

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 69** HLS 201ES 176
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: July 7, 2020 9:13 AM	Author: DESHOTEL
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Exemption: Fiber-optic Cable	

TAX/SALES-USE-EXEMPT EN -\$750,000 GF RV See Note Page 1 of 1
 To provide for a sales and use tax exemption on the sales of certain fiber-optic cables (Item #31)

Present law subjects sales of taxable items at a state rate of 4.45% via four separate levies thru June 30, 2025, and exempts certain items from the levies. Additionally, these items are subject to sales tax by political subdivisions. Proposed law authorizes a rebate on 50% of state and local sales and use tax paid on items that it defines as "fiber-optic cable equipment", including telecommunications fiber, wires, poles, supports, lashing cable, conduit, hand holes, and customer premise equipment, if paid by a census block winner of a Federal Communications Commission Rural Digital Opportunity Fund Auction for distributing broadband networks to unserved areas. Proposed law specifies that each eligible item will only be eligible for a single rebate, and that subsequent sale or resale of the item shall not be eligible for the rebate. Proposed law additionally excludes purchases paid with state or federal funds from rebate eligibility, unless the funds are reported as taxable income or are structured as repayable loans. 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.	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$3,750,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

LDR anticipates minor implementation and processing costs associated with the development of forms and related documents for the rebate process. Local authorities would additionally incur minor processing costs.

REVENUE EXPLANATION

Proposed law would allow a rebate on 50% of state and local sales and use tax paid on eligible fiber-optic cable equipment purchases by winners of Rural Digital Opportunity Fund Auctions. Proposed law restricts eligible purchases to purchases not paid for by federal or state funds, unless such funds are reported as taxable income or are structured as repayable loans.

Due to the unknown number of participants that will operate in the state and receive awards from the FCC, in addition to the wide variety of equipment eligible for the rebate in proposed law, a reliable estimate of the magnitude of the revenue impact is not possible. A rough estimate based upon several assumptions including estimated total spending per structure, estimated expected awards in the state, estimated timing of awards, and estimated timing of eligible expenditures over the life of the federal program yields an initial estimate of approximately \$750,000 in rebates over FY21 and each subsequent fiscal year through FY25.

State revenue losses would accrue primarily to the state general fund, but with some small portion also accruing to tourism and economic development dedications of sales tax collections.

Local revenue losses would also occur, and depend on the tax rates in the particular jurisdictions receiving broadband service.

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}

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