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**SF 2388** – Telecommunications Company Property Taxation (LSB5182SV.2)  
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Fiscal Note Version – As amended and passed by the Senate (Revised Assumptions & Fiscal Impact)

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### **Description**

[Senate File 2388](#), as amended and passed by the Senate, changes how telephone, cell tower, and cable company property is valued for property taxation purposes. Under the provisions of the Bill, beginning with assessment year (AY) 2022, assessment of telephone and cable company property for property taxation purposes would be restricted to the value of land and buildings. Also, all such property would be assessed at the local level and classified as commercial property. For AY 2019 through AY 2021, the Bill provides for a phased-in property tax exemption for telephone and cable company property. Under current law, the property of telephone companies is assessed by the Iowa Department of Revenue (centrally assessed).

By repealing Iowa Code chapter [433](#) and removing a corresponding reference in Iowa Code section [427A.1\(1\)\(h\)](#), the Bill also makes available a sales and use tax exemption for machinery, equipment, and computers purchased by telecommunications companies that are centrally assessed under current law.

### **Assumptions**

#### **Current Law Assumptions**

- The assessed value of telephone company property is \$1.057 billion in AY 2017, and the value will decrease to \$974.4 million for AY 2019.
- Telephone company property does not benefit from any taxable value rollback.
- The assessed value of cable company property is \$222.0 million for all assessment years.
- The assessed value of cell tower property is \$702.3 million for all assessment years.
- Cable company and cell tower property is classified as commercial and therefore benefits from a taxable value rollback to 90.0%.
- The statewide average property tax rate will be \$33.16 per \$1,000 of taxed value for all years.

#### **Proposed Law Assumptions**

- The assessed value of telephone property land and buildings will be \$304.7 million for AY 2022. During the phase out period, the assessed value will decline from \$974.4 million in AY 2019 to \$898.0 million for AY 2021.
- The assessed value of cable company land and buildings will be \$36.9 million for AY 2022.
- The assessed value of cell tower property will be \$0 million for AY 2022 and after.
- Beginning AY 2022, telephone company property that is subject to assessment will be classified as commercial and therefore benefit from a taxable value rollback to 90.0%.
- The statewide average property tax rate will remain at \$33.16 per \$1,000 of taxed value.
- Reductions in taxed value that result from law changes increase the State General Fund appropriation to school aid by \$5.40 per \$1,000 of reduced taxed value.

- Telephone company purchases of machinery, equipment, and computers totaling \$6.7 million per year will no longer be subject to sales and use tax under the provisions of the Bill. At the 6.0% sales/use tax rate, this tax equates to \$0.4 million in sales tax per calendar year.

### **Fiscal and Other Impacts**

The assessment process change is projected to decrease property taxes paid by taxpayers by the following amounts:

- \$9.4 million in FY 2021.
- \$18.0 million in FY 2022.
- \$25.9 million in FY 2023.
- \$54.2 million in FY 2024 and after.

The decrease in the assessed value of telephone and cable company property results in the following projected increases in the State General Fund school aid appropriation:

- \$1.3 million in FY 2021.
- \$2.5 million in FY 2022.
- \$3.6 million in FY 2023.
- \$7.6 million in FY 2024 and after.

The decrease in property taxes paid by telephone and cable companies is projected to decrease the amount of tax revenue received by local governments (net of the increased school aid appropriation) by the following amounts:

- \$8.1 million in FY 2021.
- \$15.5 million in FY 2022.
- \$22.3 million in FY 2023.
- \$46.6 million in FY 2024 and after.

The sales tax exemption for telephone companies is projected to reduce State General Fund revenue by \$0.2 million in FY 2022 and \$0.4 million annually in FY 2023 and after.

### **Source**

Department of Revenue

/s/ Holly M. Lyons

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April 6, 2018

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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