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FISCAL IMPACT STATEMENT

LS 7228

BILL NUMBER: SB 436

NOTE PREPARED: Jan 7, 2004

BILL AMENDED:

SUBJECT: Tax Credit for Broadband Equipment Investments.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a state tax credit to broadband service providers for qualified investments made after June 30, 2004, and before January 1, 2007, for the costs of purchasing, constructing, expanding, improving, or maintaining qualified broadband equipment. The bill also provides that the credit equals the lesser of: (1) 3% of the total qualified investments for the taxable year; or (2) \$22,500.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this tax credit. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, and Insurance Premiums Tax liabilities of individual and corporate taxpayers that are broadband service providers and that invest in qualified broadband equipment after June 30, 2004, and before January 1, 2007. The potential revenue loss from this credit is indeterminable, but would be contingent upon the future deployment of broadband service. It is important to note that growth in demand for broadband service and the various technologies that are capable of offering broadband service is expected to be substantial in the future. Since the tax credit is effective for investment made after June 30, 2004, the fiscal impact could begin in FY 2005 if taxpayers adjust their quarterly estimated payments. In addition, the fiscal impact could continue beyond FY 2007 (when the tax credit sunsets) as taxpayers may carry over unused credits for up to 14 subsequent taxable years.

Background: The bill establishes a non-refundable tax credit for individual and corporate taxpayers that are broadband service providers equal to the lesser of: (1) 3% of the “qualified investment” in “qualified broadband equipment” during the taxable year; or (2) \$22,500. The credit may be taken against the taxpayer’s liability from the AGI Tax, Insurance Premiums Tax, or Financial Institutions Tax. Qualified investment is defined as expenditures made after June 30, 2004, and before January 1, 2007, for the purchase, construction, expansion, improvement or maintenance of qualified broadband equipment. This does not include payments by a lessee of such equipment for its use. Qualified broadband equipment is defined as equipment, property, or infrastructure that is: (1) located in Indiana; (2) used to provide broadband service to subscribers in Indiana; and (3) owned by a broadband service provider and located outside a subscriber’s premises. The definition does not include computers, modems, set top boxes, and related items used by a subscriber to facilitate broadband connection within the subscriber’s home or business.

The tax credit is non-refundable, and unused credit amounts may not be carried back. However, a taxpayer may carry forward any unused credit amount for 14 successive taxable years. For pass through entities, the credit may be claimed by shareholders, partners, or members in proportion to their distributive income from the pass through entity.

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). The tax credit is effective beginning July 1, 2004.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

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