



MEMO

TO: Members, House Energy and Technology Committee

FROM: Karen Horn, Director, Public Policy & Advocacy

RE: Committee Draft Broadband Legislation

DATE: January 28, 2021

Thank you for the opportunity to testify on your draft broadband legislation and specifically proposals to exempt broadband infrastructure leased to a communications district from the property tax.

As well, a huge thank you for your tenacity in working to expand broadband to unserved and underserved areas around the state. You and the Public Service Department should be proud that approximately 23,000 locations have had their broadband upgraded since the pandemic changed everything. Clearly much remains to be done, as the Public Service Department reported to you that 46,558 locations continue to lack access to service at 25/3 Mbps.

We support many of the initiatives in the bill, including the Community Broadband Innovation Grant and continuing efforts to support communications union districts.

The draft bill offers two alternatives for exempting broadband infrastructure leased to communications union districts from the property tax.

When there are exemptions to the property tax enacted, the remaining property tax payers in a municipality pick up the difference. The cost of that is illustrated in the Tax Expenditures Report that was provided to the legislature last week. A slide from Joint Fiscal Office Graham Campbell's presentation to the Ways and Means Committee highlights the cost of property tax expenditures, which by his calculations equals \$94.6 million. Our understanding is that figure does not include statutory alternative tax treatment in property taxes provided to qualified housing, electric generating plants, wind, or solar arrays/renewable energy (see 32 VSA Chapter 135).

In general, VLCT is very leery of exemptions from the property tax because they do not address the cost side of the ledger, and the obligation to make up the difference is imposed on the remaining taxpayers. Additionally, we note that if a town votes to exempt an entity from the property tax entirely, the town is still obligated to make up the education portion of the property tax to the Education Fund.

In the draft bill, Option A would enact an across-the-board property tax exemption. As we understand it, Option B would authorize a municipality to vote to exempt broadband infrastructure leased to communications districts from the municipal property tax. In most towns in the state, particularly rural towns, the municipal property tax is a fraction of the total property tax a person pays. The education property tax is generally 75-90 percent of the total bill. Thus, exempting just the municipal tax would not provide much relief for communications union districts.

Other options would include:

Exempting such infrastructure from the education property tax and allowing municipalities to determine whether to offer the exemption on the municipal side;

Allowing towns to exempt that infrastructure from property taxes entirely without being obligated to make up the difference to the Education Fund;

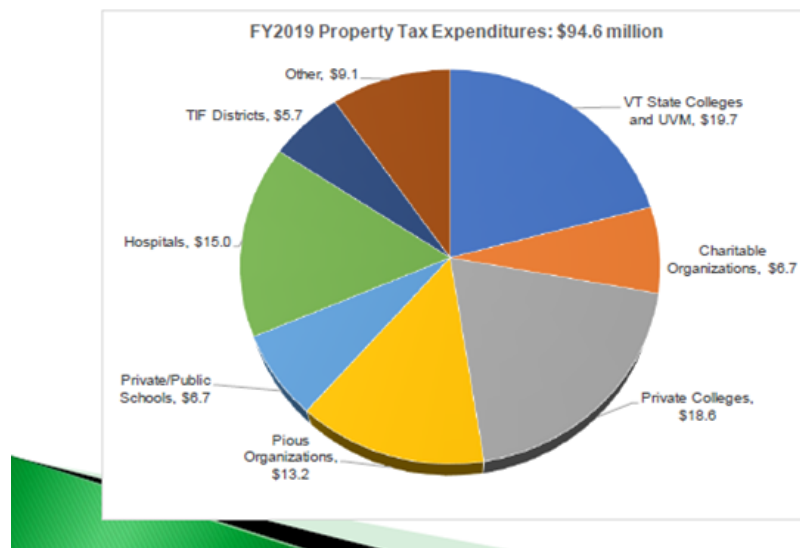
Exempting such infrastructure from property tax for a defined period of time;

Establish a rate in statute for property taxes to be paid;

Implementing a program along the lines of Maine's initiative last year where the legislature expanded eligible uses of tax increment financing districts to costs associated with broadband and fiber optics expansion projects.

Below please find the slide on property tax expenditures from the Joint Fiscal Office presentation.

Property Tax-FY19



Maine Tax Increment Financing District legislation (Ch. 206 section 5225 C (9))

<http://legislature.maine.gov/legis/statutes/30-A/title30-Asec5225-2.html>

Graham Campbell Tax Expenditures Report Presentation, January 21, 2021

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Ways%20and%20Means/Revenue/W~Graham%20Campbell~Tax%20Expenditure%20Report%20Presentation~1-21-2021.pdf>