

# The Boston Globe

## A Pole Is a Pole

By Steve Bailey | July 22, 2005 Business Section

HAS YOUR local tax bill gone up in the past five years?

Mine, too. But for Verizon Communications, the giant telephone company, it has been a far different story: Verizon's total state and local tax bill in Massachusetts declined more than \$50 million, or 53 percent, from 2000 to 2004, according to its own filings with the Federal Communications Commission. Looked at another way, state and local tax payments equaled 3.24 percent of Verizon's Massachusetts revenue in 2000, but only 1.84 percent of revenue five years later a reduction of 43 percent. Can I get that deal, Mr. Taxman? The numbers are important in the debate over whether telecommunications firms are paying their fair share of taxes in Massachusetts. In the past two years, the companies have taken \$1.3 billion in property off local tax rolls by transferring switching equipment, poles, and overhead wires to paper firms in tax-friendly places like Bermuda and Delaware. That tax dodge costs municipalities \$140 million a year in tax revenue, says the City of Boston, which is pressing for legislation that would require the companies to do a simple thing: Pay their taxes where they do their business.

The industry's lobbyists have been working overtime on Beacon Hill to kill the legislation protecting you and me, of course. The cost of the bill, the industry says, will simply be passed on to consumers and will discourage investment in the state. What they don't do, interestingly, is argue with the numbers compiled by the city's assessing department using FCC documents. "We don't dispute that our total taxes have decreased in recent years," says Verizon spokesman John P. Hoey, "and I'm sure the numbers provided by the department are correct."

And compelling, too. Massachusetts ranked 46th of 50 states in telecom state and local taxes as a percentage of total operating revenue last year, according to the FCC filings. Telecom companies paid 1.84 percent of their revenue in state and local taxes in Massachusetts, compared to a national average of 4.68 percent, a huge gap.

The numbers also show little correlation between a state's ranking in state and local telecom taxes and phone rates. Massachusetts, for instance, has the dubious distinction of having the greatest differential between taxes and phone rates: We have the fourth-lowest tax rank and the fifth-highest phone rates.

While not disputing the numbers, Verizon says two things explain its declining taxes: It has cut its property taxes by aggressively challenging assessments on its taxable property, and its state income taxes have fallen because revenue and profits have dropped in its land-line business. The \$50 million tax decline is divided about equally between the two, Verizon says. The company says it lost \$103 million in Massachusetts last year.

Telecommunications is indeed a cutthroat business these days, and tax policy is particularly arcane in the industry. Underground wires, for instance, are taxable, but overhead wires on public ways are not. A single roadside pole can be owned jointly by an electric utility and by Verizon; the utility pays taxes on the pole and Verizon does not. State revenue commissioner Alan LeBovidge thinks it makes no sense: "A pole is a pole. Why would you treat it differently?"

Business has a right to expect predictability in the taxes it pays. But it should also expect to pay its fair share. In general, Massachusetts would be wise to steer to the middle on tax policy, and then leave it alone. At 46th, we are far below the middle in taxing the telecoms. If the industry pays less than its fair share, someone else must pay more in this case Massachusetts homeowners and other businesses.

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