TELEPHONE COMPANY AD VALOREM TAX CREDIT

STATE OF LOUISIANA

PERFORMANCE AUDIT SERVICES
ISSUED APRIL 26, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 26, 2017

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Taylor F. Barras,
Speaker of the House of Representatives

Dear Senator Alario and Representative Barras:

This report provides the results of our evaluation of the Telephone Company Ad Valorem Tax Credit. I hope this information will assist you in your legislative decision-making process. We would like to express our appreciation to Louisiana's parish tax assessors and their staff for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

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Telephone Company Ad Valorem Tax Credit
State of Louisiana

April 2017

Audit Control # 40160017

Introduction

The purpose of this audit was to evaluate the Telephone Company Ad Valorem Tax Credit [Louisiana Revised Statute (R.S.) 47:6014], which is projected to the cost the state $23.4 million in tax credits in fiscal year 2018 alone, as shown in Exhibit 1. This evaluation is the third in a series of reports that examined Louisiana's tax credits. We previously examined the Severance Tax Suspension for Horizontal Wells and the Inventory Tax Credit.[1]

Exhibit 1
Telephone Company Ad Valorem Tax Credit Paid to Landline Telephone Companies
Fiscal Years 2014 through 2018

Fiscal Year	Amount Paid
2014	$22,499,484
2015	28,723,996
2016*	6,299,521
2017 (projected)	22,949,000
2018 (projected)	23,408,000
Total	**$103,880,001**

*The credits paid to landline telephone companies fell sharply in FY 2016 because several laws limiting tax credits took effect July 1, 2015, and some returns were filed earlier than usual, possibly to take advantage of the more generous provisions in effect prior to July 1, 2015. The Louisiana Department of Revenue's (LDR) forecast for FYs 2017 and 2018 is similar to past amounts.
Source: Prepared by legislative auditor's staff using information from LDR's FY 2017 Tax Exemption Budget.

The legislature implemented the Telephone Company Ad Valorem Tax Credit in 2000 to account for the difference in assessment levels or "competitive disadvantage"[2] between landline telephone companies and wireless service providers (i.e., mobile telephone and data service providers). In contrast to landline telephone companies, wireless service providers in Louisiana are assessed at lower rates and not taxed on their intangible properties.[3] These providers are assessed as "other property," and their property tax assessments are calculated by the state's 64 parish assessor's offices. This differs from the appraisal process used for landline telephone companies, which are assessed by the Louisiana Tax Commission (LTC)

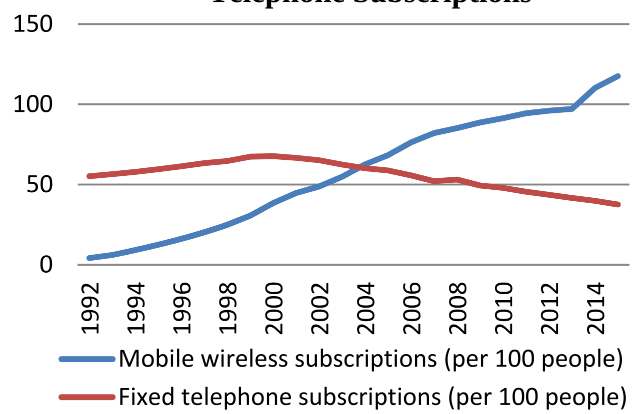
[1] http://app.lla.state.la.us/PublicReports.nsf/0/65C7443D8D09105F86257EA6007174D9/$FILE/00009E0B.pdf
http://app.lla.state.la.us/PublicReports.nsf/0/DF0A35BF1E28D6B186257FC50077D69D/$FILE/0000F23D.pdf
[2] Act 22 of the 2000 Regular Session states, "...it is the finding of the legislature that the Louisiana property tax laws now place certain telephone companies at a competitive disadvantage because their properties are classified as 'public service properties' and assessed at the ratio of twenty-five percent of such properties' fair market values while their competitors' properties are classified as 'other property' and assessed at the ratio of fifteen percent of such properties' fair market values."
[3] Intangibles, which are also known as incorporeals, are assets other than physical assets such as licenses, patents, copyrights, goodwill, intellectual property, etc. Wireless companies have significant intangible assets, particularly wireless spectrum licenses.

as "public service companies."[4] The Louisiana Constitution[5] requires LTC to assess public service companies and permits the legislature to define what constitutes a public service property. Wireless service providers receive a separate assessment from each assessor for their property in each parish, but each landline telephone company is assessed as a whole by LTC appraisers, who then allocate the company's property to each parish based on a formula.

