H.657 - Modernization of Vermont's Communications Taxes and Fees
House Ways and Means Report – Section by Section Summary
Maria Royle, Legislative Counsel – March 13, 2024

Sec.	Subject

Secs. 1-6	**Vermont Universal Service Fund**
	• Changes the contribution method from a 2.4% proportional charge to a flat, per-line fee of \$0.72
	• 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
	• Provides funding for the VT 988 Suicide and Crisis Lifeline Centers, within annual limits approved in advance by the General Assembly
	• Fund distribution:
	  ○ 17% to the VT Community Broadband Board (*currently*, 16.6% of Fund revenue)
	  ○ Remaining funds (in order or priority if insufficient funds):
	    ▪ (1) fiscal agent; (2) relay service; (3) Lifeline; (4) E-911; (5) <u>VT 988</u>; (6) Connectivity Fund
	• Results in annual revenue of about \$7.96M (approximately \$3M additional revenue for the Fund)

Secs. 7-13	**Communications Property Taxed as Real Estate**
	• <u>Repeals</u> the:
	  ○ 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 to be set in grand list as real estate and taxed at appraisal value (FMV)
	  ○ 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 listers 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 • Appropriates $150,000 in FY'25 from the GF to PVR to create a property valuation model for communications property • Results in an estimated $2M annual revenue loss for GF and an estimated $2.5-$5M annual revenue gain for Ed Fund

Secs. 14, 16	**VTrans – Rent Charged for Use of or Access to State-Owned Rights of Way**
	• 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
	• Applies to communications service providers with respect to "communications property"
	• 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:
	    ○ $270.00 for each wireless communications facility
	    ○ A per-linear-foot fee for wired service (DSL, coaxial cable, fiber optic) as follows:
	        ▪ $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
	• 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
	• Provides exemption for:
	    ○ 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
	• Requires the holder of a lease or license pertaining to communications property in the ROW to annually provide (beginning January 1, 2025) a detailed inventory of all property in the State ROW, which shall include:
	    ○ The regulatory status of the lease or license holder
	    ○ Categorization of all property by type and by location in the ROW
	    ○ A description of the service or services enabled by such property

	• Requires VTrans to submit an annual written report to the General Assembly beginning January 1, 2026, which itemizes charges and payments collected, as well as an aggregated statewide inventory of communications property in the ROW • Requires VTrans to share the statewide inventory with the Commissioner of Taxes, the Commissioner of Public Service, and the Secretary of Administration • Creates two new classified positions in the Agency of Transportation, one temporary, one permanent • Appropriates $250K in FY'25 from the General Fund to the Agency for the new positions • Indeterminate positive revenue for Transportation Fund

Sec. 17	**Effective Dates**
	• On passage:
	  ○ Property tax transitional provisions
	  ○ Appropriation to PVR for property valuation model for communications property
	  ○ Creation and funding for two new positions at VTrans
	• July 1, 2024
	  ○ VTrans ROW section (initial provider inventories due January 1, 2025, and initial VTrans annual report to General Assembly due January 1, 2026)
	• July 1, 2025
	  ○ VUSF Contribution Method and 988 Funding
	  ○ Communications property taxed as real estate