

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: SEPTEMBER 9, 2014

RE: CABLE ONE INC'S 2013 BROADBAND EQUIPMENT TAX CREDIT APPLICATION; CASE NO. GNR-T-14-05.

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(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.

“Qualifying 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 cable or open video system operator, the qualifying equipment must “extend from the subscriber’s side of the headend to the outside of the structure in which the subscriber is located.” *Idaho Code* § 63-3029I(3)(b)(iii). 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 June 23, 2014, the Commission received an Application from Cable One, Inc. (“Cable One” or “Company”) seeking approval of equipment for the broadband tax credit. On

August 28, 2014, Cable One submitted revised exhibits B and B-2. In the Application, the Company states that it installed equipment associated with the Hybrid Coax Network (HFC) using fiber optic and coaxial cable facilities. Cable One asserts that its broadband network is capable of transmission rates of up to 50 Mbps and that approximately 99.9% of its customers have access to this service. During 2013, the Company states that it invested approximately \$9.1 Million in qualifying broadband equipment and requests credit for \$134,748 (See revised exhibit B).

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by Cable One 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, meets the requirements as defined for an open cable or open video system provider as described in *Idaho Code* § 63-3029I(3)(b)(iii). 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 and amended exhibits B and B-2 to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to issue an order confirming the equipment identified in Case No. GNR-T-14-05 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b)(iii), and forward it to the Idaho Tax Commission?


Grace Seaman

i:\udmemos\gnr-t-14-05