



Wireless Property Assessment in Montana

Presented to Montana Revenue and
Transportation Interim Committee
September 27, 2011
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History of Wireless Property Assessment in MT

Prior to 2007, wireless property was locally assessed using only a cost indicator.

In 2007, without any change in the statutes or rules, MT DOR determined wireless property should be unitarily assessed.

Because unitary assessment values all assets of a business, tangible and intangible, taxable and non-taxable, adjustments are necessary to properly remove value that is exempt under MT law.



Montana Authority on Intangible Property

MCA 15-6-218. Intangible personal property exemption.

- (1) Intangible personal property is exempt from taxation.
- (2) For the purposes of this section, "intangible personal property" means personal property that is not tangible personal property and that:
 - (a) has no intrinsic value but is the representative or evidence of value, including but not limited to certificates of stock, bonds, promissory notes, licenses, copyrights, patents, trademarks, contracts, software, and franchises; or
 - (b) lacks physical existence, including but not limited to goodwill.
- (3) To the extent that the unit value of centrally assessed property includes intangible personal property, that value must be removed from the unit value.



Montana Authority on Intangible Property (cont'd)

ARM 42.22.110 DEDUCTIONS FOR INTANGIBLE PERSONAL PROPERTY

- (1) Cost, income, and market indicators of the unit value of centrally assessed properties can generally be expected to include the value of real property, the value of personal property, and in some cases the value of specific intangible personal property. To the extent that each unit valuation indicator includes the value of intangible personal property it shall not be relied upon unless such value of the intangible personal property is excluded or removed.
- (2) The department recognizes that the following percentages may not necessarily provide a taxpayer-specific measurement of intangible personal property. However, accurately quantifying the value of intangible personal property is difficult and subject to controversy and litigation which would not clarify the issues for future appraisals. The percentages are a good faith effort to comply with the rulemaking requirements of [15-6-218](#), MCA, in a manner that is timely and efficient for both the taxpayers and the department.



ARM 42.22.110 (cont'd)

- (a) Subject to the provisions of (3), intangible personal property shall be removed from the cost indicator by using the following percentages:
- (i) Airlines 10%
 - (ii) Pipelines 5%
 - (iii) Electric cooperatives 5%
 - (iv) Telephone cooperatives 5%
 - (v) Electric utilities 10%
 - (vi) Telecommunications 15%
- (b) Subject to the provisions of (3), intangible personal property shall be removed from the income indicator by using the following percentages:
- (i) Airlines 10%
 - (ii) Pipelines 5%
 - (iii) Electric cooperatives 5%
 - (iv) Telephone cooperatives 5%
 - (v) Electric utilities 10%
 - (vi) Telecommunications 15%
- (c) Subject to the provisions of (3), intangible personal property shall be removed from the market indicator by using the following percentages:
- (i) Airlines 10%
 - (ii) Pipelines 5%
 - (iii) Electric cooperatives 5%
 - (iv) Telephone cooperatives 5%
 - (v) Electric utilities 10%
 - (vi) Telecommunications 15%
- (d) For railroads assessed according to the provisions of [15-23-205](#), MCA, exempt intangible personal property, which shall be deducted from the railroad system value, is equal to 5 percent of the system value. If a railroad is not assessed pursuant to [15-23-205](#), MCA, but assessed using cost, income and market indicators to value, 5 percent of the value determined by each indicator shall be removed to reflect the value of intangible personal property in each indicator subject to the provisions of (3).
- (3) If any taxpayer believes that the value of its intangible personal property is greater than that allowed under (2), the taxpayer may propose alternative methodology or information at any time during the appraisal process and the department will give it full and fair consideration. If the department concludes that the value of intangible personal property is greater than that allowed in (2), the unit value will be decreased accordingly. In no event, however, will the value of intangible personal property be less than that allowed in (2).
- (4) In order for intangible personal property to be considered for a deduction higher than the default percentage prescribed in (2), the property must have the characteristics of intangible personal property as defined above.
- (5) A taxpayer may, at any time, make recommendations to the department, regarding the percentages in (2)(a), (b), or (c).



Wireless Property Assessment in Other States

Thirty eight other states assess wireless property using only a cost indicator of value (or do not assess tangible personal property at all)

- Most states recognize unitary assessment is not appropriate for wireless property
- It is more complicated than necessary to prepare a value that inherently incorporates intangible property if intangible property is exempt from taxation
- MT DOR redetermination in 2007 is contrary to the trend in other states, which is to move away from extending valuation models that apply to rate regulated monopolies to today's telecommunications infrastructure



Wireless Intangible Property

- The value of a wireless service provider's intangible assets typically exceed the value of their tangible assets
- The most significant intangible asset is the FCC license right to use the wireless spectrum
- The 15% default for telecommunication intangibles was established before MT DOR began unitarily assessing wireless property
- MT DOR position is to let litigation run its course in lieu of adjusting the 15% default and/or considering additional information submitted by wireless taxpayers



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