**Fiscal Facts: Changing Communications Landscape Raises Taxing Questions**

Revenue from the state tax on telephone company property sank last year to its lowest level since the 1970s, a reflection of tax changes and a shifting telecommunications landscape. A newly adopted state law will nearly eliminate the tax, which is collected in lieu of local property taxes on telephone companies.

Telecommunications companies paid the state of Wisconsin just over $50 million in telephone taxes in 2023. This was a 26.6% drop from the prior year and less than one-third of peak collections in 1997, which totaled more than $300 million.

This decline will accelerate in the future, as a 2024 law will lower collections to an estimated $5 million by 2027 and beyond. The trend reflects broader shifts in both how state leaders view the telecommunications industry as well as in Wisconsin’s approach to taxes.

Traditionally, telephone taxes in Wisconsin served as a form of state tax on the land and property owned by utilities. They were created at a time when the telephone was the fastest and easiest way to contact someone far away, and when consumers typically had no choice about their service provider. But other forms of communication such as cell phones, voice over internet phones, email, and instant messages have contributed over time to a decline in traditional phone service, to the point that only a quarter of people nationwide still live in households with landlines.

State leaders have changed Wisconsin tax law, trying to keep up with rapid technological changes. Yet the state retains a complex web of rules in which the type of service determines which tax applies on communications equipment used for similar purposes. In addition, broad changes to business property taxation had left out telecommunications companies until recent legislative action.

Telephone tax revenues dropped during the late 1990s and early 2000s, when the tax shifted from one based on the total revenue of the telephone companies to the current approach that taxes the property they own. Tax collections again fell as a result of a 2020 law that removed the tax from telephone company property used for providing broadband service to rural or underserved areas. Telephone tax revenue will continue to fall as a result of recently passed legislation that exempts personal property from state telephone taxes.

Though the latest change reduces state revenue by $45 million or more per year, it brings the treatment of telecommunications equipment for tax purposes in line with how local property taxes apply to personal property and does so at a time when the state surplus totals billions of dollars. Shifting how telecommunications companies’ personal property is taxed shows that state leaders are treating telecom providers more like businesses in more competitive industries, and less like utilities. It’s also part of a larger shift in which, over several generations, the state has repealed essentially all local taxes on personal property such as equipment, furniture, and tools while retaining property taxes on land and buildings.

Today, consumers can make phone calls through a traditional cable company, access the internet through a traditional telephone company, and view videos from either. This creates real challenges for state and local officials in setting up a fair, consistent, and up-to-date taxing regime.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*