The Pointless, Poorly Designed, Misleadingly Advertised Broadband Tax Credit

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Spoiler alert: I have nothing good to say about the broadband operations and maintenance tax credit. Whining to follow.

It is probably easiest to just start with the legislative language proposed for inclusion in the Ways & Means portion of the reconciliation bill:

Sec. 135111. Credit for operations and maintenance costs of government-owned broadband.

This provision creates a 30% tax credit for State, local, and tribal governments for the operations and maintenance costs of government owned broadband systems. To be eligible for the credit the broadband service must provide a download speed of at least 25 Mbps and an upload speed of at least 3 Mbps. Expenses taken into account for purposes of this credit are capped at $400 per newly subscribed household living within a low-income community. This credit phases down to 26% in 2027, 24% in 2028, and expires at the beginning of 2029.

What the heck is going on? Just a few things:

1. State, local, and tribal governments are <u>not</u> taxable entities, so “tax credit” makes no sense. (It does, however, serve to give Ways & Means jurisdiction over this policy.) It’s probably best thought of as a check. Strike one for false advertising.
2. It clearly tilts the competitive playing field in favor of “government-owned” networks (GONs). Why does it make sense to allow an inefficient GON with higher operating and maintenance costs to get a leg up on competing with private providers? Strike two for poor economic policy.
3. It probably won’t amount to much. The government would get a check for 30 percent of the qualified costs. But the total can’t exceed $400 per low-income subscriber in a low-income community (census tracts where the poverty level exceeds 20 percent). So, if a GON was built in such a community and it had 10 households subscribing, the check would be capped at $4,000. Strike three for wasting our time on pointless efforts to bridge the digital divide.