

HB442 - Income Tax - Subtraction Modification - Qu

Uploaded by: Charlotte Davis

Position: FAV



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Susan O'Neill, Chair

Charlotte Davis, Executive Director

Testimony in Support of
House Bill 442 – Income Tax - Subtraction Modification - Qualified Broadband Grants
Ways and Means Committee
February 16, 2023

The Rural Maryland Council **supports** House Bill 442 – Income Tax - Subtraction Modification - Qualified Broadband Grants. This bill will allow a subtraction modification under the Maryland income tax for certain qualified broadband grants awarded during the taxable year for broadband deployment; and generally relating to tax incentives for broadband deployment.

Passage of this bill will help expand access to broadband throughout the State. Incentives in tax policy will help to lower the overall cost of infrastructure expansion. Many telecom companies borrow to invest in new markets or expand within existing ones. The subtraction modification will incentivize companies to take on debt capital, especially in markets and investments where there is no immediate return. Debt for financing new facilities, operational expenses (e.g., pole attachments, digging), equipment, and working capital can support more rapid deployment of rural broadband. (<https://www.brookings.edu/blog/techtank/2017/11/06/tax-reform-can-support-rural-broadband/>)

The lack of broadband access is one of the greatest concerns in rural Maryland. Having access to fast and reliable internet has become increasingly essential over the past several years and even more so during the recent pandemic. Many children must now rely on the internet to attend class and complete schoolwork, and more adults are now working from home. Other services such as telehealth visits have also become more popular, allowing patients to have medical examinations administered from the safety of their homes when transportation options are limited. In a time of growing dependency on technology, these trends are certain to continue.

The Federal government has already allocated more than \$72 billion for broadband development and infrastructure. At the end of 2021, President Joe Biden signed into law the Infrastructure Investment and Jobs Act (“IIJA”), a major infrastructure investment that included \$65 billion allocated for broadband development, particularly in rural and underserved communities. According to the Maryland Office of Statewide Broadband, as of December 15, 2022, the office has distributed \$23,200,000 in broadband expansion grants, \$130,100,000 in infrastructure grants and \$29,100,000 in additional broadband grants.

Providers report that existing tax obligations make many rural and underserved areas with fewer financial resources ineligible “due to their inability to meet the financial sustainability requirement” and pay taxes on the grant. (<https://www.jdsupra.com/legalnews/tax-exemption-for-federal-broadband-2322681/>) Location or income should not determine whether an individual or business has access to an important resource such as highspeed internet. We ask for your favorable support of House Bill 442.

The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.

“A Collective Voice for Rural Maryland”

MD HB 442 Income Tax- Qualified Broadband Grants -

Uploaded by: Darrin Youker

Position: FAV



February 16, 2023

To: House Ways and Means Committee

From: Horizon Farm Credit

Bill: **HB 442 – Income Tax Subtraction Modification- Qualified Broadband Grants**

Position: **SUPPORT**

Horizon Farm Credit is a member-owned cooperative supporting rural communities and agriculture with reliable, consistent credit and financial services throughout our five-state lending territory in good times and bad. With over \$6 billion dollars in loans outstanding to nearly 23,000 member-owners representing the full range of agriculture, we are one of the largest agricultural lenders on the East Coast.

HB 442 will exclude grants awarded for broadband expansion from state taxes. Such a move would allow companies in the business of deploying broadband to further invest more of their capital into the infrastructure needed to connect more Maryland communities to reliable broadband service. The expedited deployment of rural broadband is a critical component of economic growth and can help provide Maryland farms and agribusinesses the tools necessary to adopt the latest technology.

Technology continues to enhance agriculture's efficiency and many of these advances are supported by a strong backbone of broadband infrastructure. Maryland farmers embrace precision agriculture that allows them to reduce fertilizer and pesticide use, but those systems require strong internet connectivity. Modern barns can be controlled remotely to allow for increased heating or cooling, depending on the outdoor temperatures, but again those applications require broadband infrastructure. And on the day-to-day tasks of running a business, like monitoring markets, digital banking, or social media promotion of their products, farmers need reliable broadband service.

Horizon Farm Credit SUPPORTS HB 442.

For more information, please contact Darrin Youker at 717-634-0004 or dyouker@horizonfc.com.

