



MEMO

TO: Members, Senate Finance Committee

FROM: Karen Horn, Director, Public Policy & Advocacy

RE: S. 64, Property Tax Exemptions for New Broadband Infrastructure

DATE: February 26, 2021

Thank you for the opportunity to testify on S. 64, a bill that would provide a property tax exemption for new broadband infrastructure that is constructed by an electric cooperative.

When a property tax exemption is extended to any entity, the burden for providing those revenues is shifted to the remaining property tax payers. The main reason that any entity seeks a property tax exemption is that the property tax is high, and that it is an overburdened revenue source, responsible for two thirds of the Education Fund revenues. According to the Tax Department, electric utilities pay \$56 million in education property taxes.

Consequently, we generally oppose new property tax exemptions, particularly those with no end date. We also understand the need for adequate broadband service to be provided to every corner of the state and have strongly supported legislative efforts to empower communications union districts to build out that service.

Thus, if you decide to grant a property tax exemption to electric cooperatives, we strongly urge you to be very clear that the exemption only applies to:

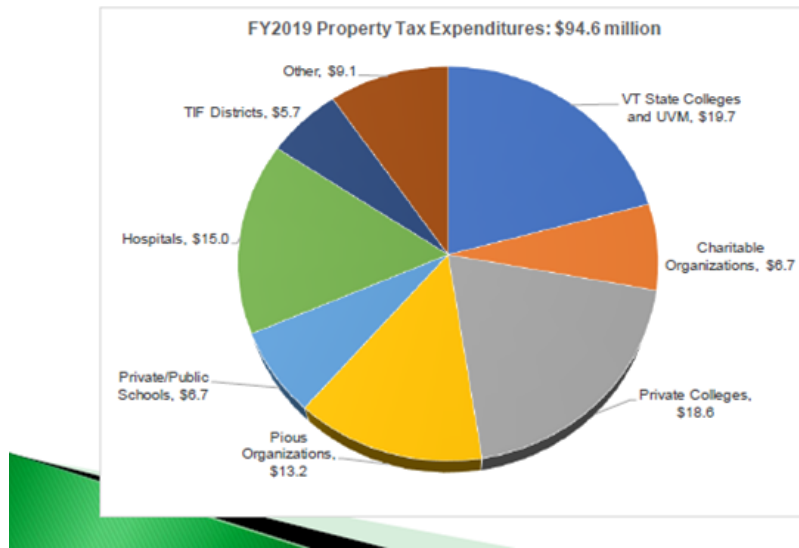
- ◆ new infrastructure constructed after July 1, 2021
- ◆ infrastructure that provides a specified level of high-speed service
- ◆ infrastructure provided in conjunction with CUDs where they exist

We also strongly urge you to include a sunset date on the property tax exemption. A sunset will require the legislature to revisit the exemption to determine if it is still effective in providing service and if it remains necessary to support viability of the infrastructure and service.

As a comparison, the House broadband bill, H. 360 at Section 16, would exempt from the property tax, new broadband infrastructure owned by an electric distribution utility leased to a communications union district or internet service provider working with a communications union district, that provides broadband service capable of speeds of at least 100 Mbps symmetrical and constructed after July 1, 2021.

Thank you for the opportunity to testify.

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>