

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 68** HLS 201ES 118
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 14, 2020 6:26 PM	Author: DESHOTEL
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Corporate Franchise Tax Credit For Broadband Coverage	

TAX CREDITS OR -\$50,000,000 GF RV See Note Page 1 of 1
 Establishes an income or corporation franchise tax credit for certain broadband coverage providers (Item #31)

Proposed law provides a credit against state income and franchise tax liability to carriers who are awarded census blocks from the Federal Communication System Rural Digital Opportunity Fund Auction. The credit is \$500 per business or household provided broadband network service. Credits can offset up to 50% of a taxpayer's tax liability in any one year, with a ten-year carry-forward of unused credit amounts. The total amount of credits that may be granted is \$50 million.

Effective July 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The Dept. of Revenue estimates \$65,000 of IT personnel time costs to modify the income and franchise tax collections systems to provide this credit and administer its cap.

REVENUE EXPLANATION

The Rural Digital Opportunity Fund Auction is a reverse auction where broadband carriers offer to provide service to rural areas that are unserved or underserved for a price. The lowest prices win the auction and are awarded census blocks by the FCC within which to provide service. The FCC has a \$20.4 billion budget to provide to winning carriers over a ten-year period to offset their costs for providing the service they provide. The first auction is scheduled for October 29, 2020.

This bill will provide state tax credits of \$500 per structure that is provided service pursuant to the FCC auction. Credits are nonrefundable, but a ten-year carry-forward is allowed, and can offset up to 50% of a carriers tax liability in a year. Credits are granted even though some portion of the costs of providing service is covered by the FCC awards to carriers. In addition, the bill does not explicitly limit the credit to homes or businesses located in Louisiana. The bill provides for a total of \$50 million of state tax credits to be granted.

The magnitude and timing of annual state revenue losses is indeterminable. Winning carriers, their state tax liabilities, the number of structures that will be provided service, and the timing of service completions are all unknown. Over the next few years, as service is provided, tax credit claims will reduce annual state tax receipts by a cumulative amount of up to \$50 million.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer