

# DEPARTMENT OF TAXATION

## 2001 Fiscal Impact Statement

1. **Patron** Hull

3. **Committee** House Finance

4. **Title** Income Tax: Broadband Internet Access  
Tax Credit

2. **Bill Number** HB 2806

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create an income tax credit for expenditures incurred on certain equipment for broadband Internet access. The credit would be equal to the sum of the following: (1) 10% of the expenditures for equipment that provides current generation broadband services to rural or underserved subscribers, and (2) 20% of the expenditures for equipment that provides next generation broadband services to all subscribers. The total amount of credits that can be allowed annually is "capped" at \$750,000.

This bill would be effective for taxable years beginning on or after January 1, 2002, but before January 1, 2005.

### 6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2000-01	\$0	0	GF
2001-02	\$0	0	GF
2002-03*	\$56,656	1	GF

\* **Does Not Include Systems Costs. See Line 8.**

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2000-01	\$0	GF
2001-02	\$0	GF
2002-03	<\$0.75 million>	GF

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

While this bill does have costs associated with systems development, these cannot be ascertained at this time. The cost for implementing a **single** piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement **all** legislation enacted during a given session will more than likely be less than the sum of the costs attributed to individual bills. Further, the ability to accurately predict costs is complicated because TAX is replacing its current database system. As a result, legislative changes may need to be made to both the current and the future system, depending on the effective date. Therefore, TAX is not providing specific systems costs for this bill, but will calculate the total for all tax bills once they have been acted upon favorably in both houses and prior to the conference committee report. TAX will incur other administrative costs with respect to this legislation of \$56,656 in FY 03 and thereafter for forms development and one full time position.

This bill would decrease General Fund revenues by \$0.75 million beginning in FY 2003. It is likely that the total amount of credits requested would exceed the cap under this credit causing all credits to be prorated among the multiple claimants.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** None.

**11. Other comments:**

This bill would create an income tax credit for expenditures incurred on certain equipment for broadband Internet access. The credit would be equal to the sum of the following: (1) 10% of the qualified expenditures for equipment that provides current generation broadband services to rural or underserved subscribers, and (2) 20% of the qualified expenditures for equipment that provides next generation broadband services to all subscribers.

The total amount of credit that would be allowed to all taxpayers annually would be limited to \$750,000. If the amount of credits claimed exceed \$750,000, then the credits will be distributed on a pro rata basis by the department. The amount of any credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company would be allocated to the individual partners, shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

“Qualified Expenditures” are defined as any amount chargeable to capital account with respect to the purchase and installation of equipment capable of providing current generation broadband services or next generation broadband services at any time to each subscriber who is utilizing such services, including any upgrades thereto, for which depreciation is allowable.

“Current generation broadband service” is defined as Internet service in which the transmission of signals is at a rate of at least 1,500,000 bits per second to the subscriber and at least 200,000 bits per second from the subscriber.

"Next generation broadband service" is defined as Internet service in which the transmission of signals is at a rate of at least 22,000,000 bits per second to the subscriber and at least 10,000,000 bits per second from the subscriber.

An “underserved subscriber” is defined as a subscriber, residential or non-residential, residing in any census tract in which the poverty level of which is at least thirty percent, and the median family income of which does not exceed certain levels.

cc: Secretary of Finance

**Date:** 1/26/01/CT

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