



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 827** HLS 24RS 2070
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2024 2:30 PM **Author:** TURNER
Dept./Agy.: Department of Revenue & Uniform Local Sales Tax Board
Subject: Sales and Use Tax Rebate on Sale of Broadband Equip. **Analyst:** Noah O'Dell

TAX/TAX REBATES EG -\$15,000,000 GF RV See Note Page 1 of 2
 Provides relative to the sales and use tax rebate on the sale of certain fiber-optic cable equipment

Current law establishes a rebate of 50% of state and local sales and use tax paid by the winning bidders in the Federal Communications Commission's (FCC) Rural Digital Opportunity Fund Auction on fiber-optic cable equipment used to distribute broadband networks to eligible rural unserved areas. Purchases made with certain state or federal funds are excluded. Current law defines terms used in connection with the rebate.

Proposed law repeals the local rebate and increases the state rebate to 100% of state sales and use tax rebate paid by communications providers, expands the qualified equipment purchases, and broadens entities eligible for the rebate. Purchases made with state or federal funds are ineligible for the rebate. The program sunsets on June 30, 2027 and is capped at \$15 M each fiscal year. The rebates are to be divided (80%/20%) \$12 M for unserved areas and \$ 3 M for other areas. LDR is authorized to promulgate rules and establish a method for processing claims. Effective July 1, 2024

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total				\$0	\$0	\$0

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	\$0	\$0	(\$45,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase SGR expenditures within the LA Department of Revenue (LDR) beginning in FY 25. LDR anticipates one additional Revenue Tax Specialist (salary and benefits of \$89,515) will be needed to administer the sales tax rebate program. However, the Legislative Fiscal Office (LFO) can envision a scenario in which additional personnel costing in excess of \$100,000 may be necessary to evaluate and administer the significant number of purchases with specified uses that are potentially eligible under the rebate program, particularly as the program ramps up.
 Note: Increases in SGR within LDR result in less SGF monies reverted to general fund at the end of the fiscal year.

REVENUE EXPLANATION

Proposed law is anticipated to decrease SGF revenues by the cost cap of \$15 M annually between FY 25 and FY 27 as rebates are issued on the state sales and use tax paid on equipment purchases related to broadband communications by providers throughout the state. Local revenue is expected to increase in future years to the extent current communications providers who were eligible for the existing rebate will no longer be eligible under the bill due to the repeal of the local rebate.

The state sales tax rebate is capped at \$15 M cap each fiscal year and sunsets in FY 27. Given the wide scope of broadband equipment that qualifies for the sales tax rebate and significant investment in broadband in recent years (estimated at \$935 M annually using industry-level Intermediate Use data and industry-level state GDP data from the Bureau of Economic Analysis), the cost cap is expected to be reached each year, particularly without a specified date after which purchases are eligible. The bill appears to allow for any purchase of qualified equipment, regardless of the date of the purchase.

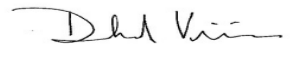
Purchases made with federal and state money are not eligible for the state sales tax rebate, which appears to include purchases made with the substantial influx of \$1.3 B federal monies from GUMBO 1.0, GUMBO 2.0, or the Rural Digital Opportunity Fund. It is unclear how these purchases may impact private investment in the broadband industry. The LA Office of Broadband Development and Connectivity reports significant capital investment is anticipated in rural areas with the largest amounts to be expended in the next three years.

To date, LDR reports only one rebate has been issued under the current program that is restricted to recipients of the FCC's Rural Digital Opportunity Fund Auction. The bill expands the size of the rebate from 50% to 100%, increases the qualifying equipment purchases (see items listed on page 2), and removes the eligibility requirement that qualified companies must be recipients of the FCC's Rural Digital Opportunity Fund Auction. Under the bill, all communications providers purchasing equipment used to provide broadband communications services are eligible for the state sales tax rebate, although 80% or \$12 M in rebates must be for equipment used to provide broadband communications service in unserved areas and 20% or \$3 M for outside of unserved areas.

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Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Deborah Vivien
Chief Economist



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CONTINUED EXPLANATION from page one:

List of purchases that qualify for the state sales tax rebate under current law:

Current law offers a 50% state sales tax rebate on purchases of telecommunications fiber, wires, poles, supports, lashing cable, conduit, communication handholes, and customer premise equipment made by recipients of the FCC's Rural Digital Opportunity Fund Auction.

List of purchases that qualify for the state sales tax rebate under proposed law:

Proposed law offers a 100 % state sales tax and use rebate to broadband provider purchases of cables (including fiber-optic and coaxial cables), antennas, towers, poles, supports, mounts, lashing wires, conduit, above-ground network equipment enclosures and storage devices, below-ground network equipment enclosures and storage devices, central control headend equipment, hub switching equipment, network monitoring and diagnostic equipment, networking and distribution equipment, radio communication equipment, routing and switching equipment, broadband network software, power regulator equipment, power failure backup equipment, network servers, communications multiplexers, and signal amplification equipment.

According to LDR, industry specific data for broadcasting and telecommunications is aggregated in most statewide and federal expenditure reporting categories. Equipment purchased for one purpose may also be used for different features across the broadcasting and telecommunications industry. LDR notes that broadband can be provided over several different platforms, including Digital Subscriber Line (DSL), cable modem, fiber, wireless, and satellite.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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