Because they are classified by law as "public service companies," landline telephone companies are assessed at 25% of fair market value and are taxed on their tangible and intangible properties. However, wireless service providers are considered "other property" and are assessed at the lower assessment level of 15% for tangible property only, such as antenna towers or machinery and equipment (land is assessed at 10% of fair market value for public service and other properties). The Telephone Company Ad Valorem Tax Credit allows landline telephone companies to receive a credit equal to 40% of their ad valorem property taxes paid in the state. **The net result of this credit is that landline telephone companies pay as much as they would if their assessment level were 15% instead of 25%, with the state making up the difference.**

Wireless service providers are not assessed as public service companies because R.S. 47:1851 states that public service companies include telegraph and landline telephone companies, but not companies that provide cellular service, paging service, or other forms of mobile or portable communications service. The clause excluding wireless service providers as public service companies was added in 1992 when wireless communications were less prevalent. As shown in Exhibit 2, however, wireless communication subscriptions per capita have grown by 2,667% and landline telephone subscriptions per capita have declined 32% from 1992 through 2015.

Exhibit 2
Growth in Wireless and Landline Telephone Subscriptions



Source: Prepared by legislative auditor's staff using information from the World Bank.

For assessment year 2015, we estimate[6] that wireless service providers had a combined assessed value of $167 million and paid $18.8 million in property taxes to local governments. In contrast, landline telephone companies had a combined assessed value of $378.7 million and paid $42.9 million in property taxes to local governments.

[4] Some communication companies have both wireless and landline subsidiaries. In these cases, LTC assesses the landline, and local governments assess the wireless.
[5] La. Const. Art. VII §18(D)
[6] See Appendix A, No. 5 for our estimation methodology.

Objective: To evaluate the Telephone Company Ad Valorem Tax Credit.

Assessing both wireless and landline companies at the same level would eliminate the need for the Telephone Company Ad Valorem Tax Credit and save the state approximately $23.4 million in fiscal year 2018 alone. We identified several options to reduce the difference in assessment levels between providers. Each of these options would require legislation to amend R.S. 47:1851 and R.S. 47:6014 and two of these options would require a Constitutional amendment to La. Const. Art. VII §18(B) and/or §21. These options are discussed in more detail below. Appendix A details our scope and methodology.

<u>Option A</u>: Assess both wireless service providers and landline telephone companies as public service properties, but at a revenue neutral assessment level of 15%.[7] Public service properties are assessed at 25% of fair market value. Assessing both wireless and landline companies as public service companies but at 15% would expand the base of property upon which wireless service providers are taxed to include their intangible properties, while the lower rate would maintain revenue neutrality. The increased revenue from including the intangibles for wireless service providers in the tax base would offset the revenue lost from the lower assessment level on landline telephone companies. However, this option would require amending R.S. 47:1851 to include wireless service providers as public service companies and a Constitutional amendment to La. Const. Art. VII §18(B) to change the assessment rate of wireless service providers and landline telephone companies to 15% and include their intangibles as taxable property.

<u>Option B</u>: Assess wireless service providers as public service companies on their tangible and intangible properties. This would enable local governments to tax the tangible properties of wireless service providers at the same rate as landline telephone companies, and also tax their intangibles. As a result, local governments would receive approximately $40.4 million[8] more in property tax revenue statewide annually, as shown in Exhibit 3 and discussed in more depth below.

Exhibit 3
Additional Revenue to Local Governments From Assessing Wireless Service Providers as Public Service Companies
Assessment Year 2015 (in millions)

Effect of increasing assessment of tangible property from 15% to 25% of fair market value	$12.2
Effect of assessing intangible property*	28.2*
Total Additional Revenue	**$40.4**

*This total is based on wireless service providers being taxed at 25% of fair market value.
Source: Prepared by legislative auditor's staff using information obtained from parish assessors, the Federal Communications Commission (FCC), and seven states.

