



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **SB0550.01: Revise taxation of of certain telecommunications property**

Primary Sponsor: Dave Fern Status: As Introduced

Included in the Executive Budget  Needs to be included in HB 2  Significant Local Gov Impact

Significant Long-Term Impacts  Technical Concerns  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$21,000	\$19,000	\$19,000	\$18,000
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$21,000)	(\$19,000)	(\$19,000)	(\$18,000)
University	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
<b>Net Impact</b>	<u>(\$21,000)</u>	<u>(\$19,000)</u>	<u>(\$19,000)</u>	<u>(\$18,000)</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

SB 550 reclassifies telecommunications infrastructure property owned by an entity operating in three or fewer counties from class 13 (6% tax rate) to class 5 (3% tax rate). The lower tax rate will reduce taxable value statewide by \$219,000 in TY 2025 when the bill takes effect, slightly reducing revenue collected from the state 95 mills for school equalization and 6 university mills.

### FISCAL ANALYSIS

#### Assumptions

- Under current law, property of centrally assessed telecommunications companies that is not used or owned by a cooperative rural telephone association or that does not exclusively provide service to rural areas, cities or towns of 1,200 permanent residents or less is class 13 property taxed at 6%. SB 550 would reclassify this type of property to class 5, taxed at 3%, if the company operates or owns property in three or fewer counties.
- Two eligible telecommunications utilities operate in three or fewer counties. Based on HJ 2, the total taxable value of these companies is expected to be \$438,000 in TY 2025 when the bill takes effect. SB 550 would halve the taxable value to \$219,000.
- The reduction in taxable value reduces revenue collected from the state 95 mills for school equalization, 6 university mills. The impact on vo-tech mill collections is less than \$500. The following table contains the estimated fiscal impact.

Fund	FY 2026	FY 2027	FY 2028	FY 2029
TV Difference	(\$219,000)	(\$201,000)	(\$196,000)	(\$190,000)
School Equalization	(\$21,000)	(\$19,000)	(\$19,000)	(\$18,000)
University	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)

4. There are no administrative costs for the department.

**Fiscal Analysis Table**

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Transfers	\$0	\$0	\$0	\$0
SEPTR offset	\$21,000	\$19,000	\$19,000	\$18,000
<b>TOTAL Expenditures</b>	<b>\$21,000</b>	<b>\$19,000</b>	<b>\$19,000</b>	<b>\$18,000</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$21,000	\$19,000	\$19,000	\$18,000
<b>TOTAL Funding of Expenditures</b>	<b>\$21,000</b>	<b>\$19,000</b>	<b>\$19,000</b>	<b>\$18,000</b>
<b><u>Revenues</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$21,000)	(\$19,000)	(\$19,000)	(\$18,000)
University	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
<b>TOTAL Revenues</b>	<b>(\$22,000)</b>	<b>(\$20,000)</b>	<b>(\$20,000)</b>	<b>(\$19,000)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$21,000)	(\$19,000)	(\$19,000)	(\$18,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$21,000)	(\$19,000)	(\$19,000)	(\$18,000)
University	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)

**Effect on County or Other Local Revenues or Expenditures**

1. Two companies operating in four counties would be affected by SB 550. Taxing jurisdictions in these counties will lose taxable value and float up mills if the affected property is located within their borders.

**Technical Concerns**

1. Some locally assessed class 4 commercial (1.89% tax rate) and class 8 (1.5% tax rate) property may be captured and reclassified as class 5 (3% tax rate) under this bill. Data is not currently available to estimate which properties could be affected.



Sponsor's Initials

4.1.25

Date



Budget Director's Initials

3/31/2025

Date