GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
SB0529 - Provide property tax exemption for wireless infrastructure (Hertz, Greg)	
Status:	As Amended in House Committee

☒Significant Local Gov Impact ☐Needs to be included in HB 2 ☐Technical Concerns

☐Included in the Executive Budget ☒Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$93,347	$91,793	$93,013	$94,253
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	($103,000)	($205,000)	($308,000)
State Special Revenue	$0	($6,000)	($13,000)	($19,000)
Net Impact-General Fund Balance:	($93,347)	($194,793)	($298,013)	($402,253)

Description of fiscal impact: SB 529 as amended in the House Taxation Committee, returns to its as introduced form. The bill adds wireless infrastructure to the property tax exemption available to new fiber optic and coaxial cable established in SB 51(2021). The bill also removes the prohibition on using American Rescue Plan Act (ARPA) funds to put in this property and still receive this exemption.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. SB 529 adds wireless infrastructure to the property tax exemption available to new fiber optic and coaxial cable. Eligible wireless infrastructure is fully exempt from property taxes for the first five years, after which the abatement phases out at 20% per year for the next five years until the property is taxed at its full value in the tenth year. To receive and maintain the exemption, the company must reinvest the tax savings from the exemption into the installation of new wireless infrastructure or fiber optic or coaxial cable within two years. The bill removes the provision that these projects receiving federal American Rescue Plan Act (ARPA) money are ineligible for the exemption.

2. The wireless infrastructure eligible for property tax relief under SB 529 is broad. It applies to class 5 and class 13 centrally assessed property that is "directly associated with providing wireless service to customers".
3. To estimate the property that would qualify, the original cost of all real and personal class 5 and class 13 property belonging to centrally assessed telecommunications companies and telephone cooperatives were summed for each year from TY 2018 to TY 2022. This total includes property that would not qualify for the exemption such as central office equipment and other property not directly associated with installing and placing wireless infrastructure. It is assumed that 20% would be eligible for exemption.
4. It is assumed that any increase to the original cost of this category of property from TY 2018 to TY 2022 was new installation. Table 1 displays the estimated original cost of qualifying property, the increase each year, and the average increase over the five years.

Table 1.

Tax Year	Original Cost	New Installation
2018	$444,365,986	
2019	$462,212,187	$17,846,201
2020	$483,664,785	$21,452,598
2021	$528,434,187	$44,769,402
2022	$535,644,952	$7,210,765
Average		**$22,819,742**

5. The average annual increase in new installation is assumed to continue into the forecast period.
6. About 42% of total centrally assessed property of telecommunications and telephone cooperatives is Class 5 property (tax rate: 3%); the other 58% consists of class 13 property (tax rate: 6%). It is assumed the same proportions apply to wireless infrastructure property eligible for the tax exemption.
7. These respective tax rates were applied to the estimated original cost of expected new installation of each class of wireless infrastructure to determine the annual increase of taxable value. The 95 statewide equalization mills and six university mills were applied to these taxable values to estimate the fiscal impact of the exemption every year. Table 2 contains the fiscal impact of the exemption each year.

Table 2.

	New Installation	Taxable Value	95 mills	6 mills
Class 5 (42%)	$9,653,916	$289,617	$27,514	$1,738
Class 13 (58%)	$13,165,826	$789,950	$75,045	$4,740
Total	**$22,819,742**	**$1,079,567**	**$102,559**	**$6,477**

8. The tax exemption would apply beginning TY 2024/FY 2025, and every subsequent year will be a multiple of that amount until the sixth year, when the first year's exemptions begin to phase out. See long-term impacts for more details.
9. The DOR anticipates that implementing, tracking, and verifying property receiving this new exemption will require 1.00 FTE.

Fiscal Impact:	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
Department of Revenue				
FTE	1.00	1.00	1.00	1.00
Expenditures:				
Personal Services	$81,789	$83,096	$84,153	$85,225
Operating Expenses	$11,558	$8,697	$8,860	$9,028
TOTAL Expenditures	$93,347	$91,793	$93,013	$94,253
Funding of Expenditures:				
General Fund (01)	$93,347	$91,793	$93,013	$94,253
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$93,347	$91,793	$93,013	$94,253
Revenues:				
General Fund (01)	$0	($103,000)	($205,000)	($308,000)
State Special Revenue (02)	$0	($6,000)	($13,000)	($19,000)
TOTAL Revenues	$0	($109,000)	($218,000)	($327,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($93,347)	($194,793)	($298,013)	($402,253)
State Special Revenue (02)	$0	($6,000)	($13,000)	($19,000)

Effect on County or Other Local Revenues or Expenditures:

1. The reduction in taxable value due the exemption on new wireless infrastructure will lead to a shift in local taxes paid peaking in the ninth year. Local mills would increase proportionately to offset the reduction in jurisdictions with this property. The revenue shifts would be between three and five times the state impacts.

Long-Term Impacts:

1. The reduction in taxable due to the exemption on new wireless infrastructure will accumulate rapidly in the first five years and stabilize in the ninth year as new exemptions and expiring exemptions roughly begin to balance. Based on the assumptions in this fiscal note, the total fiscal impact (revenue reduction) to the state is expected to stabilize at $763,254 in FY 2033.

NO SPONSOR SIGNATURE

Sponsor's Initials	Date	Budget Director's Initials	Date
	4.21.23		4-20-23