

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: JUNE 11, 2009

RE: QWEST'S 2007 BROADBAND EQUIPMENT TAX CREDIT
APPLICATION; CASE NO. QWE-T-09-09.

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 APPLICATION

On May 29, 2009, the Commission received an Application from Qwest Corporation (Qwest) seeking approval of equipment for the broadband tax credit. Qwest's Application identifies the Company's broadband investments for calendar year 2007 as well as the 2007 retirements for 2003, 2004, 2005, and 2006 investments. In the Application, Qwest listed equipment associated with general broadband facilities (DSL and ATM services), dedicated line facilities (private lines), and inter-office facilities. These services are capable of offering high-

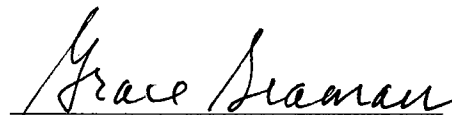
speed network access to the customers at transmission rates from 256 kilobits per second (Kbps) to more than 100 megabits per second (Mbps). For state tax reporting purposes, Qwest stated that it follows Part 32 of Federal Communications Commission Rules and Regulations by capitalizing such items as labor, engineering, transportation and other overhead costs associated with the installation of the broadband equipment. The Application included a signed affidavit indicating the submitted investments qualified for the broadband tax credit. The Application identified a net investment of approximately \$7.3 million in 2007.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by Qwest 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 Qwest, 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 Application and further recommends that the Commission forward the approving Order along with a copy of the original Application to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to accept Qwest’s Application for the broadband investment tax credit?


Grace Seaman

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