Public Utility Commission, who will determine if the company's project is a qualified project. The Department of Revenue will grant the exemption annually to qualified projects that are built, maintained and operated.

The property of a company that is granted this exemption for a property tax year is not eligible to receive any other property tax exemption, including 2.102, Cap on Central Assessment for Certain Companies, except as provided by 2.104, Certain Communication Related Property. In addition, a company granted this exemption for a property tax year has no effect on the benefits that the property of the company or the company may be granted under Chapter 285C (Enterprise Zone tax expenditures) or 2.101, Strategic Investment Programs for the property tax year.

For any company whose property is eligible for an exemption under both this exemption and 2.102, Cap on Central Assessment for Certain Companies, the Department of Revenue shall appraise the value of the property under both exemptions for each property tax year and use the provisions of the section that result in the lowest amount of taxable value.

Because the legislation enacting this statute did not explicitly set a sunset for this tax expenditure, ORS 315.037(3) establishes the sunset as six years after the first effective tax year. In this case, there can be no more approvals after tax year 2021.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), "The policy purpose of this measure is 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."

WHO BENEFITS: Companies approved that build, maintain and operate qualified gigabit internet projects and the public that has access to the services generated.

EVALUATION: *by the Public Utility Commission*

While three projects have been qualified and are therefore eligible to request a tax break from DOR, none have received an exemption. Therefore, it cannot be determined if the exemption is meeting its purpose.

2.104 CERTAIN COMMUNICATION RELATED PROPERTY

Oregon Statute: 308.671

Sunset Date: None

Year Enacted: 2001, Modified 2015 (SB 611)

2015-16 Assessed Value of Property Exempted: \$940 million

	Loss	Shift
2015-17 Revenue Impact:	\$33,600,000	\$6,500,000
2017-19 Revenue Impact:	\$42,300,000	\$8,100,000

DESCRIPTION: A communication company may elect one of the following types of property to be exempt from property taxation:

- Licenses granted by the Federal Communication Commission.
- If the company is in the business of communication, franchises.
- Satellites that are used by the company to provide communication services directly to retail customers or that are being constructed for such use and Federal Communications Commission licenses related to the use of the satellites to provide the communication services.

The value of the property is equal to the book value of the property carried in the accounting records of the owner and may not be included in the real or tangible personal property value of these companies.

Property Tax
Partial Exemption

Legislation in 2015 (SB 611) added the exemptions for franchises and satellites to this provision.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), which modified this provision, "The policy purpose of this measure is 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."

WHO BENEFITS:

Communication companies that have FCC licenses, franchises or satellites are the main beneficiaries of this provision.

EVALUATION:

by the Public Utility Commission

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.