

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: MAY 30, 2008

**RE: STAFF REVIEW OF BROADBAND TAX CREDIT APPLICATIONS;
CASE NOS. CUS-T-08-1 AND DCM-T-08-1.**

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 second (bps) to a subscriber and at least 125,000 bps from a subscriber. *Idaho Code* § 63-3029I(3)(b). In the case of a telecommunications carrier, such qualifying broadband equipment must be necessary to the provision of broadband service and an integral part of a broadband network. *Idaho Code* § 63-3029I(3)(b)(i).

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).

APPLICATIONS

1. Custer Telephone Cooperative, Inc. (Custer); Case No. CUS-T-08-1. Custer's Application identifies the broadband investments for the calendar year 2007. In the Application, Custer states it installed equipment that provides Asymmetric Digital Subscriber Line (ADSL) and High-bit-rate Digital Subscriber Line (HDSL) services with transmission rates of 128 to 512

Kbps upstream and 512 Kbps to 8 Mbps downstream. The qualifying equipment was installed in Custer, Challis, Lemhi, May, and Elk Bend exchanges. Custer asserts that five out of 1000 possible customers have access to broadband services. The Company identifies approximately \$2.2 million in qualifying broadband equipment during 2007.

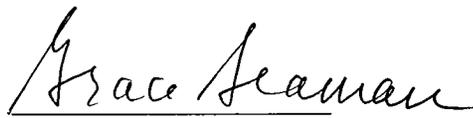
2. Direct Communications Rockland, Inc. (Direct); Case No. DCM-T-08-1. Direct's Application identifies the broadband investments for the calendar year 2007. In the Application, Direct states it installed ADSL with transmission rates of 512 Kbps upstream and 8 Mbps downstream in Franklin, Power, and Bear Lake counties. Directs asserts 400 customer (32%) are served by broadband services. Direct identifies approximately \$628,000 in qualifying broadband equipment during 2007.

STAFF ANALYSIS

Staff has reviewed the list of proposed broadband equipment submitted by Custer and Direct and believes that the listed 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 indentified by the companies, classified as telecommunications providers, 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 Order 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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