- **Assessing wireless service providers as public service companies would enable local governments to tax the tangible property of these companies at 25% and receive approximately $12.2 million in additional property tax revenue statewide annually.** For assessment year 2015, we surveyed assessors

[7] The actual revenue neutral assessment level is 15.030563250%.
[8] Our estimates are based on other states' assessed values, adjusted for the size of each state's wireless market, population, and personal income, and ranged from $16 million to $84 million, with an average of $40.4 million.

in 25 of the 64 (39%) parishes and estimated[9] that wireless service providers had an assessed value of $167 million statewide, which resulted in $18.8 million in revenue generated for local governments. Had wireless service providers been assessed at the 25% assessment level of public service companies instead of 15% on their tangible property, local governments would have received approximately $12.2 million in additional tax revenue in 2015. Seven of the 14 states we surveyed (Arkansas, Colorado, Utah, Washington, Tennessee, Oklahoma, and Oregon) centrally[10] assess wireless service providers using unit valuation, which is how landline companies are assessed in Louisiana. Unit valuation is the process of appraising the company as a whole, and then allotting the state's share of the company's total value to the various taxing districts within that state.

- **Assessing wireless service providers as public service companies would enable local governments to also tax the intangible property of these companies and receive approximately $28.2 million in additional property tax revenue statewide annually.** This $28.2 million would be in addition to the $12.2 million discussed above. Because landline companies are classified as public service companies, they are subject to unit valuation in order to determine their fair market value. However, wireless service providers in Louisiana are not taxed on the company's total value but only on specific tangible property, such as cell towers, located in a specific taxing district. For wireless service providers, the intangible property, including the wireless spectrum licenses held by these companies, is also valuable. Of the seven states in our survey that centrally assess wireless service providers using unit valuation, four tax the intangibles of wireless companies.

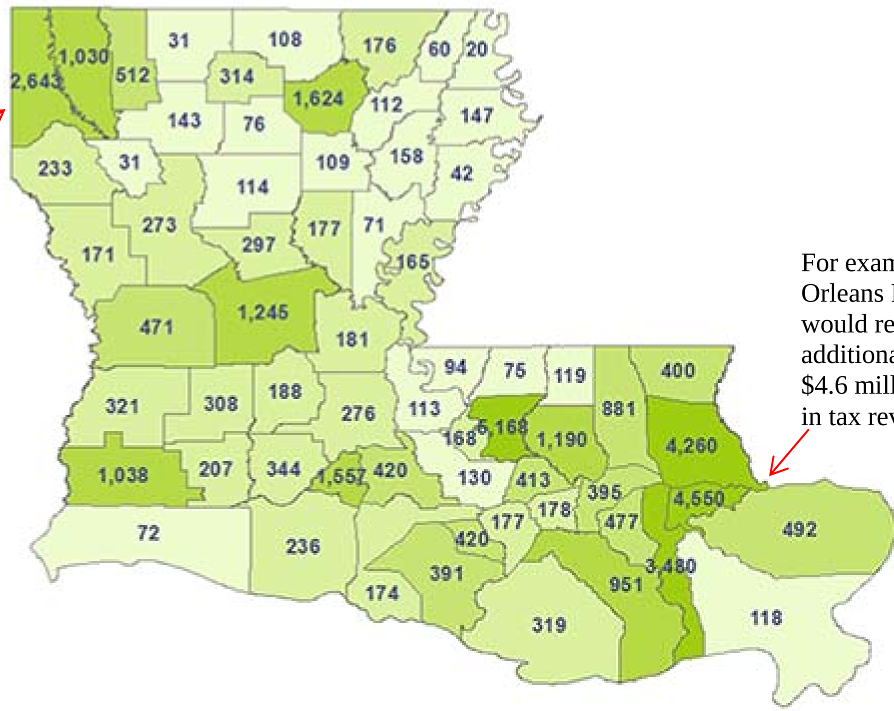
  We analyzed wireless spectrum license auctions from the Federal Communications Commission (FCC) and found that wireless service providers paid $968 million from 1995 through 2015 for wireless spectrum licenses suitable for cellular service in Louisiana. Not taxing the intangible properties of wireless service providers, such as these licenses, costs local governments approximately $28.2 million in revenue annually at the 25% assessment level.