HB442 Testimony 2023.pdf

Uploaded by: Isadora Stern

Position: FAV



**Testimony to the House Ways and Means Committee
HB442: Income Tax - Subtraction Modification - Qualified Broadband Grants
Position: Favorable**

February 16 , 2023

Honorable Delegate Atterbeary, Chair
House Ways and Means Committee
131, House Office Building
Annapolis, Maryland 21401

cc: Members, Ways and Means Committee

Honorable Chair Atterbeary and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are in strong support of HB442.

Broadband is essential infrastructure. It is necessary for civic and cultural participation, employment, lifelong learning and access to essential services. However, like other vital infrastructure, broadband is not ubiquitous. Hundreds of thousands of households in Maryland are without internet. Expensive subscription plans tend to keep people offline in urban areas, while poor network quality often discourages subscription in rural areas. Both problems are common throughout the state.¹

While digital adoption in rural areas is an issue, the weight of these gaps fall heavily in urban and metro areas and among African American households. There are 206,000 African American households without wireline broadband service connection in Maryland, or nearly 40% of all disconnected households.² This poses a racial equity issue as access to the internet affects a wide range of factors that impact health and life outcomes.³

The COVID-19 pandemic has exposed a number of shortcomings in the nation's social infrastructure, one of which is access to the internet. Those without internet access were excluded when school moved exclusively online and medical appointments relied primarily on telehealth. This underlines the need for digital inclusion – ensuring people can get online from home, with the digital hardware and skills to enable participation in society.⁴

¹ <https://communitydevelopmentmd.org/digital-inclusion>

² https://abell.org/wp-content/uploads/2022/02/2020_Abell_digital20inclusion_full20report_FINAL-web.pdf

³ <https://www.fcc.gov/health/SDOH>

⁴ <https://abell.org/publication/disconnected-in-maryland/>

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ID 52-2266235



Economic Action Maryland provides a number of direct service programs. Several of these programs are accessible online, however a number of our clients are older adults who do not have the skills to navigate services online. For the past five years, Economic Action Maryland's SOAR (Securing Older Adult Resources) program has led efforts to promote the Homeowners' Tax Credit as well as the Renters' Tax Credit. We extensively market the program, train service providers, VITA staff, and others how to screen for it, and partner with older-adult, legal services, and financial providers to increase the number of applicants each year. In 2022, Economic Action Maryland returned \$88,243.42 in tax credits to financially fragile older adults. Many of our clients would not have been able to access these benefits without direct assistance because the online application poses such a great obstacle.

This is one of many examples that demonstrate the strong relationship between broadband access and economic well being and the people left behind without digital equity. If broadband is essential infrastructure, then regulation and public policy should support every American community having equitable access to broadband and the skills necessary to use it.

For all these reasons we support HB442 and urge a favorable report.

Best,

Isadora Stern
Policy Manager

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ID 52-2266235

Economic Action Maryland is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.

House Bill 442 Quantum Letter 20230214.pdf

Uploaded by: Kevin Brown

Position: FAV

To: The Ways and Means Committee

Regarding: House Bill 442

Submitted By: Quantum Internet and Telephone
Kevin W. Brown, President

Quantum Internet and Telephone is a local Maryland small business that has been providing service to Carroll County and the Baltimore area since 1995. For many years we have wanted to be able to provide service to rural areas, but the costs to do so were extremely high, and the very low return on investment was too challenging to overcome.

We were recently awarded significant grants by the State and Carroll County to help fix the rural digital divide in Carroll County. Current tax law requires that these grants be recognized as income and therefore subject to income tax, even though these funds will be immediately expended to build rural broadband Internet. Paying these taxes will be a great hardship for us, as it will take many years to earn enough money from the subscribers to the network we are building to pay these taxes. These taxes will cause us to use funds that could otherwise be used to build more rural broadband. We may also need to go deep into debt to pay these taxes, or possibly even sell part (or all) of our company. We shouldn't have to take such extraordinary measures to utilize these grants.

House Bill 442 will do a lot to help small businesses like Quantum to be able to use federal and state grants to provide services to rural areas. However, in order to eliminate all the tax problems related to these grants, the U.S. Congress needs to pass the Broadband Grant Tax Treatment Act . In that way, all income taxes will no longer apply to the grants, and all rural projects will become profitable. It would be very helpful if Maryland US Representatives and Senators could be encouraged to support this act in the US Congress.

