

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: APRIL 3, 2009

RE: FILER MUTUAL TELEPHONE COMPANY'S 2005 AND 2006
BROADBAND EQUIPMENT TAX CREDIT APPLICATION;
CASE NOS. FIL-T-09-1 AND FIL-T-09-2.

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). 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

On April 2, 2009, the Commission received two Applications from Filer Telephone Company (Filer) seeking approval of equipment for the broadband tax credit for calendar years 2005 and 2006. In the Applications, Filer states it offers Asymmetric Digital Subscriber Line (ADSL) Broadband services at transmission rates of 512 Kbps to 1 Mbps upstream and 512 Kbps to 3 Mbps downstream. Filer describes its network as a fiber optic fed digital loop carrier

with non-loaded copper distribution cable, fiber to the home electronics, fiber optic transport electronics, fiber optic backbone and distribution cable and copper.

2005 Broadband Tax Credit Application; (Case No. GNR-T-09-1). In this Application, Filer reports that 22% of its possible customers (2003) have broadband service. During 2005, Filer reported that its Broadband investments were installed in Filer and totaled nearly \$34,700.

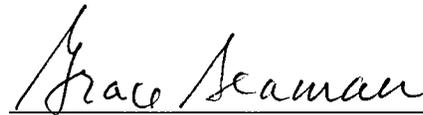
2006 Broadband Tax Credit Application; (Case No. GNR-T-09-2). In this Application, Filer reports that 32% of its possible customers (1988) have broadband service. During 2006, Filer reported that broadband investments were installed in Filer, Hollister, Clover, and throughout Twin Falls County and totaled approximately \$208,400.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted in both Applications and believes the identified equipment qualifies for the broadband investment tax credit pursuant to Procedural Order No. 28784 and *Idaho Code* § 63-3029I(3)(b). Staff also believes that the expenditures identified by Filer, 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 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 Filer Mutual Telephone Company’s 2005 and 2006 Applications for the broadband investment tax credit?


Grace Seaman

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