Exhibit 4 shows approximately how much each parish would receive, based on assessment year 2015, if wireless service providers were assessed as public service companies (Option B), and Appendix B provides the amount by parish for each option.

[9] See Appendix A, No. 5 for our methodology to estimate the total assessed value of public service providers in the state.

[10] Centrally-assessed properties are assessed by a state governing agency, while locally-assessed properties are assessed at the county or parish level.

Exhibit 4
Approximate Annual Increase in Local Revenues from Assessing Wireless Service Providers as Public Service Companies (in thousands)



For example, Caddo Parish would receive an additional $2.6 million a year in tax revenue.

For example, Orleans Parish would receive an additional $4.6 million a year in tax revenue.

Source: Prepared by legislative auditor's staff using information from parish assessors, the FCC, other states, the U.S. Census Bureau, and LTC's annual report.

<u>Option C</u>: Assess wireless service providers as public service companies but exempt their intangibles. Similar to Option A, this option would still enable local governments to receive approximately $12.2 million in additional property tax revenue statewide annually. Of the seven states in our survey that centrally assess wireless service providers using unit valuation, three do not tax the intangibles of wireless companies. In addition, two of these states only exclude wireless spectrum licenses, which prevents wireless service providers from seeking reductions in their assessed values for intangibles such as customer relationships, software, and goodwill (e.g., donations).

According to LTC management, if either Option A, B, or C is chosen and wireless service providers were assessed as public service companies, LTC would be responsible for assessing these companies instead of local assessors. As a result, the workload for LTC's appraisal staff would increase. However, LTC could offset the workload increase associated with assessing wireless service providers with the additional revenue it would receive in service fees. Louisiana Administrative Code 61:V.3501 authorizes LTC to collect a fee of 0.04% of a public service company's assessed value from that company through June 30, 2018. This would provide LTC with approximately $215,000 in additional service fees during fiscal year 2018. According to LTC management, it could use these fees for at least this one fiscal year to hire staff to handle the increase in the number of companies they would have to assess.

One important consideration to note with Options A, B, and C is that assessing wireless service providers as public service companies without amending or repealing the Telephone Company Ad Valorem Tax Credit would increase the cost of the credit to the state by approximately $23.4 million annually. This is because wireless service providers, like landline telephone companies, would now be eligible to receive a credit for 40% of their property taxes.

Option D: Assess landline telephone companies the same as wireless service providers and not as public service companies. This option would also reduce the need for the Telephone Company Ad Valorem Tax Credit, but would result in a revenue loss to local governments. Based on how assessors currently assess commercial property, we estimate[11] that assessing landline telephone companies the same as wireless service providers would reduce the amount of tax revenue local governments receive by an estimated $9.2 to $17.2 million a year because of the decreased assessment level and differences in how LTC and local assessors treat obsolescence.[12]

Option E: Assess landline telephone companies the same as wireless service providers and not as public service companies, but tax the intangibles of both. For companies assessed as “other property,” the Constitution exempts their intangible personal property from Ad Valorem tax. If R.S. 47:1851 were amended to exclude landline telephone companies and La. Const. Art. VII §21 was amended to include intangible properties of both landline telephone companies and wireless service providers, the effect on local government revenues could range from a $0.1 million loss to a $7.9 million gain. The exact amount is uncertain because of differences in how LTC and local assessors treat obsolescence, as discussed in Option D.

Option F: Repeal the Telephone Company Ad Valorem Tax Credit without changing how landline telephone companies and public service providers are assessed. Amending R.S. 47:6014 to repeal the Tax Credit without changing how these companies are assessed would save the state the cost of the credit and not have an impact on local government revenue. However, this option will not resolve the difference between the assessment levels of wireless service providers and landline telephone companies.

