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Testimony of Scott Mackey
on H.657
Senate Finance Committee

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Senator Cummings and Committee members, thank you for the opportunity to testify on the tax policy issues included in H.657. I am the managing partner at Leonine Public Affairs here in Montpelier. I work with a coalition of wireless providers on state tax issues across the country. Today I appear on behalf of the four facilities-based wireless companies providing service in Vermont: AT&T, T-Mobile, US Cellular, and Verizon.

In that regard, I would like to address two provisions in H.657:

- 1) Changes to the state Universal Service Fund (“USF”) Charge.
- 2) Imposing the real property tax on the personal property of communications providers.

Changes to the State Universal Service Fund Charge (Sections 1-4)

H.657 would change the basis for the imposition of the state USF charge from a percentage of retail voice telecommunications services to a flat 72 cents per access line for postpaid wireless and other telecommunications services. In previous testimony in 2022 and 2023, we outlined several key issues for the Committee to consider if it decides to move forward with this change. I’ve included these issues below and a discussion of how they were addressed in H.657:

- *Impact on low-and moderate-income families with family share wireless plans* – A flat per month charge would make the USF charge more regressive. In particular, it would shift more of the burden to families with multiple lines because of how wireless pricing plans are structured. Typically, the first wireless access line is priced higher than additional lines added to the same plan. With a percentage imposition, the fees on these lower-priced additional lines are proportionately lower. For example, a four-line family share plan where the voice portion of the service costs \$20 for the first line and \$10 for each additional line currently pays \$0.48 cents for the first line and \$0.24 for each additional line for a total of \$1.20. Under a flat per line charge of 72 cents per

month, the charge would increase to \$2.88 per month. Using that example, the effective rate of the fee is 2.4% while under the proposal the effective rate would be 5.8%. **H.657 would increase the overall burden on wireless consumers, especially those with family share plans.**

- *Shift from wireline to wireless and from businesses to consumers* – Businesses spend more per line on telecommunications service than consumers, and businesses generally spend more on wireline services than wireless services. Therefore, a shift to a flat per-line charge would shift more of the burden for the USF from businesses to consumers. This would be especially true if the legislature caps the number of per-line charges at a single business location. **H.657 would shift a significant portion of the overall USF burden to wireless consumers.**

Expanding the State Telephone Property Tax to Wireless Providers (Sections 7 – 13)

The wireless industry is opposed to provisions in H. 657 that would tax the personal property of wireless providers as real property. The proposed legislation would treat the tangible personal property of wireless and other telecommunications providers differently than the personal property owned by other competitive businesses in Vermont.

Under current law (32 VSA 3848-3849), the Legislature grants municipalities the authority to tax or exempt business personal property. Currently, about one-fifth of Vermont cities and towns have elected to tax business personal property and the rest have elected to exempt such property. The list of municipalities that currently tax business personal property includes Barre Town, Brattleboro, Burlington, Montpelier, Rutland, and St. Albans City and Town.

Like all businesses, wireless providers pay property taxes on any real property that they own. This includes real estate and other structures permanently affixed to land, including shelters that house electronic equipment and wireless towers. Additionally, in the municipalities that have elected to tax business personal property, wireless providers also pay local property taxes on machinery and equipment. This generally includes computer and other equipment at cell site locations, cable used to connect sites to the network backbone and machinery and equipment at switching sites.

The personal property of wireless companies in municipalities that choose to tax business personal property is valued and assessed using the same depreciation schedules that apply to all other taxable business personal property. For example, the City of Burlington has a schedule that uses a common method for valuing business personal property – Replacement Cost New Less Depreciation (RCNLD). Under RCNLD, the starting point for valuing equipment is the cost of that equipment “new” minus a depreciation schedule that varies from 5 years for computer equipment to 15 years for long-lasting equipment.

The wireless industry does not have concerns about paying personal property taxes in municipalities that have elected to tax the property of all businesses. However, H. 657 would treat wireless companies differently than other competitive businesses by deeming tangible personal property to be real estate and requiring wireless property to be centrally assessed by the Tax Department. Historically, states have used so-called "central assessment" to value the property of public utilities like telephone, gas, and electric companies as well as railroads that have infrastructure passing through many jurisdictions over rights-of-way. For example, if a railroad passes through a municipality, it is very difficult for local assessors to value a narrow strip of land. Under central assessment, the state sets the value for the entire enterprise and then apportions the values to the jurisdictions proportionally. Unlike railroads, wireless companies do not have the same type of interconnected networks that necessitate central assessment. It is straightforward for local assessors to value the property of each discrete wireless cell site and switching site using the same depreciation schedules that apply to other business personal property.

To summarize, wireless providers should be treated the same as other competitive businesses in Vermont when it comes to the taxation of personal property. They should not be singled out for discriminatory treatment.

Thank you for the opportunity to share these concerns about H.657.