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# TELECOMMUNICATIONS ASSOCIATION OF MAINE

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February 7, 2017

Senator James Hamper, Senate Chair  
Representative Drew Gattine, House Chair  
Members of the Committee on Appropriations and Financial Affairs  
128<sup>th</sup> Maine Legislature  
5 State House Station  
Augusta, ME 04333-0005

**Re: LD 390, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2018 and June 30, 2019"**

The Telecommunications Association of Maine (TAM) offers the following comments Neither For Nor Against Part H of LD 390, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2018 and June 30, 2019". TAM is a trade association that represents the Rural Local Exchange Carriers in the State. Currently all of TAM's members pay the Telecommunications Excise Tax affected by Part H of the LD 390. While TAM has no position on whether the State or individual municipalities should be the taxing authority for telecommunications personal property, TAM does wish to highlight some potential issues that may arise if Part H of LD 390 is adopted as drafted.

TAM was heavily involved in the discussions leading to the creation and methodologies of the Telecommunications Excise Tax. In migrating to a tax rate that mirrored the municipalities in which the property was located, one issue that stood out was the manner in which tax rates were applied to distribution facilities, such as cables and poles. TAM's members maintain their records of equipment by Exchanges, which frequently encompass portions of multiple municipalities. The solution developed in concert with Maine Revenue Service established a method of apportionment for distribution facilities on a per-municipality basis. The apportionment took the total value of the distribution facilities within an Exchange and apportioned its value to each municipality based on the number of access lines within each municipality. If the Committee decides to move forward with this portion of LD 390, TAM would recommend that the following language be added to the bill to clarify that the initial taxable distribution facilities for each municipality would be the same as what was assessed by the State in March of 2017.

**Sec. H-9. 36 MRSA § 501, sub-§ 12** is enacted to read:

**12. Distribution Facilities.** "Distribution facilities" means facilities used primarily to transport communications between fixed locations, including but not limited to cables, wires, wireless transmitters and utility poles.

**Sec. H-10. Initial Apportionment of Distribution Facilities.** Upon the application date of this Part, the taxable distribution facilities for each municipality shall be the same as the apportioned distribution facilities assessed in 2017 by the State for the municipality.

One other potential issue associated with adopting the provisions of Part H of LD 390 is the value of facilities, including depreciation schedules. TAM believes that language could be added to Part H of LD 390 to clarify that the initial valuation and depreciation levels of distribution facilities should be the same as the value and depreciation schedules used by the State in March of 2017. This will ensure a smooth transition for both telecommunications providers and municipalities. Accordingly, if Part H of LD 390 is adopted, TAM would suggest adding the following language:

**Sec. H-11. Initial Value and Depreciation of Property.** Upon the application date of this Part, the initial value and depreciation schedule for telecommunications personal property that was formerly subject to taxation under 36 MRSA § 457 shall be the same as the value and depreciation schedule used by the State when making the assessment for such property in 2017.

Accordingly, while TAM is neither for nor against adoption of Part H of LD 390, if Part H is adopted TAM would suggest that the above listed amendments be made to the legislation to ensure a smooth transition to the municipal taxing authorities.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Sanborn", with a long horizontal flourish extending to the right.

Benjamin M. Sanborn, Esq.  
Telecommunications Association of Maine