

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE

**FROM:** GRACE SEAMAN

**DATE:** MAY 2, 2017

**RE:** FILER MUTUAL TELEPHONE COMPANY'S 2016 BROADBAND  
EQUIPMENT TAX CREDIT APPLICATION; CASE NO. FIL-T-17-01.

### 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 March 10, 2017, the Commission received an Application from Filer Mutual Telephone Company (“Filer” or “Company”) seeking approval of equipment for the broadband

tax credit. In the Application, Filer states that it installed equipment associated with Asymmetric Digital Subscriber Line (ADSL), High-bit-rate digital Subscriber Line (HDSL), wireless broadband (WBB), and FTTX<sup>1</sup> services with transmission rates of 512 Kbps to 10 Gbps in Gooding and Twin Falls County. These transmission rates are above the statutory speed requirements pursuant to *Idaho Code* 63-3029I. Filer asserts that approximately 99% of its customers can be served by the broadband network. During 2016, the Company invested approximately \$1.1 million in qualifying broadband equipment.

### STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by Filer 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.” See May 1, 2017 electronic correspondence. 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. FIL-T-17-01 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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<sup>1</sup> Fiber to the x (FTTX) is a generic term for any broadband network architecture, such as fiber to the node (FTTN) and fiber to the home (FTTH), that uses optical fiber to replace all or part of the local loop or the “last-mile” telecommunications network.