Options A through F, as well as the impact of each option, are summarized in Exhibit 5 on the following page, and Appendix C summarizes these options in further detail. It is important to note that any increase in tax burden faced by wireless service providers and/or landline telephone companies as a result of these options may be passed on to consumers, shareholders, etc. However, the actual amount passed on would depend on how these companies respond to a change in the law.

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[11] Our estimate consists of a range of possible values based on how much obsolescence is recognized by local assessors. The upper limit assumes that all assessors recognize zero obsolescence, in which case fair market values would increase, partially offsetting the effect of decreasing the assessment level from 25% to 15%. The lower limit assumes that all assessors recognize the same amount of obsolescence as LTC. The differences in valuation methodologies used by LTC and local assessors are discussed in *Kelley v. ANR Pipeline,* 73 So.3d 398 (2011) and related cases.

[12] Obsolescence is a reduction in value of a company’s property because of its inability to adequately perform the function for which it is utilized or because of external forces such as changes in the supply/demand relationship, legislative enactments, and other external factors including industry and local economic conditions.

Exhibit 5 Options for Eliminating the Telephone Ad Valorem Tax Credit		
Option	**Annual effect on local revenue (in millions)**	**Annual savings to state (in millions)***
A. Assessing both wireless providers and landline companies as public service properties, but at a revenue neutral assessment level of 15%	$0	$23.4
B. Assessing wireless providers as public service companies, including taxing both tangible and intangible properties	$40.4	$23.4
C. Assessing wireless providers as public service companies, exempting intangibles	$12.2	$23.4
D. Assessing landline companies the same as wireless providers	($9.2) to ($17.2)	$23.4
E. Assessing landline companies the same as wireless providers, but tax the intangibles of both	($0.1) to $7.9	$23.4
F. Amending R.S. 47:6014 to repeal the Tax Credit without adjusting any assessment levels	$0	$23.4

***These options show the effect of eliminating the Telephone Company Ad Valorem Tax Credit and used LDR's 2017 Tax Exemption Budget and the projected credit amount for FY 2018.**

Source: Prepared by legislative auditor's staff using information obtained from other states, local assessors, LTC, LDR's Tax Exemption Budgets, the FCC, and the Securities and Exchange Commission.

APPENDIX A: SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. Our audit objective was:

To evaluate the Telephone Company Ad Valorem Tax Credit.

We conducted this performance audit in accordance with generally-accepted *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To answer our objective, we reviewed internal controls relevant to the audit objective and performed the following audit steps:

1. Researched state laws pertaining to the tax credit for ad valorem taxes paid by landline telephone companies and the ad valorem assessments of public service companies and wireless service providers.

2. Interviewed property tax assessment officials from 14 other states (southeastern states and then received recommendations from these states on other states to call) to find out how they assess wireless service providers. We conducted this survey in part to determine whether any other states differentiate between assessments of wireless service providers and landline companies; however, our primary goal was to determine how much wireless service providers would be valued if they were assessed by the Louisiana Tax Commission (LTC) as a public service company. We identified seven states that centrally assess wireless service providers (Arkansas, Colorado, Utah, Washington, Tennessee, Oklahoma, and Oregon). The other seven states we called were Florida, Alabama, Georgia, Mississippi, North Carolina, Virginia, and Texas; however, we did not include these states, either because they assess wireless providers locally, or because their law prohibits using the income approach for wireless providers. Arkansas and Colorado separately list telephone resellers (companies selling prepaid plans); however, such companies were only 1.2% and 0.5%, respectively, of the value of cellular companies in these states, so the inclusion or exclusion of such companies would have a relatively small impact on the overall revenue impact of any change to assessing wireless providers as public service companies.

3. Obtained wireless spectrum license auction results from the Federal Communications Commission (FCC) for 18 auctions conducted between 1995 and 2015 containing the amount that each license sold for and the geographic area covered. The FCC has seven different ways of geographically dividing the U.S. into territories for licensing purposes; for example, the U.S. is divided into 51 Major Trading Areas (MTAs), which are relatively large, or 493 Basic Trading Areas, which are smaller than MTAs. For each geographic scheme, we obtained a list of the counties and county equivalents in each area. Knowing what counties are in each state and what counties are in each license area, we were able to determine how much each state's spectrum is worth. For licenses spanning multiple states, we allocated the value of the license between the states based on population. Auction prices for spectrum licenses were $97 billion for the entire U.S., or $968 million for Louisiana.

