

H.657 - Modernization of Vermont’s Communications Taxes and Fees
As Passed the House v. As Passed the Senate
Maria Royle, Legislative Counsel – May 9, 2024

House Sec.	House	Senate
Secs. 1-6	<p>Vermont Universal Service Fund</p> <ul style="list-style-type: none"> • Changes the monthly contribution method from a 2.4% proportional charge to a flat, per-line fee of \$0.72 • Applies to each retail access line in service (wired or wireless voice service that passes through the public-switched network and is capable of accessing the 911 system) • Creates a carve-out for “prepaid” wireless communications service, which would continue to be subject to the 2.4% charge at point of sale • Updates terms and definitions throughout the chapter • Fee does not apply to Lifeline (state and/or federal) participants • Provides funding for the VT 988 Suicide and Crisis Lifeline Centers, within annual limits approved in advance by the General Assembly • Fund distribution: <ul style="list-style-type: none"> ○ 17% to the VT Community Broadband Board (currently, 16.6% of Fund revenue; result - additional \$550K) ○ Remaining funds (in order of priority if insufficient funds): <ul style="list-style-type: none"> ▪ (1) fiscal agent; (2) relay service; (3) Lifeline; (4) E-911; (5) <u>VT 988</u>; (6) Connectivity Fund • Takes effect July 1, 2025 	Same

	<ul style="list-style-type: none"> Results in annual revenue of about \$7.96M (approximately \$3M additional revenue for the Fund) 	
<p>Secs. 7-13</p>	<p>Communications Property Taxed as Real Estate</p> <ul style="list-style-type: none"> <u>Repeals</u> the: <ul style="list-style-type: none"> Telephone Personal Property Tax (2.37% of net book value) Alternative gross receipts tax (capped at 5¼%) for telephone companies earning less than \$50 million in annual gross operating revenue, which is also in lieu of income tax Requires all communications property (tangible personal property) to be set in grand list as real estate and taxed at appraisal value (FMV) <ul style="list-style-type: none"> Applies to telecommunications, broadband, and cable television facilities Communications service providers required to annually provide to PVR a sworn inventory of all taxable communications property in a form that identifies the valuation of their property in each municipality PVR required to annually provide lists with the valuation of all taxable communications property in their respective municipalities Specifies communications property is not “business personal property,” and therefore is not subject to a local option exemption Clarifies that communications property owned by a municipality is taxed only if it is located outside the municipality’s territorial limits Provides transitional tax provisions applicable only in FY’25 Takes effect July 1, 2025 	<p>Same, except definition of “communications property” narrowed.</p> <ul style="list-style-type: none"> The term includes wires, cables, conduit, pipes, antennas, poles, and wireless towers The term no longer specifically references “<i>machinery, distribution hubs, splitters, switching equipment, routers, servers, power equipment, and any other network equipment.</i>” The term may encompass other network equipment if the Department determines it is so fitted and attached as to be part of a communications network All other communications property would be taxed as “business personal property” (BPP) <ul style="list-style-type: none"> Towns may exempt BPP from local property tax (most exempt; 42 towns tax) BPP is appraised at FMV, unless town votes to apply another statutorily-permitted appraisal method BPP is exempt from the statewide education tax

	<ul style="list-style-type: none"> • Results in an estimated \$2M annual revenue loss for GF and an estimated \$2.5-\$5M annual revenue gain for Ed Fund • Appropriates \$150,000 in FY'25 from the PILOT Special Fund to PVR to create a property valuation model for communications property 	
<p>Sec. 13a</p>	<p>VTrans – Rent Charged for Use of or Access to State-Owned Rights of Way</p> <ul style="list-style-type: none"> • Applies to leases or licenses for access to or use of State-owned rights of way under Agency’s jurisdiction • Removes the waiver provision applicable to providers of broadband or wireless communications facilities • Beginning July 1, 2025, VTrans collects annual ROW charge • Applies to communications service providers with respect to “communications property” (voice, data, cableTV networks) • Specifies fees are deposited into the Transportation Fund (required for federal-aid highways; must be used for highway purposes such as maintenance and upkeep of the ROW) • Defines “reasonable charge” as: <ul style="list-style-type: none"> ○ \$270.00 for each small wireless facility, as defined under CFR ○ A per-linear-foot fee for wired service (twisted-pair cable, coaxial cable, fiber optic) as follows: <ul style="list-style-type: none"> ▪ \$0.02 in a county that has a population of fewer than 25,000; ▪ \$0.07 in a county that has a population of at least 25,000 but fewer than 100,000; and ▪ \$0.13 in a county that has a population of at least 100,000 ○ All other communications property subject to fair, reasonable, nondiscriminatory fee schedule established by Secretary of Transportation 	<p>Sec. 14 – VTrans Study Only</p> <ul style="list-style-type: none"> • Requires the Secretary of Transportation to conduct a study to: <ul style="list-style-type: none"> • Determine how telephone (wired and wireless) and broadband companies currently access and use the public ROW in VT • Review and assess how other jurisdictions outside VT manage and charge for ROW access and use • “Public ROW” means the area on, below, along, across, or above a public roadway this is part of the State highway system • Report is due to the relevant standing committees of jurisdiction by December 15, 2025

	<ul style="list-style-type: none"> • Provides exemption for communications property owned by: <ul style="list-style-type: none"> ○ a communications union district ○ a small communications carrier ○ an ISP working with a CUD, provided the lease or license is part of a “universal service plan,” certified by VCBB ○ a cable television service provider operating under a CPG issued by the Public Utility Commission ○ an electric transmission or distribution utility • Authorizes Secretary to adjust fees to account for inflationary changes as measured by the CPI • Authorizes Secretary to propose standards and procedures for waiving fees, subject to legislative approval • Beginning January 1, 2025, and annually thereafter, each communications provider subject to fee provides VTrans a detailed inventory of all property in the State-owned ROW. Secretary shall conduct routine audits. • Inventories are exempt from disclosure under Public Records Act, but may be shared with other State agencies, boards, or departments, pursuant to Secretary of Administration protocols; privileged status not waived • Beginning January 1, 2026, VTrans submits annual report to General Assembly itemizing charges and payments and an aggregated statewide inventory of communications property • Indeterminate positive revenue for Transportation Fund 	
<p>Sec. 14</p>	<p>Effective Dates</p> <ul style="list-style-type: none"> • <u>On passage:</u> <ul style="list-style-type: none"> ○ Property tax transitional provisions ○ Appropriation to PVR for property valuation model for communications property • <u>July 1, 2024</u> 	<p>Sec. 15 – Effective Dates (essentially same as House, as applicable)</p>

	<ul style="list-style-type: none">○ VTrans ROW section (initial provider inventories due January 1, 2025; rent collected beginning July 1, 2025; initial VTrans report to General Assembly due January 1, 2026)● <u>July 1, 2025</u><ul style="list-style-type: none">○ VUSF Contribution Method and 988 Funding○ Communications property taxed as real estate	