



TO: Boards of Assessors
FROM: Joanne Graziano, Chief, Local Assessment
DATE: June 13, 2018
TOPIC: CERTIFIED TELEPHONE VALUATIONS
FISCAL YEAR 2019

The Commissioner of Revenue has determined and hereby certifies the full and fair cash valuation of taxable telephone machinery, poles, wires and underground conduits, wires and pipes of the centrally valued telephone companies, as of January 1, 2018. These [valuations](#) are certified for fiscal year 2019 under Massachusetts General Laws Chapter 59, Section 39. Generally, the property owner or the board of assessors with a claim that a certified value is substantially too high or substantially too low, as the case may be, must appeal the valuation to the Appellate Tax Board (ATB) on or before July 15, 2018.

Centrally Valued Property

The Commissioner values only those designated telephone assets that are taxable under the General Laws. With respect to machinery, telephone companies doing business as corporations, or partnerships, trusts, limited liability companies (LLCs) or other non-corporate entities that elect or are required to be treated as corporations for federal income tax purposes, 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 companies doing business as partnerships, trusts or 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).

All telephone 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 FY2019 Centrally Valued Telephone Company Addresses to identify these companies.)

Central Valuation Appeals

The statutory deadline for filing an appeal at the ATB from the Commissioner's central valuation is July 15, 2018¹. The statute also provides, however, if a company or board that does not file its own appeal by that date receives

¹ Consult your legal counsel for determination of the jurisdictional filing deadline as July 15th falls on a Sunday this year. See G.L. c. 4, § 9 ("Except as otherwise provided, when the day or the last day for the performance of any act, including the making of any payment or tender of payment, authorized or required by statute or by contract, falls on Sunday or a legal holiday, the act may, unless it is specifically authorized or required to be performed on Sunday or on a legal holiday, be performed on the next succeeding business day.")

notice that the other party filed an appeal, the company or board may file an appeal in response to that party's filing by July 30, 2018, or 15 days after receiving the notice, whichever is later. M.G.L. c. 59, § 39, as amended by St. 2016, c. 218, § 134 (Municipal Modernization Act).

FY2019 Company Reporting and Valuation Issues

AT&T Corporation and TC Systems, Inc. (aka, Teleport) are related companies but report separately. The companies undertook an effort to verify reporting and inventory issues with its engineering and accounting departments. As a result, for FY 2019, the companies have reported corrections in ownership between the entities, the location and categorization of assets, and the vintage year of installation. The companies based the inventory revisions on work performed by their fixed asset team utilizing an interactive mapping system that provides property plant in service for cable, conduit and fiber optic routes across and within municipalities. The interactive mapping system encompassed both companies and allowed for determinations of whether property remained in service or had been retired as well as specific identifiers of ownership and location. A major reporting change has been that significant deployed assets that had been identified as being enrolled on AT&T Corp's books and records have now been identified and reclassified to TC Systems, Inc.'s books and records. The impact of this reclassification is roughly \$20M commonwealth-wide. While for certain communities, a decrease in AT&T values is offset to some extent by increases for the TC Systems valuation, that is not always the case as retirements and prior inventory errors have also resulted in valuation changes. In addition, the companies have removed property that had been listed as owned for valuation but which it determined it had been leased and therefore not subject to reporting by the leasee. Local assessment staff has taken steps to review and evaluate the filing and inventory adjustments. Local assessment has advised the companies that the verification process can continue, as may be determined to be necessary, following the issuance of the values.

Calendar year 2017 was a very active year for acquisitions and changes in ownership, while the name of the legal owner may not have been changed. Please note any changes in address and contact information.

- CenturyLink Communications LLC: In November of 2017, CenturyLink acquired Level 3 Communications, LLC.
- CRC Communications LLC is dba OTELCO.
- Magna5 RTC, LLC: As noted last year, Magna5 acquired Richmond Telephone in 2016.
- MCI Metro Access Transmission Services Corp. and MCI Metro ATS Corp: In FY 2018, the company reported that on October 31, 2016, MCI Metro Access Transmission Services Corp. merged with MCI Metro ATS Corp.
- RCN Telecom Services of Massachusetts, LLC: On February 1, 2017, Yankee Cable Partners, LLC sold 100% of its interest in Yankee Cable Parent, LLC (indirect owner of RCN Telecom Services LLC which is the direct owner of RCN Telecom Services of Massachusetts, LLC) to Radiate Holdco, LLC.
- Verizon New England, Inc.: Verizon's assessments for fiscal years 2018 through 2022 are subject to an Agreement made between the Commonwealth's Commissioner of Revenue and Verizon.
- Verizon Communications acquired XO Communications on February 1, 2017.
- Windstream Communications: Windstream acquired PAETEC in 2011, Broadview in July of 2017, and Choice One, Conversent, and CTC Communications in its Earthlink acquisition completed on February 27, 2017.

- XO Communications Services, LLC: XO Communications was acquired by Verizon on February 1, 2017.

Overlay Account Provisions

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

New Growth and CWIP

Communities may see significant [growth](#) numbers in the TC Systems account. *See discussion above relating to AT&T Corp. and TC Systems revised inventories.* This is because all articles of personal property that are being assessed for *the first time in a community* as of January 1, 2018 qualify as FY19 tax base growth. Growth also includes utility or telecommunications company property that is construction work in progress or owned but not necessarily in service (CWIP). 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 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 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)

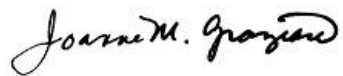
The [Additional Landline Telephone Personalty by FCC Code](#) by community for each of the centrally valued telephone companies by any applicable (FCC) categories we use, plus categories for CWIP and spares by community is available on our website in a second pivot table. That table is for informational purposes only and the numbers are not rounded. Only the data provided on the *FY2019 Centrally Valued Telephone Company Values*, also issued on June 13, 2018, should be used for billing purposes and for completing the FY2019 LA4 (Assessment Classification Report) for tax rate setting purposes.

Company Lists and Addresses

Centrally valued telephone company billing names and addresses as reported by the companies are posted on our [website](#) for your convenience.

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, reading "Joanne M. Graziano". The signature is written in a cursive style with a large, stylized initial "J".

Joanne Graziano, Chief
Bureau of Local Assessment

JG/jag