4. Identified the top six holders of wireless spectrum licenses based on the FCC's 2015 Wireless Competition Report. We obtained book values for wireless spectrum licenses held by these six companies from Form 10-K filings filed with the U.S. Securities and Exchange Commission. As of December 31, 2015, the total book value of spectrum licenses held by these companies was $92 billion; using auction prices, we estimate the Louisiana value to be $930 million.

5. Surveyed 25 of the 64 (39%) randomly-selected parish assessors to obtain each parish's 2015 and 2016 assessed values for wireless service providers. These parishes represent 42% of the state's population. We did not include cable television or internet service providers in our request because they are outside the scope of this audit. Using this information, we extrapolated the total value of wireless service properties in the remaining 39 parishes from this sample based on each parish's share of the state's population. We used population because spectrum is often priced based on megahertz-population. The number of parishes in our survey is large enough that the overall average is fairly stable. Using this information, we estimated how much revenue local governments actually receive under current law and how much local governments would receive if wireless service providers were assessed as public service companies. Seven parishes (11% of 64) could provide land values for wireless service providers. We estimated that land comprises 3.3% of the fair market value of these companies, and we adjusted values in the other parishes accordingly.

6. Sent the draft report to the Louisiana Department of Revenue, the LTC, and Dr. James Richardson of Louisiana State University for their review and feedback.

7. Identified possible changes to the manner in which wireless service providers and landline telephone companies are assessed that would increase, decrease and hold constant local government revenue.

APPENDIX B: IMPACT OF OPTIONS

Parish	Option A (wireless and landline as public service, but at 15%)	Option B (wireless as public service)	Option C (wireless as public service, exempting intangibles)	Option D (landlines as wireless service)		Option E (landlines as wireless service, tax intangibles of both	
1. Acadia	$48,247	$343,725	$104,160	($40,126)	($97,697)	$47,327	$104,898
2. Allen	(30,735)	308,225	93,403	(164,164)	(161,833)	(31,787)	(34,118)
3. Ascension*	(745,445)	412,918	124,157	(1,390,282)	(925,097)	(749,026)	(1,214,212)
4. Assumption	30,223	176,779	53,570	(22,793)	(44,820)	29,767	51,793
5. Avoyelles*	17,573	180,716	54,149	(37,539)	(60,363)	17,057	39,881
6. Beauregard	(8,172)	320,615	97,158	(115,480)	(144,466)	(9,192)	19,793
7. Bienville*	17,115	143,417	43,474	(18,755)	(43,763)	16,722	41,730
8. Bossier	185,314	1,030,384	312,242	(112,008)	(252,056)	182,682	322,731
9. Caddo	(61,445)	2,642,514	800,773	(184,022)	(1,184,767)	(69,841)	930,905
10. Calcasieu*	(254,029)	1,037,767	314,578	(335,509)	(695,696)	(258,030)	102,157
11. Caldwell	12,176	109,472	33,174	(16,096)	(34,315)	11,873	30,093
12. Cameron	(99,198)	72,424	21,947	(114,851)	(130,284)	(99,727)	(84,294)
13. Catahoula	6,637	70,802	21,455	(10,427)	(23,435)	6,437	19,445
14. Claiborne*	(14,284)	31,218	9,463	(15,245)	(27,591)	(14,425)	(2,079)
15. Concordia	22,757	164,560	49,867	(19,488)	(47,115)	22,316	49,943
16. DeSoto	19,792	233,085	70,633	(35,573)	(79,214)	19,129	62,770
17. East Baton Rouge*	370,796	5,168,477	1,566,718	(487,845)	(1,823,856)	355,887	1,691,898
18. East Carroll*	(12,948)	19,821	6,008	(8,844)	(21,409)	(13,050)	(485)
19. East Feliciana	8,574	75,306	22,820	(7,668)	(23,407)	8,366	24,105
20. Evangeline	587	187,940	56,952	(77,558)	(79,291)	5	1,737
21. Franklin*	16,134	158,472	47,456	(31,040)	(52,261)	15,683	36,904
22. Grant	64,997	296,674	89,903	(25,009)	(60,897)	64,275	100,163
23. Iberia*	(22,901)	174,422	52,630	(38,746)	(97,539)	(23,516)	35,277

