



# VERMONT LEGISLATIVE Joint Fiscal Office

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## Fiscal Note

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### **H.657 – An act relating to modernization of Vermont’s communications taxes and fees**

As recommended by the Senate Committee on Finance<sup>1</sup>

#### **Bill Summary**

The bill proposes to update and change taxes and fees assessed on telecommunications and cable providers and on certain types of digital services. Provisions of the bill include:

- Repealing the 2.4% Universal Service Charge (USC) for landline, postpaid wireless, and interconnected Voice over Internet Protocol (VoIP) consumers and replacing it with a \$0.72 monthly charge per access line
- Adding the 988 Suicide and Crisis Hotline to the list of programs funded through the Vermont Universal Service Fund (VUSF)
- Creating two studies that would assess how to tax communications property and charge for communications property that is placed in the State Right of Way (ROW)

#### **Fiscal Impact**

The bill would have a fiscal impact starting in fiscal year 2026 from the change of the funding source for VUSF from the current retail telecommunications charge to a monthly per line charge on wireline and postpaid wireless plans:

Item	Bill Section	Estimated Annual Revenue Impact	Fiscal Year	Fund
\$0.72 monthly per line charge	Sections 1-6	\$7.96 million in total; \$3.01 million in additional revenue	2026	VUSF

In addition to the revenue impacts, Section 8 would provide a one-time appropriation of \$150,000 in fiscal year 2025 from the Payment in Lieu of Taxes (PILOT) Fund to the Department of Taxes’ Division of Property Valuation and Review (PVR) to support the development of a property valuation model for communications property.

#### **Background and Details**

The following sections provide context for the fiscal components of the bill:

<sup>1</sup> The full text of H.657 As Passed by the House is available here: <https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0657/H-0657%20As%20Passed%20by%20the%20House%20Unofficial.pdf>

## Sections 1-6: Vermont Universal Service Fund (VUSF)

VUSF was created in 1994 to provide equal access to affordable telecommunications and services, including Enhanced 911 (E-911) call-taking and routing. Currently, services in VUSF are funded by a 2.4% USC on retail telecommunications service, including landline, wireless, and interconnected VoIP services. Statute requires that 1/6<sup>th</sup> of revenue from the USC go to the Vermont Community Broadband Fund and that the remaining revenue go to five services in the priority order outlined in 30 V.S.A. § 7511(a)(1). Section 3 would repeal the percentage charge on retail landline, postpaid wireless, and interconnected VoIP service and replace it with a monthly \$0.72 per line fee. Prepaid wireless services would still be assessed the 2.4% USC.

Section 5 would add the 988 Suicide and Crisis Lifeline to the statutory VUSF funding order, between E-911 and the Connectivity Fund. The proposed new statutory funding order is shown below:

1. *Fiscal agent*: Costs of the fiscal agent that manages the Fund
2. *Telecommunications Relay Services (TRS)*: Helps those with hearing or speech disabilities place and receive phone calls<sup>2</sup>
3. *The Vermont Lifeline Program*: Offers a monthly discount on phone service for low-income consumers<sup>3</sup>
4. *E-911 Services*: Reports phone number and location information to certified call-takers to allow for more efficient routing to appropriate public safety dispatchers<sup>4</sup>
5. *988 Suicide and Crisis Lifeline*: The 988 national call center network provides free and confidential support to people in crisis over the phone or through text
6. *Connectivity Fund*: Supports both Connectivity Initiative grants and the High-Cost Program<sup>5</sup>

The number of lines in Vermont determines the amount of revenue generated by the \$0.72 per line fee. According to Federal Communications Commission (FCC) data, as of June 2022 Vermont had 542,000 wireless subscriptions and 297,000 landline and interconnected VoIP subscriptions.<sup>6</sup> These 839,000 subscriptions would be assessed the proposed \$0.72 monthly per line charge. The 80,000 prepaid subscriptions in Vermont would continue to be assessed the 2.4% USC. In fiscal year 2026, the first year of the new charge, the new structure would generate \$7.96 million, which is \$3.01 million more than is currently raised by the USC. The table on the next page shows the estimated allocation of these funds to different programs that would be included in the statutory funding order compared to actual fiscal year 2023 revenues and allocations.<sup>7</sup>

