H-1821.1

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**HOUSE BILL 1702**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Representatives Boehnke, Abbarno, Chambers, Graham, Sutherland, and Eslick

AN ACT Relating to accelerating broadband connectivity for Washington; adding new sections to chapter 82.04 RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating new sections; and providing expiration dates.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  In 2019, Washington state set an ambitious statutory broadband internet connectivity goal that every residence and business have access to broadband with 150 megabits per second minimum download and upload speeds by 2028. When establishing that goal, the legislature observed that broadband is critical to full participation in society and the modern economy and recognized that reaching the goal would require additional and sustained investment, research, local and community participation, and public-private partnerships. In 2020, the legislature passed legislation recognizing that digital exclusion carries an immense societal and economic cost for Washingtonians, harming opportunities for economic success and exacerbating existing wealth and income gaps. In 2021, the legislature took steps to increase the authority of local governments to provide retail broadband service.

Given the critical functions that broadband serves and the inequity of digital exclusion, the legislature intends to use additional policy tools to enhance the private sector's ability to partner in reaching state goals. The legislature finds it appropriate to recognize the value and necessity of private sector telecommunications providers to accelerate broadband connectivity and rapid achievement of the state broadband goal.

First, the legislature finds that it would be helpful to support the emerging innovations in low earth orbit satellites, which is a technology that can provide the necessary broadband speed to rural residents who may lack a wireline or wireless option. Second, the legislature finds that it would facilitate more public-private partnerships and more affordable connectivity, to lower the cost of new wireline and wireless broadband connections through a business and occupation tax credit offered per new residential connection that meets Washington state service standards.

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) This chapter does not apply to the value of products or the gross proceeds of sales derived from:

(a) Manufacturing low earth orbit satellites or their components used to provide broadband service to a residence or business;

(b) Manufacturing antennae or other hardware for receiving satellite broadband signals at a residence or business; or

(c) Research and development activities in satellite manufacturing, launch, and communications.

(2) A person claiming the exemption provided in this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(3) This section expires December 31, 2027.

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) Subject to the limitations in this section, a credit is allowed against the tax imposed under this chapter to a broadband service provider who newly serves residences with broadband service in support of the residential state broadband service access goals established under RCW 43.330.536.

(a) Beginning January 1, 2022, through December 31, 2023, a credit under this section equal to $100 is allowed for each Washington residence newly served by broadband service that meets or exceeds the minimum download speeds and upload speeds as provided under the state broadband goal established in RCW 43.330.536(1). The credit under this subsection (1)(a) only applies to broadband service provided to a residence that did not previously have broadband service that meets or exceeds the broadband service speeds provided under RCW 43.330.536(1).

(b) Beginning January 1, 2022, through December 31, 2027, a credit under this section equal to $100 is allowed for each Washington residence newly served by broadband service that meets or exceeds the minimum download speeds and upload speeds as provided under the state broadband goal established in RCW 43.330.536(3). The credit under this subsection (1)(b) only applies to broadband service provided to a residence that did not previously have broadband service that meets or exceeds the broadband service speeds provided under RCW 43.330.536(3).

(2) A person claiming the credit under this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(3) This section expires January 1, 2028.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to:

(a) The sale of machinery and equipment used in the manufacture of low earth orbit satellites or their components used to provide broadband service to a residence or business; and

(b) The satellite broadband components sold with that broadband service that are needed for receiving the broadband signal.

(2) This section expires December 31, 2027.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The provisions of this chapter do not apply in respect to:

(a) The use of machinery and equipment used in the manufacture of low earth orbit satellites or their components used to provide broadband service to a residence or business; and

(b) The satellite broadband components sold with that broadband service that are needed for receiving the broadband signal.

(2) This section expires December 31, 2027.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 2, 3, 4, and 5, chapter . . ., Laws of 2022 (sections 2, 3, 4, and 5 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preferences. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes the tax preferences in sections 2, 3, 4, and 5 of this act as ones intended to improve industry competitiveness, as indicated in RCW 82.32.808(2)(b), and provide tax relief for certain businesses or individuals, as indicated in RCW 82.32.808(2)(e).

(3) It is the legislature's specific public policy objective to:

(a) For the tax preferences contained in sections 2, 4, and 5 of this act, improve industry competitiveness and innovation in the emerging satellite broadband service industry in order to assist these service providers in scaling up to meet consumer demand, and ultimately keeping costs low for consumers. It is the legislature's intent to increase, year-over-year, the cumulative tax relief provided to the satellite broadband service industry for the purpose of increasing rates of investment and the number of tax preference beneficiaries in order to grow the satellite broadband service industry cluster in Washington.

(b) For the tax preference contained in section 3 of this act, incentivize local, regional, and national telecommunications companies to choose to deploy capital in Washington in the near term and direct that capital toward connecting the unserved and underserved.

(4) In order to obtain the data necessary to perform a review of:

(a) The tax preferences contained in sections 2, 4, and 5 of this act, the joint legislative audit and review committee may refer to the number of Washington based sales, if any, of broadband service to a residence or business installation antennae or related satellite broadband signal receiving kits. In addition, for the tax preference contained in section 2 of this act, the data to be collected is the amount of tax relief claimed.

(b) The tax preference contained in section 3 of this act, the joint legislative audit and review committee may refer to the number of new residences connected with qualifying service.

(5) The legislature intends for the tax preferences to expire as of January 1, 2028.

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