Parish	Option A (wireless and landline as public service, but at 15%)	Option B (wireless as public service)	Option C (wireless as public service, exempting intangibles)	Option D (landlines as wireless service)		Option E (landlines as wireless service, tax intangibles of both	
24. Iberville*	($40,738)	$129,601	$39,286	($34,859)	($95,923)	($41,266)	$19,799
25. Jackson*	(13,225)	76,335	23,140	(33,610)	(45,696)	(13,503)	(1,417)
26. Jefferson	297,385	3,480,461	1,054,700	(466,158)	(1,180,985)	287,487	1,002,315
27. Jefferson Davis*	(22,677)	207,389	62,866	(69,236)	(110,854)	(23,390)	18,228
28. Lafayette	31,316	1,557,090	471,852	(222,921)	(630,390)	26,575	434,044
29. Lafourche	(105,259)	950,817	288,130	(511,158)	(509,702)	(108,535)	(109,991)
30. LaSalle*	(27,462)	176,910	53,627	(106,767)	(102,705)	(28,095)	(32,157)
31. Lincoln	41,046	313,501	95,002	(34,565)	(92,074)	40,198	97,707
32. Livingston	107,976	1,190,389	360,729	(364,094)	(397,638)	104,609	138,153
33. Madison*	37,789	146,887	44,010	(6,243)	(25,491)	37,441	56,689
34. Morehouse	(6,839)	176,051	53,350	45,525	(81,686)	(7,407)	119,804
35. Natchitoches	6,756	272,772	82,659	(59,931)	(109,159)	5,929	55,157
36. Orleans (all districts)	(1,086,765)	4,549,958	1,378,795	(1,952,807)	(3,023,942)	(1,104,229)	(33,094)
37. Ouachita*	250,931	1,623,652	492,177	(2,376)	(438,096)	246,660	682,380
38. Plaquemines	(5,589)	118,390	35,876	(23,043)	(55,925)	(5,974)	26,908
39. Pointe Coupee*	12,963	112,956	34,240	(13,853)	(34,986)	12,652	33,784
40. Rapides*	134,254	1,244,554	373,699	(190,162)	(400,919)	130,752	341,509
41. Red River*	(8,572)	31,014	9,401	(8,108)	(21,774)	(8,694)	4,972
42. Richland	162	112,414	34,065	(26,649)	(47,616)	(187)	20,781
43. Sabine	11,773	170,620	51,704	(28,190)	(60,709)	11,279	43,798
44. St. Bernard	73,844	491,501	148,942	(51,528)	(134,829)	72,544	155,845
45. St. Charles	25,786	476,572	144,418	(50,116)	(176,689)	24,385	150,959
46. St. Helena	199	118,931	36,040	(43,836)	(50,349)	(170)	6,343
47. St. James	(24,913)	177,530	53,798	(32,550)	(100,444)	(25,541)	42,353
48. St. John the Baptist	(30,601)	395,020	119,705	(179,555)	(198,589)	(31,922)	(12,889)
49. St. Landry*	(22,988)	276,064	83,683	(79,849)	(140,343)	(23,916)	36,578
50. St. Martin	70,742	420,367	127,386	(84,061)	(107,707)	69,653	93,299
51. St. Mary*	43,677	391,016	123,195	(43,266)	(113,340)	42,663	112,737

