



## **Support the Broadband Grant Tax Treatment Act to Maximize Investment in High-Speed Networks!**

Congress has directly appropriated over \$50 billion in broadband investment over the past several years. States and local governments are directing hundreds of millions of additional federal dollars toward the goal of ensuring all households have a connection to the Internet and that all anchor institutions and businesses have high speed broadband as well.

### **The Problem**

Without a change to the tax code, recipients of broadband funding will face a hefty tax bill. This could divert money meant for broadband buildout back to the federal government or could discourage some entities from participating in these federal programs in the first place.

### **The Solution**

The Broadband Grant Tax Treatment Act (S. 341/H.R. 889), has been introduced by Senators Mark Warner (D-VA) and Jerry Moran (R-KS) in the Senate and Representatives Mike Kelly (R-PA) and Jimmy Panetta (D-CA) in the House of Representatives. This bipartisan, bicameral legislation exempts broadband deployment grants awarded through the Infrastructure Investment and Jobs Act (IIJA) and the American Rescue Plan (ARP) from a recipient's income to ensure every dollar appropriated for broadband goes toward network expansion.

### **Frequently Asked Questions:**

#### **Why is this tax relief needed?**

It is a Congressional priority that all Americans get connected to the Internet. Estimates of how much that would cost have varied, but if recipients of broadband deployment grants have to divert a portion of grant money from network construction to paying taxes, it will be harder to reach the goal of universal connectivity.

#### **What broadband grant programs are affected by the legislation?**

- NTIA's Broadband Equity, Access, and Deployment Program
- NTIA's Enabling Middle Mile Broadband Infrastructure Program
- NTIA's State Digital Equity Capacity Grant Program and Digital Equity Competitive Grant Program
- NTIA's Tribal Broadband Connectivity Program
- NTIA's Broadband Infrastructure Program
- USDA's ReConnect Program and Distance Learning and Telemedicine Program
- Coronavirus State and Local Fiscal Recovery Funds
- Coronavirus Capital Projects Fund

#### **What are the federal budgetary effects of this legislation?**

In the long-term, this legislation has no net impact on federal revenues. While this bill will reduce federal income tax revenue at first, this is only due to timing. Under current law the grants are income in the year of receipt, but depreciation expense is allowed over the life of the assets constructed with the grant. This is typically 15 years or less.

#### **How does current law affect broadband grants?**

Under current law, grants for any purpose are counted as income of the recipient. However, bonus depreciation provisions enacted during the COVID-19 pandemic allowed grant recipients to mitigate the immediate tax liabilities. The bonus depreciation provisions are set to begin phasing out in 2023, which will result in an increasing amount of tax being paid on federal grants.