

Fiscal Estimate Narratives

DOR 4/12/2010

LRB Number	09-4404/1	Introduction Number	AB-0871	Estimate Type	Original
Description income and franchise tax credit for providing broadband service					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a nonrefundable income and franchise tax credit in an amount equal to (a) 10% of the amount the claimant paid during the taxable year for infrastructure costs to provide broadband service to rural areas or areas within the state populated by primarily low-income persons if the broadband service is at least 5 megabits per second but less than 50 megabits per second; (b) 20% of the amount the claimant paid during the taxable year for infrastructure costs to provide broadband service to rural areas, unserved areas, or areas within the State populated by primarily by low-income person if the broadband service is at least 50 megabits per second; and (c) 20% of the amount the claimant paid during the taxable year for infrastructure costs to provide broadband service to unserved areas within the state if the broadband service is at least 5 megabits per second but less than 50 megabits per second. Unused credit may be carried forward and offset against tax for up to 15 years.

Fiscal Estimate

Data do not exist to reliably estimate the fiscal impact of the bill. However, it is likely to result in a significant revenue loss. The Federal Communication Commission (FCC) estimated in 2009 that it would cost \$24 billion to provide high-speed Internet access to the the 14 million people in the U.S. who are not connected to the Internet. Additionally, data from the FCC shows that Wisconsin has 0.75% of the census tracts in the U.S. in which 10% or fewer households with a high-speed Internet connection (the definition used by the federal Broadband Technology Opportunities Program for "unserved area"). Therefore, assuming that 0.75% of the \$24 billion cost were to connect unserved areas in Wisconsin, it would result in credit claims of \$36 million ($\$24 \text{ billion} \times 0.75\% \times 20\% \text{ credit}$) for providing service to unserved areas. The credits would be claimed over the number of years that projects are completed to bring service to unserved areas. However, the amount of credit claimed would be reduced to the extent that not all unserved areas receive high-speed Internet connections.

Additional credit claims would result from eligible infrastructure costs to provide high-speed services to rural areas or areas with primarily low-income persons, which are also available under the bill.

Any additional administrative costs resulting from the bill can be absorbed within existing resources of the department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description income and franchise tax credit for providing broadband service			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$	\$	
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$See Text	\$	
Agency/Prepared By		Authorized Signature	Date
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