Parish	Option A (wireless and landline as public service, but at 15%)	Option B (wireless as public service)	Option C (wireless as public service, exempting intangibles)	Option D (landlines as wireless service)		Option E (landlines as wireless service, tax intangibles of both	
52. St. Tammany*	$793,504	$4,260,140	$1,291,374	($522,997)	($1,013,952)	$782,711	$1,273,666
53. Tangipahoa	(50,584)	880,569	266,843	(133,517)	(425,002)	(53,474)	238,012
54. Tensas	521	41,825	12,675	(7,130)	(17,255)	392	10,516
55. Terrebonne*	(114,198)	319,440	96,832	(109,191)	(250,260)	(115,540)	25,529
56. Union*	(3,388)	108,078	32,761	(26,386)	(49,316)	(3,734)	19,196
57. Vermilion*	(190,986)	235,711	71,451	(165,457)	(291,712)	(192,303)	(66,048)
58. Vernon	48,762	470,949	142,714	(86,668)	(151,254)	47,449	112,034
59. Washington	27,304	400,255	121,291	(51,529)	(142,731)	26,145	117,347
60. Webster*	118,902	512,313	155,297	(61,217)	(98,386)	117,676	154,845
61. West Baton Rouge	19,253	168,446	51,045	(14,005)	(52,281)	18,789	57,065
62. West Carroll	5,510	60,032	18,192	(8,254)	(19,989)	5,340	17,075
63. West Feliciana	8,738	94,331	28,585	(12,795)	(31,328)	8,472	27,005
64. Winn	13,931	113,865	34,505	(15,271)	(34,422)	13,620	32,771
Total	**$0**	**$40,414,449**	**$12,246,729**	**($9,197,454)**	**($17,177,619)**	**($125,524)**	**$7,854,641**

* Denotes the 25 parishes that were randomly selected in our survey to obtain wireless service providers' assessed values.
Note: Cells may not sum to totals due to rounding.
Source: Prepared by legislative auditor's staff using information from local assessors, other states property tax agencies, Federal Communications Commission auction data, U.S. Securities and Exchange Commission 10-K filings, and the Louisiana Tax Commission's public service appraisal company appraisal system.

APPENDIX C: OPTIONS FOR ELIMINATING THE TELEPHONE AD VALOREM TAX CREDIT (in millions)

Options to reduce difference in assessment levels	Wireless assessed by	Wireless assessment level	Intangibles	Landline assessed by	Landline assessment level	Telephone credit	Local revenue from landlines	Local revenue from wireless	Cost to state	Annual effect on local revenue	Annual savings to state*
Current law	Parish Assessors	15%	Exempt	LTC	25%	Retain	$42.9	$18.8	($23.4)	$0	$0
A. Assessing wireless and landline as public service, but at a revenue neutral assessment level	LTC	15%	Taxed	LTC	15%	Eliminate	$25.8	$35.9	$0	$0	$23.4
B. Assessing wireless as public service companies, including taxing both tangible and intangible properties	LTC	25%	Taxed	LTC	25%	Eliminate	$42.9	$59.2	$0	$40.4	$23.4

Options to reduce difference in assessment levels	Wireless assessed by	Wireless assessment level	Intangibles	Landline assessed by	Landline assessment level	Telephone credit	Local revenue from landlines	Local revenue from wireless	Cost to state	Annual effect on local revenue	Annual savings to state*
Current law	Parish Assessors	15%	Exempt	LTC	25%	Retain	$42.9	$18.8	($23.4)	$0	$0
C. Assessing wireless as public service companies, exempting intangibles	LTC	25%	Exempt	LTC	25%	Eliminate	$42.9	$31.0	$0	$12.2	$23.4
D. Assessing landline companies the same as wireless providers	Parish Assessors	15%	Exempt	Parish Assessors	15%	Eliminate	$33.7	$18.8	$0	($9.2) to ($17.2)	$23.4
E. Assessing landline companies the same as wireless providers, but tax the intangibles of both	Parish Assessors	15%	Taxed	Parish Assessors	15%	Eliminate	$25.8 to 33.7	$35.8	$0	($0.1) to $7.9	$23.4
F. Repeal credit	Parish Assessors	15%	Exempt	LTC	25%	Eliminate	$42.9	$18.8	$0	$0	$23.4

*These options show the effect of eliminating the Telephone Company Ad Valorem Tax Credit and used LDR's 2017 Tax Exemption Budget and the projected credit amount for FY 2018.

Source: Prepared by legislative auditor's staff using information obtained from other states, local assessors, LTC, LDR's Tax Exemption Budgets, the FCC, and the Securities and Exchange Commission.