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To amend the Internal Revenue Code of 1986 to provide an incentive to ensure that all Americans gain timely and equitable access to the Internet over current and future generations of broadband capability.

IN THE SENATE OF THE UNITED STATES

JANUARY 22, 2001

Mr. ROCKEFELLER (for himself, Ms. SNOWE, Mr. KERRY, Mr. HATCH, Mr. BAUCUS, Mr. BURNS, Mr. HOLLINGS, Mr. BAYH, Mrs. BOXER, Mr. BROWNBACK, Mr. CLELAND, Mrs. CLINTON, Mr. CRAIG, Mr. DASCHLE, Mr. DEWINE, Mr. DODD, Mr. EDWARDS, Mr. ENZI, Mr. JOHNSON, Mr. KENNEDY, Ms. LANDRIEU, Mrs. LINCOLN, Mr. MILLER, Mrs. MURRAY, Mr. ROBERTS, Mr. SCHUMER, Mr. THOMAS, Mr. WYDEN, Mr. HELMS, Mr. LEAHY, Mr. CONRAD, Mr. REID, and Mr. HARKIN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide an incentive to ensure that all Americans gain timely and equitable access to the Internet over current and future generations of broadband capability.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Broadband Internet
5 Access Act of 2001”.

1 **SEC. 2. FINDINGS AND PURPOSE.**

2 (a) FINDINGS.—The Congress finds the following:

3 (1) The Internet has been the single greatest
4 contributor to the unprecedented economic expansion
5 experienced by the United States over the last 8
6 years.

7 (2) Increasing the speed that Americans can ac-
8 cess the Internet is necessary to ensure the contin-
9 ued expansion.

10 (3) Today, most residential Internet users, es-
11 pecially those located in low income and rural areas,
12 are extremely limited in the type of information they
13 can send and receive over the Internet because their
14 means of access is limited to “narrowband” commu-
15 nications media, typically conventional phone lines at
16 a maximum speed of 56,000 bits per second.

17 (4) Similarly, small businesses in low income
18 and rural areas are also deprived of full information
19 access because of their dependence on narrowband
20 facilities.

21 (5) By contrast, many residential users located
22 in higher income urban and suburban areas and
23 urban business users can access the Internet from a
24 variety of carriers at current generation broadband
25 speeds in excess of 1,500,000 bits per second, giving

1 them a choice among carriers and high-speed access
2 to a wide array of audio and data applications.

3 (6) The result is a growing disparity in the
4 speed of access to the Internet and the opportunities
5 it creates between subscribers located in low income
6 and rural areas and subscribers located in higher in-
7 come urban and suburban areas.

8 (7) At the same time, experts project that,
9 under current financial and regulatory conditions,
10 the facilities needed to transmit next generation
11 broadband services over the Internet to residential
12 users at speeds in excess of 10,000,000 bits per sec-
13 ond will not be as ubiquitously available as is tele-
14 phone service until sometime between the years 2030
15 and 2040.

16 (8) Experts also believe that, under current fi-
17 nancial and regulatory conditions, the disparity in
18 access will be exacerbated with the deployment of
19 next generation broadband capability.

20 (9) The disparity in current broadband access
21 to the Internet, the slow pace of deployment of next
22 generation broadband capability, and the projected
23 disparity in access to such capability will likely prove
24 detrimental to economic expansion.

1 (10) It is, therefore, appropriate for Congress
2 to take action to narrow the current and future dis-
3 parity in the level of broadband access to the Inter-
4 net, and to accelerate deployment of next generation
5 broadband capability.

6 (b) PURPOSE.—The purpose of this Act is to accel-
7 erate deployment of current generation broadband access
8 to the Internet for users located in certain low income and
9 rural areas and to accelerate deployment of next genera-
10 tion broadband access for all Americans.

11 **SEC. 3. BROADBAND CREDIT.**

12 (a) IN GENERAL.—Subpart E of part IV of chapter
13 1 of the Internal Revenue Code of 1986 (relating to rules
14 for computing investment credit) is amended by inserting
15 after section 48 the following new section:

16 **“SEC. 48A. BROADBAND CREDIT.**

17 “(a) GENERAL RULE.—For purposes of section 46,
18 the broadband credit for any taxable year is the sum of—

19 “(1) the current generation broadband credit,
20 plus

21 “(2) the next generation broadband credit.

