

1 CALIFORNIA STATE BOARD OF EQUALIZATION

2 SUMMARY DECISION UNDER REVENUE AND TAXATION CODE SECTION 40

3 In the Matter of the Petition for )  
4 Reassessment of the 2018 Unitary Value for: )  
5 )  
6 CENTURYLINK COMMUNICATIONS, LLC )  
7 (2463) )  
8 Petitioner )  
9 )

Appeal No.: SAU 18-005  
Case ID No.: 1056675  
Nonappearance Hearing Date:  
December 12, 2018<sup>1</sup>

10  
11 Representing the Parties:

12 For the Petitioner:

Claire Chase, Senior Property Tax Manager  
CenturyLink Communications, LLC

14 For the Respondent:

Richard Moon, Tax Counsel IV  
Attorney for the State-Assessed Properties Division

Samuel Wang, Principal Property Appraiser  
State-Assessed Properties Division

18 Appeals Attorney:

Susan Galbraith, Tax Counsel

19 **VALUES AT ISSUE**

	<u>Value</u>	<u>Penalty</u>	<u>Total</u>
20 2018 Board-adopted Unitary Value	\$950,700,000	\$0	\$950,700,000
21 Petitioner’s Requested Unitary Value	\$818,900,000	\$0	\$818,900,000
22 Respondent’s Appeal Recommendation	\$899,300,000	\$0	\$899,300,000

24 **Factual Background**

25 Petitioner is a subsidiary of CenturyLink, Inc., and offers long distance telecommunication  
26 services and provides communication and data services to residential, business, governmental and  
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28 <sup>1</sup> The Board voted unanimously to grant the petition for reassessment, in part, and reduce the 2018 Board-adopted unitary value to \$899,300,000.

1 wholesale customers in various states. Petitioner was formerly known as Qwest Communications  
2 Corporation and changed its name to CenturyLink Communications, LLC when it was acquired by  
3 CenturyLink, Inc. on April 1, 2011. Petitioner acquired Level 3 Communications, LLC (Level 3) on  
4 November 1, 2017 and recorded all Level 3 assets it acquired in its financial accounting records  
5 according to the purchase price allocation (PPA)<sup>2</sup> performed as part of the acquisition. The 2018 Board  
6 adopted unitary value of \$950,700,000 for petitioner's property is based on 100 percent reliance on the  
7 Replacement Cost Less Depreciation value indicator (ReplCLD).

8 **Issue 4** addresses whether some of petitioner's network equipment PPA costs were double  
9 reported in petitioner's building and Leasehold Improvements (LHI) accounts. Petitioner's initial claim  
10 was that some Level 3 PPA costs were double reported due to the way its fixed asset system recorded  
11 costs. After reviewing the financial documentation provided in the petition and discussions with  
12 petitioner, respondent determined that the issue was actually an over reporting of the PPA costs for  
13 buildings and LHI. Petitioner provided additional documentation showing how the over reporting took  
14 place and the actions petitioner was taking to rectify the errors. Due to petitioner's over reporting of the  
15 PPA costs for buildings and LHI, respondent recalculated petitioner's ReplCLD value indicator by  
16 removing the over reported costs from the appraisal resulting in a \$51,400,000 value reduction.  
17 Petitioner is in agreement with respondent's recommended value reduction as to Issue 4. We note that  
18 petitioner is no longer pursuing Issue 2 or Issue 3.

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20 **Legal Issue: Whether petitioner has shown that respondent double assessed petitioner's fiber optic**  
21 **rights of way (ROW).**

22 **Findings of Fact and Related Contentions**

23 Petitioner asserts that the right of way valuations for petitioner and Level 3 are duplicative due to  
24 substantial overlap of the two networks resulting from petitioner's acquisition of Level 3 in 2017.

25 Petitioner further asserts that if petitioner were to build the current system today there would be no  
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28 <sup>2</sup> A PPA is the process whereby an acquiring company, when purchasing another company, allocates the purchase price to various assets and liabilities accounts. The purchase price allocated to the fixed assets reflects the fair value of the properties as of the PPA date. (SAPD's Analysis for Appeals Attorney, p. 2.)

1 overlap in their network. (Petition, p. 1.)

2 Respondent states that due to the acquisition of Level 3 in 2017, petitioner submitted two separate  
3 schedules of fiber optic ROW miles with its property statement, one for the fiber networks acquired  
4 from Level 3 and another for the rest of petitioner's networks. Respondent states that it calculated  
5 petitioner's taxable fiber optic ROW by applying the \$16,000 per mile ROW value set by the Board to  
6 the total private fiber optic miles for the fiber network acquired from Level 3 as well as to the rest of  
7 petitioner's fiber networks.

8 Additionally, respondent asserts that, as of lien date 2018, petitioner owned a fiber network that  
9 includes duplicate but separate systems in certain sections of the network, but that there is no double  
10 assessment of the fiber optic ROW unless the two separate systems also shared the same ROW.  
11 However, respondent states that petitioner has provided no documentation, other than a map of its fiber  
12 optic network showing the areas where the systems overlap, to substantiate sharing of the ROW in any  
13 part of its fiber optic network. Respondent states that the double assessment of ROW as claimed by  
14 petitioner is unfounded.

### 15 **Applicable Law and Appraisal Principles**

#### 16 **Burden of Proof**

17 Assessing officers are presumed to have properly performed their duties. (Evid. Code, § 664.)  
18 Therefore, Petitioner has the burden of showing that the assessment is incorrect or illegal. (*ITT World*  
19 *Communications v. Santa Clara* (1980) 101 Cal.App.3d 246; see also Cal. Code Regs., tit. 18, § 5541,  
20 subd. (a).)

#### 21 **Analysis and Disposition**

22 Respondent is presumed to have correctly determined the value of the property at issue, and  
23 petitioner bears the burden of proving otherwise. Here, petitioner asserts that there are duplicate  
24 assessments because of the overlap of its fiber optic network systems after petitioner's purchase of  
25 Level 3. However, respondent states there can be no double assessment of the fiber optic ROW unless  
26 the two separate systems also shared the same ROW, and petitioner has not provided documentation  
27 showing the duplicate systems shared the same ROW. Accordingly, the Appeals Attorney concludes  
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1 that petitioner has failed to meet its burden of proving that respondent double assessed petitioner’s fiber  
2 optic rights of way (ROW).

3 **Decision**

4 Accordingly, the petition for reassessment is denied, in part, and granted, in part, as to Issue 4,  
5 reducing the 2018 Board-adopted unitary value to \$899,300,000.\*

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7 George Runner \_\_\_\_\_, Chairman

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9 Diane L. Harkey \_\_\_\_\_, Member

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11 Jerome Horton \_\_\_\_\_, Member

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14 \* The decision was rendered in Sacramento, California on December 12, 2018. This summary decision  
15 document was approved on February 26, 2019, in Sacramento, California.

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