Program	Current and Proposed VUSF Resources (in millions)	
	FY 2023 Revenue – 2.4% Charge	Estimated FY 2026 Revenue – H.657
<b>Total Revenue</b>	<b>4.95</b>	<b>7.96</b>
Vermont Community Broadband Fund	0.82	1.35
Fiscal Agent	0.11	0.13
TRS and Equipment	0.06	0.26
Lifeline	0.15	0.11
E-911	3.80	5.10
988 Suicide Prevention Line	N/A	Up to 1.00
Connectivity Fund	0	Remaining Balance

<sup>2</sup> <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

<sup>3</sup> <https://publicservice.vermont.gov/lifeline-telecommunications-program>.

<sup>4</sup> <https://www.fcc.gov/general/9-1-1-and-e9-1-1-services>.

<sup>5</sup> Per 30 V.S.A. § 7515, the High-Cost program offers support for capital network improvements in “high-cost” areas.

<sup>6</sup> <https://www.fcc.gov/voice-telephone-services-report>

<sup>7</sup> Due to the uncertain 988 funding need in fiscal year 2026, the table shows the estimated revenue the program could use before expenses would outpace revenues, not the forecasted fiscal year 2026 988 budget.

## Section 7: Communications Property Taxation Study

Section 7 would require the Department of Taxes to conduct a study, due January 15, 2025, that would make recommendations for an updated tax structure for communications property. Under current law, communications property falls into one of four categories:

*Telephone Personal Property:* The personal property owned by a telephone business is assessed a tax equal to 2.37% of the property’s net book value.

*Real Property:* Qualities of a communications tower, such as whether it is on owned or leased land, fixed or movable, etc. determine whether it is taxed as real or personal property.<sup>8</sup> The current Education Fund value of communications towers on the Grand List is estimated to range between \$2.5 and \$4 million.

*Cable Personal Property:* Cable lines and fixtures are subject to the education property tax through 32 V.S.A. § 5401(10)(D)(i). According to the 2024 PVR Annual Report, cable personal property on the Grand List was valued at \$127.9 million in 2023, which translates into approximately \$1.8 million in Education Fund revenue.<sup>9</sup>

*Business Personal Property:* In 32 V.S.A. § 3618, business personal property refers to tangible personal property that is “held for use in any trade, business, professional practice, transaction, activity, or occupation conducted for profit.” Forty-two towns currently tax machinery and equipment, and eight tax inventory. Business personal property is currently exempt from the statewide education property tax.

The study would include information about the potential treatment of different types of property, whether exemptions should apply to certain providers, valuation methods, and valuation appeals, and other logistical details including implementation. The Commissioner of Taxes would be required to submit the findings and recommendations to the Senate Committee on Finance and House Committees on Ways and Means and Environment and Energy.

## Section 8: PVR Appropriation

Section 8 would appropriate \$150,000 in fiscal year 2025 from the Payment in Lieu of Taxes (PILOT) Special Fund to PVR to fund the creation of a property valuation model for communications property. According to the Department of Finance and Management’s most recent report on special funds, the PILOT Fund had a balance of \$7,045,748 at the close of fiscal year 2023.<sup>10</sup>

## Section 9: State ROW Rent Study

Section 9 would require the Agency of Transportation (AOT) to study access to and use of the State ROW by communications services providers. The section would require each communications, electric, and natural gas company in Vermont to submit an inventory of its property in State ROW to AOT. AOT would be required to use this information to develop and complete a ROW Geographic Information System (GIS) database by July 1, 2025. On or before December 15, 2025, AOT would be required to use the information in the database to develop and submit a written report outlining the property in State ROW and a proposed fee structure for use of State ROW. The Secretary of Transportation would be required to submit the findings and recommendations in a written report to the Senate Committees on Finance and Transportation and the House Committees on Ways and Means, Environment and Energy, and Transportation.

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<sup>8</sup> <https://tax.vermont.gov/sites/tax/files/documents/Cell%20Tower%20Decision%20Tree%202017.pdf>

<sup>9</sup> <https://tax.vermont.gov/sites/tax/files/documents/RP-1295-2024.pdf>

<sup>10</sup> <https://ljfo.vermont.gov/assets/Meetings/Joint-Fiscal-Committee/2023-11-07/aecb85d0cc/Special-Fund-Report-FY2023.pdf>