Quantum fully supports House Bill 442, and any other broadband incentive act that may be submitted that provide the same benefits as House Bill 442 provides.

Thank you for what you do for Maryland,



Kevin W. Brown, President
Quantum Telecommunications, Inc
d/b/a Quantum Internet and Telephone

Quantum Internet Services, Inc. Quantum Telecommunications, Inc.

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Support- HB 442- Income Tax - Subtraction Modifica

Uploaded by: Matthew Teffeu

Position: FAV



**Choptank Electric
Cooperative**

A Touchstone Energy[®]
Cooperative 

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February 16, 2023

The Honorable Vanessa E. Atterbeary
11 Bladen Street
Annapolis, MD 21401

Re: **Support- HB 442-** Income Tax - Subtraction Modification - Qualified Broadband Grants

Dear Chairwoman Atterbeary and Members of the Committee:

Founded in 1938, Choptank Electric Cooperative is a not-for-profit organization that exists to provide reliable and cost-effective electricity. This service improves the quality of life for our 55,188 member-owners.

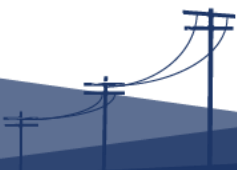
As a cooperative, Choptank Electric maintains a deep commitment to the communities it serves, which covers about two-thirds of Maryland's Eastern Shore. Economic development, especially in our rural areas, is necessary in providing additional resources to our schools and communities, and in improving the livelihood of all residents. Choptank Fiber, LLC is a wholly owned broadband subsidiary of Choptank Electric Cooperative. Choptank Fiber's goal is to install true Gigabit broadband with no data caps one community at a time until we serve all our underserved members on the Eastern Shore.

HB 442, seeks to bring economic vitality and utilize federal grant dollars to bridge the digital divide in Maryland. Cooperatives throughout the country, including Choptank, are committed to guaranteeing access to quality high-speed internet services. **HB 442** will ensure that broadband deployment reaches every corner of our state in a pertinent manner.

Choptank Electric Cooperative and its member-owners ask you to support **HB 442**.

Sincerely,

Matt Tefteau
Manager of Government Affairs and Economic Development
Choptank Electric Cooperative



Members First. Every Day.

HB 442 Subtraction Modification Qualified Broadban

Uploaded by: Tammy Bresnahan

Position: FAV



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HB 442 Income Tax - Subtraction Modification - Qualified Broadband Grants

House Ways and Means Committee

FAVORABLE

February 16, 2023

Good afternoon Chair Atterbeary and members of the House and Means Committee. My name is Tammy Bresnahan. I am the Senior Director of Advocacy for AARP MD. AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Key priorities of our organization include helping all Marylanders achieve financial and health security. AARP MD and its almost 870,000 members support **HB 442 Income Tax - Subtraction Modification - Qualified Broadband Grants**. AARP is working hard to strengthen retirement security for all Americans by ensuring that workers and retirees have access to services and resources they need to age in place.

HB 442 allows a subtraction modification under the Maryland income tax for qualified broadband grants awarded during the taxable year for broadband deployment.

Everyone should have affordable and reliable high-speed internet access in the home, regardless of such factors as geography, race, ethnicity, income, age, and ability level. This includes people living in underserved communities where high-speed internet is not deployed, as well as those who cannot afford service where it is available. AARP believes that policymakers should consider using grants, loans, tax credits, and other incentives to ensure that as many people as possible receive the benefits of high-speed internet. These policies should incorporate consumer protections and should not shift costs or place an unfair burden on taxpayers or ratepayers.

AARP Maryland looks forward to working with all of you in enacting and implementing policies addressed in HB 442 - that preserve and support this economic engine. Addressing the digital divide requires a commitment to digital equity. That is, everyone—regardless of factors such as age, race, ethnicity, ability level, and geography—should have access to affordable, reliable high-speed internet service.

AARP Maryland respectfully requests a favorable report for HB 442. Thank you! For questions or additional information, please feel free to contact Tammy Bresnahan, Senior Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451.

