



Initiative 172: Charter Refuses to Pay Its Fair Share Ballot Measure Hurts Schools, Shifts Taxes to Homeowners June 2014

Initiative 172 (I-172) is a fiscally irresponsible ballot measure that will benefit one out-of-state corporation, take money away from our schools and universities, and raise property taxes for Montana homeowners and small businesses. I-172 sets a dangerous precedent of using the citizens' ballot initiative to lower corporate taxes, and sets the stage to dismantle centrally-assessed taxation of statewide corporations operating in Montana.

If passed, I-172 will provide a tax cut for one telecommunications company.¹ To offset the loss of millions in local property tax revenue, this initiative will result in tax increases for all other Montana property taxpayers or cuts to local services like K-12 schools, roads and law enforcement.

I-172 Will Benefit One Out-of-State Corporation

I-172 seeks to cut the property taxes of Charter Communications, Inc., a Connecticut-based corporation providing cable, internet, and telephone services in Montana.²

Charter is a significant taxpayer in Montana. The company owns property in 31 counties in Montana, with a market value of over \$265 million.³

If passed, I-172 would reclassify most – if not all⁴ – of Charter's property as business equipment. This initiative cuts the tax rate on this property in half, from 6 percent to 3 percent.

I-172 could set a dangerous precedent by taxing only the value of Charter's physical property instead of the whole value of its interconnected telecommunications system. Charter is currently taxed as a centrally-assessed telecommunications company. If I-172 passes, Charter's property would no longer be "centrally assessed." This means that the value of the property would not be valued as an entire system, but instead valued as separate, individual parts.

I-172 applies retroactively to tax year 2006,⁵ so Charter will receive back property taxes. Charter will also receive a tax cut in future tax years.

I-172: The Numbers

- A tax cut for Charter Communications, Inc.
 - \$65 million back in taxes paid since 2006
 - \$7.2 million/year going forward
- Resulting in:
 - Cuts in funding for Montana schools and universities
 - Increase in property taxes for Montana homeowners and small businesses

Source: [Montana Office of Budget and Project Planning](#)

Key Term

Centrally Assessed Property is property owned by a company operating as a single entity and connected across county or state borders, including railroads, telephone lines, power lines, natural gas or oil transmission lines, airlines, cell phone companies, and coal mines. The company's property is valued as an entire system, and a portion of that value is then allocated to the local taxing jurisdictions where the property is located.

I-172 Will Result in Lost State Revenue and a Tax Shift to Montana Homeowners

I-172 will result in a loss of revenue of about \$1.1 million per year for Montana's public schools and universities according to the Montana Office of Budget and Program Planning (OBPP).⁶ The state will also lose more than \$10 million in general fund revenue due to the retroactive application of I-172.

Furthermore, if I-172 were to pass, OBPP calculates that local governments will also take a big hit. In fact, local governments will lose \$55.1 million in taxes previously paid by Charter and \$6.1 million per year moving forward.⁷

The loss in taxable value will result in a tax shift to other property taxpayers – namely homeowners and small businesses – to maintain local government budgets to pay for current public services. Yellowstone, Missoula, Flathead, Cascade, and Lewis and Clark counties will face the most significant loss in taxable value.⁸

Conclusion

The Montana property tax system pays for local public services, including funding for schools, roads, police, firefighters and other infrastructure and public safety protections. This property tax system hinges on the equal treatment of similar property owners across the state, to ensure everyone is paying their fair share.

I-172 will result in an unfair tax shift to Montana homeowners and small businesses to simply maintain important local government functions at current levels.

Montanans should reject I-172.

Table 1. Property Taxes Assessed to Charter Communications in 2013, by County⁹

County	Market Value	Taxes Assessed
Beaverhead	\$2,243,100	\$89,601
Blaine	\$600,703	\$31,874
Broadwater	\$645,737	\$20,776
Butte-Silver Bow	\$12,524,318	\$570,819
Carbon	\$2,028,319	\$69,162
Cascade	\$22,180,358	\$911,085
Choteau	\$825,811	\$33,953
Custer	\$7,146,040	\$225,404
Deer Lodge	\$2,953,955	\$148,057
Fergus	\$44,701	\$1,687
Flathead	\$33,089,604	\$1,114,044
Gallatin	\$22,744,231	\$791,516
Glacier	\$2,032,730	\$91,540
Hill	\$6,000,812	\$281,426
Jefferson	\$3,135,140	\$102,143
Lewis & Clark	\$21,316,055	\$907,109
Liberty	\$259,966	\$9,824
Lincoln	\$53,754	\$1,448
Missoula	\$35,998,697	\$1,549,107
McCone	\$4,031	\$145
Park	\$3,103,324	\$114,968
Phillips	\$792,196	\$33,079
Pondera	\$50,531	\$2,467
Powell	\$1,720,635	\$68,952
Ravalli	\$7,836,028	\$241,844
Roosevelt	\$45,911	\$1,275
Stillwater	\$942,836	\$32,503
Sweet Grass	\$909,472	\$31,745
Toole	\$98,622	\$3,314
Valley	\$2,581	\$70
Yellowstone	\$74,116,757	\$2,866,120
State Total	\$265,446,955	\$10,347,058

MBPC's calculations based on data from Montana Department of Revenue

¹ Montana Office of Budget and Program Planning, "Fiscal note for initiative titled 'Reclassify Cable Companies' Property Tax Valuations", April 9, 2014.

² Ballot Issue #16, filed by Christopher Fulton, March 7, 2014, <http://sos.mt.gov/Elections/2014/BallotIssues/index.asp>

³ Montana Office of Budget and Program Planning, "Fiscal note for initiative titled 'Reclassify Cable Companies' Property Tax Valuations", April 9, 2014. The Montana Department of Revenue is currently undergoing a reappraisal of this property, and updated values have not been made available.

⁴ According to the fiscal note for I-172, the Montana Office of Budget and Project Planning estimates that all of Charter's property currently classified under Class 13 would now be classified under Class 8. Montana Office of Budget and Program Planning, "Fiscal note for initiative titled 'Reclassify Cable Companies' Property Tax Valuations", April 9, 2014.

⁵ Ballot Language for Initiative No. 172 (I-172), <http://sos.mt.gov/Elections/2014/BallotIssues/documents/I-172.pdf>.

⁶ Montana Office of Budget and Program Planning, "Fiscal note for initiative titled 'Reclassify Cable Companies' Property Tax Valuations", April 9, 2014.

⁷ Montana Office of Budget and Program Planning, "Fiscal note for initiative titled 'Reclassify Cable Companies' Property Tax Valuations", April 9, 2014.

⁸ MBPC's calculations based on data from Montana Department of Revenue, Centrally Assessed Property Allocations and Apportionment Report, July 9, 2013 and 2013-2014 General Property Tax Levy District and Mill Levy data (on file with author).

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Due to DOR's ongoing reappraisal, MBPC is unable to provide precise figures on the loss of tax revenue on a county-by-county level.