GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

# Fiscal Note 2027 Biennium

Bill#/Title: **SB0534.01: Provide property tax exemption for wireless infrastructure**

Primary Sponsor: Greg Hertz 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

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|---|---|---|---|
| **Expenditures** | | | | |
| General Fund (01) | $98,244 | $213,689 | $331,983 | $450,299 |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| SEPTR | $0 | ($102,000) | ($204,000) | ($306,000) |
| University | $0 | ($7,000) | ($14,000) | ($21,000) |
| **Revenues** | | | | |
| General Fund (01) | $0 | ($1,000) | ($2,000) | ($3,000) |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| SEPTR | $0 | ($102,000) | ($204,000) | ($306,000) |
| University | $0 | ($7,000) | ($14,000) | ($21,000) |
| **Net Impact General Fund Balance** | ($98,244) | ($214,689) | ($333,983) | ($453,299) |

**Description of fiscal impact**

SB 534 adds wireless infrastructure to the property tax exemption available to new fiber optic and coaxial cable established by SB 51 in the 2021 legislative session. The abatement fully exempts new wireless infrastructure for five years, then phases the value in until it is fully taxable in the tenth year. The loss of future taxable value reduces revenue from the state 95 mills for school equalization, 6 university mills, and 1.5 vo-tech mills.

## FISCAL ANALYSIS

**Assumptions**

**Department of Revenue**

1. SB 534 adds wireless infrastructure to the property tax exemption available to new fiber optic and coaxial cable. Eligible wireless infrastructure is fully exempt from property taxes for the first five years, after which the abatement phases out at 20% per year for the next five years until the property is taxed at its full value in the tenth year. To receive and maintain the exemption, the company must reinvest the tax savings from the exemption into the installation of new wireless infrastructure within two years.
2. The wireless infrastructure eligible for property tax relief under SB 534 is broad. It applies to class 5 and class 13 centrally assessed property that is "directly associated with providing wireless services to customers".
3. To estimate the property that would qualify, the original cost of all real and personal class 5 and class 13 property belonging to centrally assessed telecommunications companies and telephone cooperatives were

summed from TY 2020 to TY 2024. This total includes property that would not qualify for the exemption such as central office equipment and other property not directly associated with installing and placing wireless infrastructure. It is assumed that 20% would be eligible for exemption.

4. It is assumed that any increase to the original cost of this category from TY 2020 to TY 2024 was new installation. The following table contains the estimated original cost of qualifying property, the increase each year, and the average increase over the five years.

| Tax Year | Original Cost | New Installation |
|---|---|---|
| 2020 | $483,665,000 | |
| 2021 | $528,434,000 | $44,769,000 |
| 2022 | $535,645,000 | $7,211,000 |
| 2023 | $553,173,000 | $17,528,000 |
| 2024 | $576,560,000 | $23,387,000 |
| Average | | $23,224,000 |

5. The average annual increase in new installation is assumed to continue into the forecast period.
6. About 44% of total centrally assessed property of telecommunications and telephone cooperative is class 5 with a tax rate of 3%. The remaining 56% consists of class 13 property with a tax rate of 6%. It is assumed the same ratios apply to wireless infrastructure property eligible for the tax exemption.
7. These respective ratios and tax rates were applied to the estimated cost of expected new installation of each class of wireless infrastructure to determine the annual forgone taxable value under the exemption.
8. The 95 statewide equalization mills, 6 university mills, and 1.5 vo-tech mills were applied to the estimated forgone taxable value to estimate the fiscal impact of the exemption every year. The table below contains the estimated fiscal impact of the exemption each year.

| Tax Year | Class 5 (44%) | Class 13 (56%) | Total |
|---|---|---|---|
| New Installation | $10,563,000 | $12,661,000 | $23,224,000 |
| Tax Rate | 3% | 6% | - |
| Taxable Value Reduction | ($317,000) | ($760,000) | ($1,077,000) |
| SEPTR Impact | ($30,000) | ($72,000) | ($102,000) |
| University Impact | ($2,000) | ($5,000) | ($7,000) |
| Vo-Tech Impact | ($200) | ($400) | ($600) |

9. The tax exemption would apply beginning TY 2026, and every subsequent year will be multiple of that amount until the sixth year, when the first year's exemptions begin to phase out. See long-term impacts for more details.
10. The department anticipates that implementing, tracking, and verifying property receiving this new exemption will require 1.00 FTE.

**Office of Public Instruction**

11. The reduction in revenue flowing into the SEPTR account are offset by increases in general fund expense to meet the requirements of the school funding formula in Title 20, MCA.
12. SB 534 creates property tax shifts that are relatively small and the change in distribution of guaranteed tax base aid (GTB) payments to school districts is anticipated to be minimal in the forecast period.

**Fiscal Analysis Table**

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|---|---|---|---|
| **Fiscal Impact** | | | | |
| FTE | 1.00 | 1.00 | 1.00 | 1.00 |
| **TOTAL Fiscal Impact** | **1.00** | **1.00** | **1.00** | **1.00** |
| **Expenditures** | | | | |
| Personal Services | $86,133 | $87,236 | $88,354 | $89,489 |
| Operating Expenses | $9,153 | $9,453 | $9,629 | $9,810 |
| Equipment | $2,958 | $0 | $0 | $0 |
| Transfers | $0 | $0 | $0 | $0 |
| University | $0 | $7,000 | $14,000 | $21,000 |
| Vo-Tech | $0 | $1,000 | $2,000 | $3,000 |
| **TOTAL Expenditures** | **$98,244** | **$104,689** | **$113,983** | **$123,299** |
| **Funding of Expenditures** | | | | |
| General Fund (01) | $98,244 | $213,689 | $331,983 | $450,299 |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| SEPTR | $0 | ($102,000) | ($204,000) | ($306,000) |
| University | $0 | ($7,000) | ($14,000) | ($21,000) |
| **TOTAL Funding of Expenditures** | **$98,244** | **$104,689** | **$113,983** | **$123,299** |
| **Revenues** | | | | |
| General Fund (01) | $0 | ($1,000) | ($2,000) | ($3,000) |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| SEPTR | $0 | ($102,000) | ($204,000) | ($306,000) |
| University | $0 | ($7,000) | ($14,000) | ($21,000) |
| **TOTAL Revenues** | **$0** | **($110,000)** | **($220,000)** | **($330,000)** |
| **Net Impact to Fund Balance (Revenue minus Funding of Expenditures)** | | | | |
| General Fund (01) | ($98,244) | ($214,689) | ($333,983) | ($453,299) |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| SEPTR | $0 | $0 | $0 | $0 |
| University | $0 | $0 | $0 | $0 |

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

**Department of Revenue**

1. The taxable value excepted is anticipated to be about 0.02% of statewide taxable value annually. In the sixth year this accumulates to about 0.125%. Local mills would shift upward to adjust for these decreases in relative taxable value. The local jurisdiction effects would be dependent on the share of district property exempted.

**Significant Long-Term Impacts**

**Department of Revenue**

1. Forgone taxable value due to the exemption will accumulate rapidly in the first five years and stabilize in the ninth year as new exemptions and expiring exemptions roughly balance. Based on the prior assumptions, the total fiscal impact to the state is expected to stabilize at $767,000 in FY 2035.

NO SPONSOR SIGNATURE

| | | | |
|---|---|---|---|
| | | | 3/27/2025 |
| Sponsor's Initials | Date | Budget Director's Initials | Date |