



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

TO: Boards of Assessors
FROM: Joanne Graziano, Chief, Local Assessment
DATE: May 13, 2016
TOPIC: CERTIFIED TELEPHONE & TELEGRAPH VALUATIONS
FISCAL YEAR 2017

The Commissioner of Revenue has determined and hereby certifies the full and fair cash valuation of taxable telephone and telegraph machinery, poles, wires and underground conduits, wires and pipes of the centrally valued telephone and telegraph companies, as of January 1, 2016. These [valuations](#) are certified for fiscal year 2017 under Massachusetts General Laws Chapter 59, Section 39. The property owner or the board of assessors desiring to do so must appeal the valuations to the Appellate Tax Board (ATB) on or before June 15, 2016.

Centrally Valued Property

The Commissioner values only those designated telephone and telegraph assets that are taxable under the General Laws. With respect to machinery, telephone and telegraph companies doing business as corporations are subject to central valuation for only electric generating machinery under M.G.L. c. 59, § 18, Second and M.G.L. c. 59, § 5, cl. 16(1) (machinery used in manufacture); Assessors of Springfield v. Commissioner of Corporation and Taxation, 321 Mass. 186 (1947). Telephone and telegraph companies doing business as partnerships, trusts or limited liability companies (LLCs) are subject to central valuation on all machinery used to provide telephone service, including switching and routing machinery. M.G.L. c. 59, § 39; M.G.L. c. 59 § 18, First and Sixth; RCN-BecoCom, LLC v. Commissioner of Revenue, 443 Mass. 198 (2005).

Due to a change in the law effective for FY2016, unincorporated telephone company entities, such as partnerships, trusts or LLCs that elect or are required to be treated as corporations for federal income tax purposes as of the January 1 assessment date, are treated as telephone corporations for purposes of applying corporate telephone property tax exemptions. M.G.L. c. 59, §5, cl. 16(1), as amended by Section 90 of Chapter 165 of the Acts of 2014.

All telephone and telegraph companies, whether doing business as corporations, partnerships, trusts or LLCs, are subject to central valuation for poles, wires, underground conduits, wires and pipes over public and private property. M.G.L. c. 59, § 39; M.G.L. c. 59, § 5, cl. 16(1); M.G.L. c. 59, § 18, First, Fifth and Sixth. They are also subject to central valuation for taxable telephone personal property that is construction work in progress (CWIP) or owned but not necessarily in service. Verizon New England, Inc. v. City of Boston, 81 Mass. App. Ct. 444 (2012).

In addition, partnerships, trusts and LLCs not treated as corporations for federal income tax purposes are subject to local valuation on all other non-telephone personal property. Therefore, those companies must file a Form of List with the assessors in all communities where such other personal property is located. (See the posted list of FY2017 Centrally Valued Telephone Company Addresses to identify these companies.)

Supporting a Commonwealth of Communities

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FY2017 Company Reporting and Valuation Issues

Freedom Ring Communications LLC, a prior year taxpayer, was dissolved as of December 29, 2015 as part of a corporate reorganization and all assets and operations were assigned and transferred to Utel, Inc., the corporate parent of Freedom Ring Communications LLC.

Teleport Communications Group, Inc., also a prior year taxpayer, is now filing as TC Systems, Inc.

Level 3 Communications, LLC acquired Global Crossing and TW Telecom Data Services, but are separately listed with the Secretary of State and each have filed a 2016 annual report.

Overlay Account Provisions

Assessors must ensure that the FY2017 overlay is sufficient to cover any company appeals of the Commissioner's valuations.

We understand that most communities have now paid FY2009 abatement refunds to Verizon New England as a result of the 2012 Appeals Court decision on the taxable status of poles and wires over public ways before FY2010 and construction work in progress (CWIP). Verizon New England, Inc. v. City of Boston, 81 Mass. App. Ct. 444 (2012). Only those communities still contesting some aspect of the case need to continue to reserve overlay for that year.

CWIP and New Growth

The Bureau values taxable CWIP. However, to avoid double counting last year's CWIP as new growth in the current year and to be as accurate as possible given the companies' reporting limitations, we subtract the prior year's CWIP number from the total new growth identified by companies for each community in the current year. In the event that a company reports a larger amount of CWIP in the prior year than new growth in the current year, we net the community's new growth only to zero, never a negative number. In the majority of instances we believe that growth from items placed in service is higher than the prior year's CWIP due to the addition of indirect costs.

New growth will remain a completely separate calculation so as not to affect the DOR's mass appraisal valuation model.

Company Local Filing Requirements

With respect to **local filing requirements**, telephone and telegraph companies organized as partnerships, trusts, LLCs or other unincorporated legal entities are not entitled to any corporate property tax exemptions, unless they are treated as corporations for federal income tax purposes,. M.G.L. c. 59, § 5, cl. 16; M.G.L. c. 63, §§ 30(1), 30(2), 39, 52A and 68C. Except for the centrally valued telephone and telegraph property, they are subject to local valuation and assessment on all other personal property situated in the community.

This may include dedicated cable TV and Internet access machinery of bundled carriers, but all property used for both telephone service and cable TV or Internet access should have been reported centrally and valued as part of this certification.

DOR Categorical Listing of Data by Federal Communications Commission Codes (FCC)

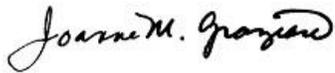
On May 13, 2016 the Department posted to our [website](#) the *Additional Landline Telephone and Telegraph Personalty by FCC Code* by community for each of the centrally valued telephone and telegraph companies by any applicable (FCC) categories we use, plus categories for CWIP and spares by community. The additional data is available on our website in a second pivot table. That table is for informational purposes only and the numbers are not rounded. Only the data provided on the *FY2017 Centrally Valued Telephone and Telegraph Company Values*, also issued on May 13, 2016, should be used for billing purposes and for completing the FY2017 LA4 (Assessment Classification Report) for tax rate setting purposes.

Company Lists and Addresses

Centrally valued telephone and telegraph company' billing names and addresses as reported by the companies are posted on our [website](#) for your convenience. Also, we have provided a list of companies that filed state returns but were not centrally valued. Those companies and all others that did not file central returns should be valued locally.

Questions regarding valuations may be directed to John Gillet at 617-626-3605 or email at gilletj@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink that reads "Joanne M. Graziano". The signature is written in a cursive style with a large initial 'J'.

Joanne Graziano, Chief
Bureau of Local Assessment

JG/jag