



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 Senate 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

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$93,347	\$91,793	\$93,013	\$94,253
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	(\$77,000)	(\$154,000)	(\$231,000)
State Special Revenue	\$0	(\$5,000)	(\$10,000)	(\$15,000)
Net Impact-General Fund Balance:	<u>(\$93,347)</u>	<u>(\$168,793)</u>	<u>(\$247,013)</u>	<u>(\$325,253)</u>

Description of fiscal impact: SB 529 adds certain 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. The amendment specifies that only wireless infrastructure installed in rural areas, Indian reservations, and other areas with little or no wireless service is eligible for the abatement.

FISCAL ANALYSIS

Assumptions:

- SB 529 adds certain wireless infrastructure to the property tax exemption available to new fiber optic and coaxial cable. This eligible wireless infrastructure would be 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 property must be installed in rural areas, on Indian reservations, or other areas with little or no wireless service, and 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% of this property is wireless infrastructure.
4. It is estimated that 75% of the original cost of that wireless infrastructure was built in rural areas and that the same ratio of future wireless infrastructure will be installed in rural areas.
5. It is assumed that any increase to the original cost of this property from TY 2018 to TY 2022 was new installation. Table 1 displays the estimated original cost of qualifying property in rural areas, the increase each year, and the average increase over the five years.

Table 1.

Tax Year	Original Cost	New Installation
2018	\$333,274,489	
2019	\$346,659,140	\$13,384,651
2020	\$362,748,589	\$16,089,449
2021	\$396,325,640	\$33,577,052
2022	\$401,733,714	\$5,408,074
Average		\$17,114,806

6. The average annual increase in new installation is assumed to continue into the forecast period.
7. 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.
8. 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%)	\$7,240,437	\$217,213	\$20,635	\$1,303
Class 13 (58%)	\$9,874,369	\$592,462	\$56,284	\$3,555
Total	\$17,114,806	\$809,675	\$76,919	\$4,858

9. 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).
10. The DOR anticipates that implementing, tracking, verifying property, and auditing records for property receiving this new exemption will require 1.00 FTE.


<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<u>Department of Revenue</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
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
<u>Funding of Expenditures:</u>				
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
<u>Revenues:</u>				
General Fund (01)	\$0	(\$77,000)	(\$154,000)	(\$231,000)
State Special Revenue (02)	\$0	(\$5,000)	(\$10,000)	(\$15,000)
TOTAL Revenues	\$0	(\$82,000)	(\$164,000)	(\$246,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$93,347)	(\$168,793)	(\$247,013)	(\$325,253)
State Special Revenue (02)	\$0	(\$5,000)	(\$10,000)	(\$15,000)

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 to the state is expected to stabilize at \$572,440 in FY 2033.

NO SPONSOR SIGNATURE 4/4/23  4-5-23
 Sponsor's Initials Date Budget Director's Initials Date