

Legislative Analysis



EXEMPT CERTAIN BROADBAND EQUIPMENT

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<http://www.house.mi.gov/hfa>

Senate Bill 46 (H-1) as reported from House committee
Sponsor: Sen. Aric Nesbitt

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4210 (H-1) as reported
Sponsor: Rep. Beth Griffin

House Committee: Communications and Technology
Senate Committee [SB 46]: Energy and Technology
Complete to 3-16-21

SUMMARY:

Senate Bill 46 and House Bill 4210 would respectively amend the General Property Tax Act and 1905 PA 282 (which imposes a tax on certain railroad and utility property) to exempt eligible broadband equipment from taxation under those acts.

Senate Bill 46 would add section 9p to the General Property Tax Act to provide that, beginning December 31, 2020, both of the following are exempt from the collection of taxes under that act:

- ***Eligible broadband equipment*** that resolves ***lack of broadband service*** and is provided by a ***qualified business*** that has been selected to receive funding from the Federal Communications Commission (FCC), the United States Department of Agriculture (USDA), or the State of Michigan to support the expansion of broadband networks.
- Eligible broadband equipment that resolves lack of broadband service by delivering high-speed internet access at speeds of at least 25 megabits per second downstream and 3 megabits per second upstream.

Eligible broadband equipment would mean personal property acquired by a qualified business¹ that is used in the transmission or receipt of data in at least one direction; that was first installed or used by the qualified business after December 31, 2020, and before December 31, 2025; and that has been used by the qualified business for 10 years or less.

Lack of broadband service would mean either no terrestrial internet access or access to terrestrial internet that is delivered at speeds of less than 10 megabits per second downstream and 1 megabit per second upstream. Access to satellite internet would not be relevant to determining a lack of broadband service.

¹ For example. fiber optic and coaxial cable, conduit, pole attachment hardware, cabinets, pedestals, amplifiers, routers, servers, multiplexers, antennas, or related equipment.

Qualified business would mean an individual, sole proprietorship, partnership, corporation, association, limited liability company, or any other legal entity that provides terrestrial broadband service, including terrestrial wireless broadband service.

To claim an exemption under the bill, a qualified business would have to file with the Department of Treasury, by February 20 of each year the exemption is claimed, a statement from an officer of the qualified business that specifically describes the equipment and certifies that it meets the requirements for the exemption, or else provide similar certification in a form and manner prescribed by the Department of Treasury.

The bill would take effect 90 days after its enactment.

Proposed MCL 211.9p

House Bill 4210 would amend 1905 PA 282 to provide that, beginning December 31, 2020, a qualified business's eligible broadband equipment is exempt from taxation under 1905 PA 282 if it is exempt from the collection of taxes under the General Property Tax Act (as provided in House Bill 4209) and if a claim for the exemption is properly filed as described below.

To claim the exemption, a qualified business would have to electronically file with the Department of Treasury, by February 20 of each year the exemption is claimed, a statement from an officer of the qualified business that specifically describes the equipment and certifies that it meets the requirements for the exemption, or else provide similar certification in a form and manner prescribed by the Department of Treasury.

(The terms "eligible broadband equipment," "lack of broadband service," and "qualified business" would be defined as they are in House Bill 4209, above.)

The bill would take effect 90 days after its enactment.

The bill is tie-barred to HB 4209, which means that it could not take effect unless HB 4209 were also enacted.

MCL 207.5c

FISCAL IMPACT:

As written, the bills would reduce state and local tax revenue by an unknown amount. Because it is not possible to know how much equipment would be classified as exempt under the bills, what the taxable values would be, and the appropriate local millage rates, the loss of property tax revenue to local units of government, the School Aid Fund via the state education tax, and the general fund cannot be estimated.

POSITIONS:

Representatives of the following entities testified in support of the bills (2-24-21):

- Bloomingdale Communications
- Midwest Electric

The following entities indicated support for the bills:

- Detroit Regional Chamber (3-9-21)
- Kinexus (2-24-21)
- Lake Michigan College (2-24-21)
- Michigan Cable Telecommunications Association (2-24-21)
- Michigan Farm Bureau (2-24-21)
- Networks Northwest (2-24-21)
- Switch (3-9-21)
- Telecommunications Association of Michigan (2-24-21)

The following entities indicated support for Senate Bill 46 (2-24-21):

- AT&T Michigan
- Grand Rapids Chamber
- Michigan Chamber of Commerce
- Quicken Loans
- T-Mobile

Representatives of the following entities testified in opposition to the bills (2-24-21):

- Michigan Townships Association
- Michigan Municipal League

The following entities indicated opposition to the bills (2-24-21):

- Department of Treasury
- Michigan Association of School Boards

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.