ADMINISTRATIVE RULE REVIEW	Rule No. 150-307.126 to 150-308.671	
Amended Rule	Page: Page 1 of 3	Last Revised Date: May 17, 2016
Permanent Rule	NOTICE OF INTENDED ACTION	
	Bulletin Dated: June 2016	Hearing Scheduled: June 23, 2016

PURPOSE: OAR 150-307.126 must be renumbered and amended to comply with changes in the underlying statute that were made in SB 611 (Chapter 023, 2015 Laws). The rule amendment: (1) adds franchises and satellite property the taxpayer may elect to exempt, (2) renumbers the rule in accordance with its new statute number under Chapter 308, and (3) clarifies the procedure for calculating the value of the exempt property.

~~150-307.126~~150-308.671

Removal of certain elected exempt property from correlated system real market value of centrally assessed property.~~Value of Federal Communication Commission (FCC) Licenses from the Unit Value of Centrally Assessed Property~~

(1) ~~ORS 308.655 provides that the Department of Revenue has the authority to prescribe rules and regulations regarding property assessed under ORS 308.505 to 308.665. These statutes require the department to assess all property, real and personal, tangible or intangible, used or held for future use by a company as owner, occupant, lessee, or otherwise, for or in use in performing or maintaining a communications business.~~ Under ORS 308.671, a company may elect to have one of three types of property exempted from ad valorem property taxation.

(a) Licenses granted by the Federal Communication Commission (FCC),

(b) Franchises, or

(c) Satellites that are used to provide communication services directly to retail customers, or that are being constructed for such use, and FCC licenses related to the use of the satellites to provide communication services.

(2) ~~ORS 308.555 states the department may use unitary valuation to value all property of the company.~~ ORS 308.555 authorizes the department to value all property of a centrally assessed company as a unit. Unit valuation means valuing an integrated group of assets functioning as an economic unit as “one thing,” without reference to the market value of any individual assets. To determine a company’s unit value, the department considers one or more of the cost, income and stock and debt approaches to value, reconciling the approaches to arrive at “unit value” also referred to as the “correlated system value.”

(3) ~~For purposes of this rule, unitary valuation means valuing an integrated group of assets functioning as an economic unit as “one thing,” without reference to the independent value of the component parts. The value of a component part in a communication company lies not in the fact that the component part has~~

OREGON DEPARTMENT OF REVENUE

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~~an independent market value separate and apart from the unit, but that the component part is a part of a thoroughly complete and integrated communications company and has been valued as such. To determine the unitary value, one or more approaches to value are reconciled to arrive at a correlated system value, otherwise known as a unitary value.~~ Under ORS 308.671(3), the value of exempt property listed in section (1) above is equal to the cost of the property carried in the accounting records of the company, less accrued depreciation reserve for that property. This is the exempt property net book value ("exempt NBV"). A company must provide in its Annual Statement the book cost and accrued depreciation reserve for the elected exempt property to obtain the exemption.

(4) ~~FCC licenses are exempt from ad valorem property taxation under ORS 307.126.~~ The department removes exempt property values of various types (for example motor vehicles) from a company's correlated system value because the income, cost, or stock and debt approaches may be weighed and reconciled differently in any given tax year for any given company depending on the availability and quality of information. Because exempt NBV, for purposes of ORS 308.671, is a cost amount, the department will directly subtract that amount from the correlated system value if that value is based solely on the cost approach. Where the correlated system value is based on income and/or stock and debt approaches, as well as cost, the department must subtract the amount of exempt NBV that is actually reflected in the correlated system value. Consistent with the department's long-standing market-to-book ratio method of subtracting exempt FCC licenses under the former OAR 150-307.126, a market-to-book ratio will be used for all of the exempt property under ORS 308.671.

(5) ~~A unitary valuation is used in developing the value of the total property centrally assessed under ORS 308.505 to 308.665. The contributory value of FCC licenses will be removed from the final correlated system value.~~ The market-to-book ratio is derived by dividing the company's correlated system value by the total NBV of the company's taxable property (including the exempt NBV). The resulting ratio is

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multiplied by the company's exempt NBV, and that amount is then subtracted from the company's correlated system value.

~~(6) The contributory value of the FCC licenses will be removed by applying a market-to-book ratio to the original cost of the FCC license. The market-to-book ratio is calculated by dividing the correlated system value by the net book value of the system's taxable property (including the net book value of the FCC license value). The resulting ratio is then multiplied by the company's reported FCC license cost to determine the estimated contributory license value to be subtracted from the correlated system value.~~

~~(7) For businesses that have been given FCC licenses and have no booked cost for the FCC license(s), the department will estimate a cost for the FCC licenses. The department will estimate the cost by considering various FCC license characteristics including but not limited to: frequency, geographical area, population served and date of acquisition.~~

Stat. Auth.: ORS 305.100, 308.205(2), 308.655

Stats. Implemented: ORS 308~~7~~.~~126~~671