

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: APRIL 23, 2015

RE: FIRST STEP INTERNET, LLC'S BROADBAND EQUIPMENT TAX
CREDIT APPLICATION FOR CALENDAR YEARS 2006-2013;
CASE NO. FSI-T-15-01.

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 January 13, 2015, the Commission received an Application from First Step Internet, LLC (“First Step” or “Company”) seeking approval of equipment for the broadband tax credit

for calendar years 2006 through 2013. In the Application, First Step states that it installed equipment associated with Ethernet, digital subscriber line (DSL), frame relay, and fixed wireless services with transmission rates of one (1) Mbps to one (1) Gbps. Investments were made in and around the Moscow, Lewiston, Deary, Troy, Bovill, Genesee, Potlatch, Orofino exchanges. First Step asserts that its broadband service is available to approximately 27,000 residents. During the eight years, the Company invested approximately \$2,237,300. The annual investments are listed below:

<u>Year</u>	<u>Investment</u>	<u>Year</u>	<u>Investment</u>
2006	\$12,095	2010	\$33,094
2007	\$30,047	2011	\$1,097,665
2008	\$23,150	2012	\$620,923
2009	\$90,483	2013	\$329,847

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by First Step 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 fixed wireless service 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 the a copy of the original Application to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to issue an order confirming the equipment identified in Case No. FSI-T-15-01 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b), and forward it to the Idaho Tax Commission?


 Grace Seaman