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	($38,000)	($76,000)	($115,000)
State Special Revenue	$0	($2,000)	($5,000)	($7,000)
Net Impact-General Fund Balance:	($93,347)	($129,793)	($169,013)	($209,253)

Description of fiscal impact: SB 529, as amended in the House Appropriations Committee, adds wireless infrastructure to the property tax exemption available to new fiber optic and coaxial cable established in SB 51 (2021). The amendments set a sunset of July 1, 2031, prohibit the abatement to be applied to any portion of wireless infrastructure installed using federal or state grants, and provide that the abatement for class 13 property be applied only to property located in rural areas.

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.

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. The bill requires that class 13 wireless infrastructure be located in a rural area to be eligible for abatement. There is no such limit on class 5 property. It is estimated that 75% of the original cost of class 13 wireless infrastructure was built in rural areas and that the same ratio of future wireless infrastructure will be installed in rural areas.
5. The prohibition of the abatement on property built using federal and state grants is assumed to reduce the rural wireless infrastructure otherwise eligible for the abatement by 50%.
6. It is assumed that any increase to the original cost of eligible wireless infrastructure 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.

	Original Cost		**New Installation**	
Tax Year	**Class 5**	**Class 13**	**Class 5**	**Class 13**
2018	$91,280,682	$98,176,733		
2019	$95,112,808	$101,994,964	$3,832,126	$3,818,231
2020	$104,800,650	$102,773,807	$9,687,842	$778,843
2021	$106,894,636	$117,991,844	$2,093,986	$15,218,037
2022	$121,063,009	$110,069,600	$14,168,374	($7,922,243)
		Average	**$7,445,582**	**$2,973,217**

7. The average annual increase in new installation is assumed to continue into the forecast period.
8. The tax rate for class 5 property is 3%; the tax rate for class 13 property is 6%. 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	$7,445,582	$223,367	$21,220	$1,340
Class 13	$2,973,217	$178,393	$16,947	$1,070
Total	**$10,418,799**	**$401,760**	**$38,167**	**$2,411**

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. New abatements will not be offered after the seventh year. (See long-term impacts for more details).
10. 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	($38,000)	($76,000)	($115,000)
State Special Revenue (02)	$0	($2,000)	($5,000)	($7,000)
TOTAL Revenues	$0	($40,000)	($81,000)	($122,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($93,347)	($129,793)	($169,013)	($209,253)
State Special Revenue (02)	$0	($2,000)	($5,000)	($7,000)

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. 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 value due to the exemption on new wireless infrastructure will accumulate rapidly in the first five years, then stabilize, and will begin decreasing in FY 2032, when the sunset ends the abatement for new property and previously awarded abatements continue to phase-out.

NO SPONSOR SIGNATURE	5.1.23	[signature]	5-1-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*