

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	HB 2040
Version:	CS
Request Number:	7776
Author:	Mr. Speaker
Date:	3/8/2021
Impact:	Sales Tax Exemption

Exemption Administered as a Rebate

Requires Certain Verifications

Rebates:
Tax Year 2022: Maximum of \$20,000,000
Population Density Allocation

Tax Year 2023: Maximum of \$20,000,000
Based on Incentive Award Formula

Research Analysis

The committee substitute for HB 2040 provides a sales tax exemption for sales of qualifying broadband equipment. The measure directs the exemption to be administered as a rebate, which can only be claimed for equipment purchased in order to establish or expand broadband services in underserved or unserved areas.

For the tax year beginning January 1, 2022, the total amount of rebates shall not exceed \$20 million, with \$15 million reserved for eligible projects in counties with fewer than 100 persons per square mile. For the tax year beginning January 1, 2023, and all subsequent fiscal years, the allocation of the \$20 million shall be made using an incentive award formula as enacted into law by the Legislature upon recommendation by the Rural Broadband Expansion Council.

Lastly, the bill specifies provisions for claims and reports related to this exemption.

Prepared By: Emily McPherson

Fiscal Analysis

The measure provides a sales tax exemption, in the form of rebates, on sales of qualifying broadband equipment. The equipment subject to exemption is set forth in the measure with specific equipment for specific network structures.

Claims for rebates will be approved only if the equipment was purchased to establish or expand broadband services in underserved or unserved areas and the claimant establishes that as a result of the equipment purchase there is net growth in the number of potential customers served in the underserved or unserved areas,

For tax year 2022, total rebates will not exceed \$20,000,000, with \$15,000,000 being reserved for eligible projects in counties having a population density of fewer than 100 persons per square

mile. The remaining \$5,000,000 is reserved for eligible projects located in counties with a population density of 100 persons or more per square mile.

For tax year 2023 and subsequent years rebates are capped at \$20,000,000. The allocations will be made using an incentive award formula as enacted into law by the Legislature after recommendation by the Rural Broadband Expansion Council.

Actual effect on sales tax revenue for fiscal years beginning with FY-22 will depend on the amount of rebates qualifying and rebates paid during a fiscal year.

Prepared By: Mark Tygret

Other Considerations

None.