

## DECISION MEMORANDUM

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

**FROM:** GRACE SEAMAN

**DATE:** JUNE 17, 2011

**RE:** FILER MUTUAL TELEPHONE COMPANY'S BROADBAND  
EQUIPMENT TAX CREDIT APPLICATION FOR 2007-2010;  
CASE NO. FIL-T-11-01.

### 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 equipment is installed by a telecommunications carrier, it must also be “necessary to the provision of broadband services and an integral part of a broadband network.” *Idaho Code* § 63-3029I(3)(b)(i). 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 1, 2011, the Commission received an Application from Filer Mutual Telephone Company (Filer) seeking approval of equipment for the broadband tax credit for 2007, 2008,


2009 and 2010. In the Application, Filer states that it installed equipment associated with Asymmetric Digital Subscriber Line (ADSL), High-bit-rate Digital Subscriber Line (HDSL), Wireless Broadband (WBB) and fiber optic (FTTX) services with transmission rates of 512 Kbps to 1 Gbps. In 2007, Filer states it added 443 new broadband customers for a total of 1306 and invested approximately \$1.1 million. In 2008, Filer added 349 new broadband customers for a total of 1655 and invested approximately \$272,600. In 2009, 189 new broadband customers were added for a total of 1844 and the company invested approximately \$901,000. In 2010, Filer added 262 new customers for a total of 2106 and invested approximately \$1.5 million. For each year, Filer states that 99% of its customers have access to broadband services.

### **STAFF REVIEW AND RECOMMENDATION**

Staff has reviewed the list of proposed broadband equipment submitted by Filer 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 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 is uncertain, however, if the broadband expenditures for calendar year 2007 is timely, but recommends that the Commission issue an Order confirming the equipment submitted for all four years 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. FIL-T-11-01 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b)(i), and forward it to the Idaho Tax Commission?

  
Grace Seaman