

Presentation to:
The Tennessee Advisory Commission on Intergovernmental Relations
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Good morning Mr. Chairman and members of the Tennessee Advisory Commission on Intergovernmental Relations. My name is Gary Harris and I am the Director of the Office of State Assessed Properties. It is my pleasure to have the opportunity to address the Commission this morning.

I have a few prepared remarks regarding the Office that I would like to share with the Committee regarding our office's operations.

First of all, our office values and assesses **18** company types in Tennessee. The origination of the office occurred in February 1967 and was housed in the Tennessee Public Service Commission. Our mission was to value and assess companies regulated by the Tennessee Public Service Commission. The list of companies valued and assessed by office has expanded over the years. Tennessee Code Annotated **§67-5-1301** provides a list of those companies. On May 26th, 1995, our office functions were moved from the PSC to the Office of the Comptroller.

For tax year 2015, the Office of State Assessed Properties:

- Valued and assessed **1,706** companies
- Total assessed value was **\$7,377,838,800**
- Total estimated market value of **\$18,110,431,297**
- Reappraised all its real property
- Certified a tax roll to counties in the amount of **\$188,111,775**
- Certified a city tax roll in the amount of **\$68,692,030**
- Certified total taxes of approximately **\$257,000,000**
- The telecommunications industry paid approximately **\$71,000,000** in city and county taxes or approximately **28%**
- Made tax equity payments to **50** recipients in the amount of **\$9,122,707**

What is the background on Ad Valorem Taxes for the communications industry?

On or about the year 1919, the Tennessee Legislature changed the name of the Tennessee Railroad Commission to the Railroad and Public Utilities Commission. It gave that agency general regulatory power over utilities including the power to approve franchises, review local government regulations, fix rates and regulate practices *and to assess the property of such utilities for taxation.*

“The authority to tax property is established by Article II, Section 28 of the Tennessee Constitution. For purposes of taxation, Article II, Section 28 classifies all property into three classes: real property, tangible personal property, and intangible personal property.¹ As pertinent to the case before us, Article II, Section 28 further provides: Tangible Personal Property shall be classified into three (3) sub classifications and assessed as follows:(a) Public Utility Property, to be assessed at fifty-five (55%) percent of its value;(b) Industrial and Commercial Property, to be assessed at thirty (30%) percent of its value; and(c) All other Tangible Personal Property, to be assessed at five (5%) percent of its value”. - See more at: <http://caselaw.findlaw.com/tn-court-of-appeals/1126324.html#sthash.I2qOHH3U.dpuf>

Since Article II, Section 28 was written, U.S. and Tennessee legislative actions have changed the fifty-five (55%) to a lower level due to relief given to railroads, wireless, motor carriers and airlines.

What would happen if we treated the communications industry like other businesses and got rid of the Ad Valorem Tax?

Tennessee has two sources for local government tax collection: Sales tax and Property Tax. The financial impact to cities and counties for communications companies valued and assessed by the Office of State Assessed Properties would be approximately \$71 million dollars.

Could this be used as a mechanism to increase broadband deployment by the companies that pay these taxes?

Possibly; however, that would be for the General Assembly to decide.