

## Broadband Internet Access Tax Credit

### Service Providers of Broadband Internet Access to Tier 3 and 4 Counties May Receive a Tax Credit

The Tennessee Broadband Accessibility Act, Public Chapter 228 (2017), provides that taxpayers may receive a franchise and excise tax credit of 6% of the purchase price of qualified equipment placed into service in Tier 3 and Tier 4 enhancement counties<sup>1</sup> on or after April 24, 2017, subject to appropriations and limitations.

#### Credit Limitations

The credit a taxpayer takes for any one year may not exceed 50% of its total franchise and excise tax liability. Any unused credit may be carried forward for no more than 15 years.

The aggregate credit given in any calendar year is capped at \$5 million dollars. If the total credit claimed by all taxpayers exceeds this cap, then the credit will be proportionately shared among taxpayers.

#### Qualified Equipment

Qualified broadband internet access equipment is new equipment placed into service by a service provider to provide broadband internet access services at minimum download speeds of 25 megabits per second and minimum upload speeds of three megabits per second to locations in a Tier 3 or Tier 4 enhancement county. It includes, but is not limited to, asynchronous transfer mode switches, digital subscriber line access multiplexers, routers,

servers, multiplexers, other electronic equipment, fiber optic and copper cables, transmission facilities, and related equipment and property used directly or indirectly to transmit broadband signals.

#### Application for Broadband Internet Access Credit

Taxpayers who would like to claim this credit must file an [Application for Broadband Internet Access Credit](#) form by October 15 following the calendar year the qualified equipment was *placed into service*. For example, equipment placed into service in calendar year one would be reported on the application filed by October 15 of calendar year two. Equipment erroneously omitted from an application may not be claimed on a later application.

Applicants must attach a list of the equipment, including equipment description, date purchased, dated placed in service, equipment purchase price, and location, to the application.

The Department of Revenue will notify applicants by letter of the amount of credit they are allowed by the December 15 following the October 15 application deadline. A taxpayer may claim the allowed credit on its first tax return with a tax period end date after the date of the December 15 notification letter.

For example, a taxpayer places qualified equipment into service on October 9, 2017. The taxpayer includes the purchase price of the equipment in the application that is due October 15, 2018. The Department will notify the taxpayer of the amount of credit allowed by December 15, 2018. The credit

<sup>1</sup> A list of enhancement counties is published annually by the Department of Economic and Community Development.

may be claimed on the January 1, 2018 – December 31, 2018, return that is filed in 2019 (the return for the first tax reporting period that ended after December 15, 2018).

### **Record Retention**

The Department is authorized to conduct audits or require the filing of additional information necessary to substantiate or adjust the amount of the credit taken by a taxpayer. Taxpayers should retain records to support the representations made on the application, including purchase invoices.

### **For More Information**

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents.

### **References**

Tenn. Code Ann. §§ 67-4-2009(9), 67-4-2109(a);  
Public Chapter 228 (2017)