

Ensuring Deployment of Communications Networks Through Tax Incentives

Most policymakers have identified broadband deployment and ubiquitous access to the Internet as key policy goals. Accordingly, as law makers look for ways to help ensure that all Americans can have affordable access to advanced communication services, specifically those that live in rural and outlying areas where the digital divide may still exist, tax incentives for the investments made in the infrastructure necessary to provide such services are an efficient and economical way to help further these critical policy goals. Providing tax incentives to help continue deployment of communications networks and technology will help strategically position your constituents to compete in the national and global economy.

Tax incentives are an efficient way to decrease the cost of deploying the infrastructure necessary to provide advanced communication services. With the intensely competitive nature of the communications industry today, specifically as evidenced by the wireless industry, economics are at the fore front of all network deployment decisions. Decreasing the cost to deploy network assets through tax incentives would substantially help advance continued deployment in the needed infrastructure to provide advanced communication services to more areas, particularly rural and outlying areas. It would also accomplish this task under the existing tax system and not by creating another subsidy type program, which would incur additional government costs to administer.

A few of the options that the state of North Dakota could consider are -

- **Providing and exemption under the sales & use taxes for communications network equipment** – Given that wireless services are taxed under the general sales tax in North Dakota, the equipment used to produce the taxable service should be exempt from the same tax. This would avoid “pyramiding” of taxes, which ultimately increases the cost to deploy network assets, ultimately increasing the cost to provide such services to consumers. Eliminating this additional cost will help ensure deployment of the infrastructure to more areas.
- **Providing an income tax credit for the investment made in communications assets** – provide an investment credit of a stated percentage of the cost the communications equipment deployed during the tax year. The remaining portion of the cost of the equipment would then follow the normal depreciation schedule. This particular tax incentive is much easier to restrict or target to specific areas where the infrastructure might be deployed.

Advanced communication facilities allow consumers the ability to access information and commerce, providing a gateway of opportunities for all Americans. Deployment of advanced communications systems is critical to ensure that these opportunities are provided to small- and medium-sized business and consumers in outlying and more rural areas, which will have significant impact on the American economy. These facilities are the gateway to entrepreneurship, regardless of race, income or neighborhood. Thousands of small businesses, many minority owned, have been born because of the Internet and the ability to access advanced communications systems. Efficient infrastructure deployment will be critical to providing that access, when decisions are based upon economic models.

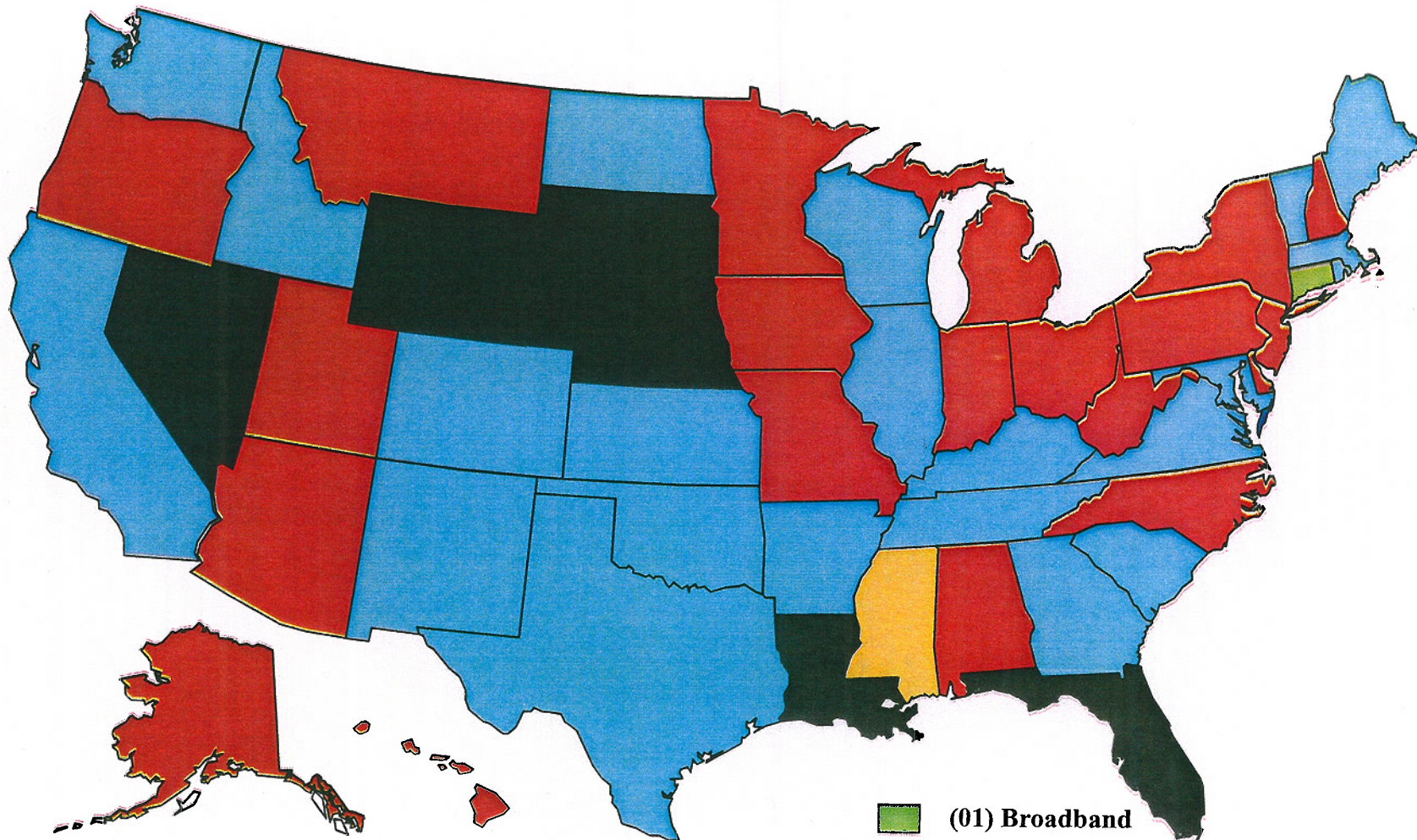
Advanced communication facilities will improve the education level of our children, allowing families greater access to information services through the Internet at home.

Deployment of advanced communications systems is critical to help expand the educational opportunities children can receive through the state education system as well as at home.

Distance learning opportunities are also dependent on access to advanced communications systems and efficient and economical infrastructure deployment is critical to providing that access.

Reducing the cost of infrastructure deployment through tax incentives will also help spur competition in the communications industry. Continuing to facilitate deployment of advanced communication services through tax incentives will help promote competition by allowing more providers the ability to enter more markets. Increased competition, as well as reduced deployment costs, will also help reduce the cost of providing advanced communication services to consumers. This will help increase demand for such services, which will in turn bring in more revenue to the overall economy.

Telecommunications/Manufacturing Equipment Sales Tax Exemptions



-  (01) Broadband
-  (20) Mfg & Telco Exempt or No Tax
-  (22) Mfg Only
-  (06) No Exemption for Mfg or Telco
-  (02) Telecom Only (MS & DC)