

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1771**

**Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR IMPROVEMENTS OR ADDITIONS TO BROADBAND TELECOMMUNICATIONS SERVICES IN CERTAIN AREAS.**

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### **Basic Change :**

**Sponsor: Rep. S. Meeks**

HB1771 creates a nonrefundable income tax credit for a taxpayer who provides or expands broadband infrastructure in certain areas of the state. The credit is equal to 25% of the amount spent on qualifying expenditures. The qualifying expenditures must:

- Provide broadband service to unincorporated areas of the state or to municipalities having a population of less than 10,000 people;
- Provide broadband service with a download speed of at least 25 megabytes per second; and
- Provide broadband service with an upload speed of at least three megabytes per second.

A taxpayer may not claim a tax credit exceeding the amount of their income tax due. The taxpayer may carry forward unused credits for three consecutive years following the year the credit was earned. The credit is available for tax years beginning on or after January 1, 2022. The Department of Finance and Administration (DFA) must promulgate rules to implement this tax credit.

### **Revenue Impact :**

**FY2022** - \$10 million reduction in State General Revenues.

**FY2023 and after** - \$20 million reduction in state General Revenues.

### **Taxpayer Impact :**

A taxpayer must maintain records and evidence under the rules adopted to administer this section to prove eligibility for the credit. Records must be retained for six years.

### **Resources Required :**

The Tax Credits Section of DFA would require additional staff to review applications/expenditures and to determine credit/limitation amounts available. Anticipated staff needed are as follows (total additional personnel cost of \$100,000 per year):

- Two Fiscal Support Analysts to help with any extra duties and support staff members. - \$100,000 per year.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Computer programs and training manuals will need to be updated. Updates to the Income Tax Rules

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will need to be promulgated and updated instructions published. DFA staff and the tax community will need to be trained to administer the credit.

### **Other Comments :**

The bill gives DFA the authority to establish rules to administer the credit. There is no provision for recapture of credit if discrepancies or excess credits are claimed. The bill does not state when proof of the expenditures must be provided. HB1771 does not cap how much credit can be given in one fiscal year.

DFA shall adopt rules to implement the credit including evidence required to prove the location of the improvements or additions and the speed of the broadband service provided. AEDC currently administers several grant programs promoting this type of investment. The revenue impact is based on taxpayers fully utilizing both state and federal grant programs and providing their required investments in the existing programs. Any increase in current investments resulting from this additional subsidy would increase the revenue impact.

### **Legal Analysis :**

None.