

## DECISION MEMORANDUM

**TO:** COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE

**FROM:** GRACE SEAMAN

**DATE:** AUGUST 21, 2008

**RE:** STAFF REVIEW OF BROADBAND TAX CREDIT APPLICATIONS;  
CASE NOS. CEN-T-08-1 AND VZN-T-08-3.

### 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, § 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). To be eligible for the broadband equipment tax credit, the taxpayer must obtain from the Commission an Order confirming that installed equipment qualifies for capital investment credit. Procedural Order No. 28784 and *Idaho Code* § 63-3029I(4).

### THE APPLICATIONS

1. CenturyTel of Idaho, Inc, (CenturyTel) Case No. CEN-T-08-1.

CenturyTel’s Application identifies the broadband investments for the calendar year 2007. In the Application, CenturyTel stated that it installed Asymmetrical Digital Subscriber Line (ADSL) service with transmission rates of 1 Mbps to a subscriber and 125 Kpbs from a subscriber in the North Fork, Leadore, and Salmon exchanges. CenturyTel asserts that the number of potential ADSL subscribers in 2007 was 3,495 or 64%. The Application states that CenturyTel invested approximately \$209,000 in qualifying broadband equipment during 2007.

2. Verizon Northwest Inc., (Verizon) Case No. VZN-T-08-3.

Verizon's Application identifies the broadband investments for the calendar year 2007. In the Application, Verizon stated that it installed Digital Subscriber Line (DSL) and other high speed data (e.g. T-1) services with transmission rates of 1.544 Mbps to 51.84 Mbps in 25 exchanges in northern Idaho. Verizon asserts 100% of its customers in these exchanges have access to broadband services. The Application states that Verizon invested approximately \$13 million in qualifying broadband equipment during 2007.

**STAFF REVIEW AND RECOMMENDATION**

Staff has reviewed the list of proposed broadband equipment submitted by the companies and believes the identified equipment qualifies for the investment tax credit pursuant to Procedural Order No. 28784 and *Idaho Code* § 63-3029I(3)(b). Further, Staff believes that the expenditures identified by CenturyTel and Verizon were for equipment that is "necessary for the provision of broadband services and an integral part of a broadband network." Staff, therefore, recommends acceptance of the Applications and further recommends that the Commission forward the approving Orders along with a copy of the original Applications to the Idaho Tax Commission.

**COMMISSION DECISION**

Does the Commission wish to accept these Applications for the broadband investment tax credit?



Grace Seaman

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