

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: AUGUST 6, 2012

RE: FATBEAM, LLC'S 2011 BROADBAND TAX CREDIT APPLICATION;
CASE NO. FZ4-T-12-01.

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 installed equipment is associated with packet switching and is installed in connection with other qualifying equipment listed in subsections (3)(b)(i) through (3)(b)(iv), the equipment qualifies as broadband equipment “provided it is the last in a series of equipment that transmit signals to a subscriber or the first in a series of equipment that transmits signals from a subscriber.” “Packet switching” means controlling or routing the path of a digital transmission signal which is assembled into packets or cells.” *Idaho Code* § 63-3029I(3)(b)(v). 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 July 24, 2012, Fatbeam, LLC (“Fatbeam,” “Company”) submitted an Application seeking approval of equipment for the broadband tax credit. In the Application, Fatbeam states that it installed equipment in Kootenai County associated with Ethernet and dark fiber access services with transmission rates of 2 Gbps. Fatbeam asserts that approximately 100% of its customers can be served by the broadband network. The Company states that it provides switched access service as a Competitive Access Provider (“CAP”).¹ Fatbeam invested approximately \$650,000 in qualifying broadband equipment during 2011.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by Fatbeam 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 packet switching 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. FZ4-T-12-01 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b)(v), and forward it to the Idaho Tax Commission?


Grace Seaman

i:udmemos/fz4-t-12-01.doc

¹ A Competitive Access Provider provides an alternative means of establishing a connection between a user and an IXC and bypasses the Incumbent Local Exchange Carrier.