

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: GRACE SEAMAN

DATE: AUGUST 28, 2014

RE: CENTURYTEL OF THE GEM STATE, INC. DBA
CENTURLINK'S BROADBAND EQUIPMENT TAX CREDIT
APPLICATION FOR 2012 AND 2013; CASE NO. CGS-T-14-04.

BACKGROUND

In 2001, House Bill 377 was enacted authorizing income tax credit for the installation of qualifying broadband infrastructure in Idaho. *Idaho Code* § 63-3029B(3)(a)(ii). In particular, Section 63-3029I allows a taxpayer to receive an investment tax credit for eligible broadband equipment installed during a calendar year.

“Qualified broadband equipment” is defined as those network facilities capable of transmitting signals at a rate of at least 200,000 bits per seconds (bps) to a subscriber and at least 125,000 bps from a subscriber. *Idaho Code* § 63-3029I(3)(b). If the equipment is installed by a telecommunications carrier, it must also be “necessary to the provision of broadband services and an integral part of a broadband network.” *Idaho Code* § 63-3029I(3)(b)(i). To be eligible for the tax credit, the taxpayer must obtain from the Commission an Order confirming that the installed equipment meets the statutory definition of qualified broadband equipment. Procedural Order No. 28784 and *Idaho Code* § 63-3029I(4). Once the Commission has determined the installed equipment is eligible for the broadband equipment tax credit, an order along with the original Application is forwarded to the Idaho Tax Commission.

THE APPLICATION

On August 26, 2014, CenturyTel of the Gem State, Inc. dba CenturyLink (“CenturyLink” or “Company”) filed an Application with the Commission seeking approval of equipment for the broadband tax credit for 2012 and 2013. CenturyLink states in the Application that it installed equipment associated with various forms of DSL-based broadband services (using a mix of fiber and metallic cable transport) in the Grandview and Grasmere-Riddle exchanges. The Company provided the following details:

<u>Year</u>	<u>Transmission Rates</u>	<u>%¹</u>	<u>Investment</u>	<u>Retirements</u>	<u>Net Investment</u>
2012	256 Kbps—40Mbps	73%	\$21,833	0	\$21,833
2013	256 Kbps—40Mbps	68%	\$179,041	(\$697)	\$178,344

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by CenturyLink and believes the identified equipment qualifies for the investment tax credit pursuant to Procedural Order No. 28784 and *Idaho Code* § 63-3029I(3)(b). Staff also believes that the expenditures identified by the Company, a telecommunications provider, were for equipment that is “necessary for the provision of broadband services and an integral part of a broadband network.” Staff, therefore, recommends that the Commission issue an Order confirming the equipment is qualified broadband equipment and forward the approving Order along with a copy of the original Application to the Idaho Tax Commission.

¹ The percentage of living units (street addresses) where the Company might send a bill and where wireline plant is nearby. This figure represents the % of working qualified living units where DSL-based service could be provisioned in a short timeframe.

COMMISSION DECISION

Does the Commission wish to issue an Order confirming the equipment identified in Case No. CGS-T-14-04 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b) and forward it to the Idaho Tax Commission?


Grace Seaman

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