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Susan O'Neill, Chair

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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”