LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 19, 2020 4:50 PM		**Author:** DESHOTEL
Dept./Agy.: Revenue		
Subject: Corporate Franchise Tax Credit For Broadband Coverage		**Analyst:** Greg Albrecht

TAX CREDITS   RE -$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)

<u>Proposed law</u> 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 to provide broadband network service to unserved areas. The credit is $500 per business or household in Louisiana when broadband network service is made available to them, regardless of whether the owner subscribes to the service. Credits can offset up to 50% of a taxpayer's tax liability in any one year, with a ten-year carry-foward of unused credit amounts. The credit is available beginning January 1, 2022, and 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	$0	$0	$0	$0	$0	$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.	$0	DECREASE	DECREASE	DECREASE	DECREASE	$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	$0	$0	$0	$0	$0	$0
Annual Total	**$0**					**$0**

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 has made service available to pursuant to the FCC auction. Credits are nonrefundable, but a ten-year carry-foward 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. <u>The bill provides for a total of $50 million of state tax credits to be granted</u>.

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. The earliest credits could be realized against the state fisc is FY22, to the extent some build-out of network service is achieved by the end of 2021. Associated credits could the be claimed against franchise tax liabilities of tax period 2022, which are due at the beginning of the tax period and payable by the fifth month of the tax period (within FY22). This first year of possible effect may not be large, but is allowed by the bill. More significant credit claims are likely in FY23 and beyond.