

## HB 2770 A STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Action Date:** 05/25/17

**Action:** Do pass with amendments and be referred to Ways and Means. (Printed A-Eng.)

**Vote:** 7-0-2-0

**Yeas:** 7 - Barnhart, Bentz, Buehler, Johnson, Marsh, Nosse, Smith Warner

**Exc:** 2 - Hernandez, Smith G

**Fiscal:** Fiscal impact issued

**Revenue:** Revenue impact issued

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#### WHAT THE MEASURE DOES:

Repeals property tax exemption available to centrally assessed company that builds, maintains and operates a qualified project in Oregon. Repeals and modifies conforming statutory language. Exemption repeal effective beginning with 2015-16 property tax year.

Establishes Task Force on Broadband Communications Infrastructure. Specifies composition of task force. Requires task force to:

- Study and evaluate viability, impact and effectiveness of a property tax exemption to provide an incentive to the development of broadband communications infrastructure that might not otherwise occur without exemption
- Compare effectiveness of property tax exemption with other incentives
- Research and study the status of broadband communications infrastructure development in Oregon.

Requires Oregon Business Development Department to provide staff support and requires all state agencies to assist task force. Requires Task Force to submit report to interim committee of Legislative Assembly related to business and economic development no later than September 15, 2018.

Measure takes effect 91st day following adjournment sine die.

#### ISSUES DISCUSSED:

Public hearing for HB 2770 was opened along with HB 2063. "Issues discussed" listed below are directly related to HB 2770. For a full listing of issues discussed during public hearing related to both bills, please see listing provided in HB 2063.

##### 2/23/2017

- Repeal leaves unaffected changes contained in SB 611 (2015) unrelated to "Gigabit" exemption
- Ability for elimination to be retroactive
- Projects that have been determined by Public Utility Commission to be qualified projects
- Information, or lack of, that is available to determine the cost/benefit of tax incentives both for the gigabit exemption, and more generally
- Charge for gigabit services provided by Comcast and Frontier
- Effect eliminating exemption would have upon effectiveness of future incentive programs enacted by Legislature.

##### 5/25/2017

- Importance of expanding broadband availability, particularly in rural areas where broadband is more sparsely available than in urban areas
- Potential impact on property tax revenues resulting from exemption repeal.

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### EFFECT OF AMENDMENT:

Added language establishing Task Force on Broadband Communications Infrastructure.

### 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:

- 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.