22 “(b) CURRENT GENERATION BROADBAND CREDIT;
23 NEXT GENERATION BROADBAND CREDIT.—For purposes
24 of this section—

1 “(1) CURRENT GENERATION BROADBAND
2 CREDIT.—The current generation broadband credit
3 for any taxable year is equal to 10 percent of the
4 qualified expenditures incurred with respect to quali-
5 fied equipment delivering current generation
6 broadband services to rural subscribers or under-
7 served subscribers and taken into account with re-
8 spect to such taxable year.

9 “(2) NEXT GENERATION BROADBAND CRED-
10 IT.—The next generation broadband credit for any
11 taxable year is equal to 20 percent of the qualified
12 expenditures incurred with respect to qualified
13 equipment delivering next generation broadband
14 services to all rural subscribers, all underserved sub-
15 scribers, or any other residential subscribers and
16 taken into account with respect to such taxable year.

17 “(c) WHEN EXPENDITURES TAKEN INTO AC-
18 COUNT.—For purposes of this section—

19 “(1) IN GENERAL.—Qualified expenditures with
20 respect to qualified equipment shall be taken into ac-
21 count with respect to the first taxable year in
22 which—

23 “(A) current generation broadband services
24 are delivered through such equipment to rural
25 subscribers or underserved subscribers, or

1 “(B) next generation broadband services
2 are delivered through such equipment to rural
3 subscribers, underserved subscribers, or any
4 other residential subscribers.

5 “(2) DELIVERY OF SERVICES.—For purposes of
6 paragraph (1), the delivery of current generation
7 broadband services or next generation broadband
8 services through qualified equipment occurs when
9 such class of service is purchased by and provided
10 to at least 10 percent of the subscribers described in
11 subsection (b) which such equipment is capable of
12 serving through the legal or contractual area access
13 rights or obligations of the provider.

14 “(d) SPECIAL ALLOCATION RULES.—

15 “(1) CURRENT GENERATION BROADBAND SERV-
16 ICES.—For purposes of determining the current gen-
17 eration broadband credit under subsection (a)(1)
18 with respect to qualified equipment through which
19 current generation broadband services are delivered,
20 if the qualified equipment is capable of serving both
21 the subscribers described under subsection (b)(1)
22 and other subscribers, the qualified expenditures
23 shall be multiplied by a fraction—

24 “(A) the numerator of which is the sum of
25 the total potential subscriber populations within

1 the rural areas and the underserved areas
2 which the equipment is capable of serving with
3 current generation broadband services, and

4 “(B) the denominator of which is the total
5 potential subscriber population of the area
6 which the equipment is capable of serving with
7 current generation broadband services.

8 “(2) NEXT GENERATION BROADBAND SERV-
9 ICES.—For purposes of determining the next genera-
10 tion broadband credit under subsection (a)(2) with
11 respect to qualified equipment through which next
12 generation broadband services are delivered, if the
13 qualified equipment is capable of serving both the
14 subscribers described under subsection (b)(2) and
15 other subscribers, the qualified expenditures shall be
16 multiplied by a fraction—

17 “(A) the numerator of which is the sum
18 of—

19 “(i) the total potential subscriber pop-
20 ulations within the rural areas and under-
21 served areas, plus

22 “(ii) the total potential subscriber
23 population of the area consisting only of
24 residential subscribers not described in
25 clause (i),

1 which the equipment is capable of serving with
2 next generation broadband services, and

3 “(B) the denominator of which is the total
4 potential subscriber population of the area
5 which the equipment is capable of serving with
6 next generation broadband services.

7 “(e) DEFINITIONS.—For purposes of this section—

8 “(1) ANTENNA.—The term ‘antenna’ means
9 any device used to transmit or receive signals
10 through the electromagnetic spectrum, including sat-
11 ellite equipment.

12 “(2) CABLE OPERATOR.—The term ‘cable oper-
13 ator’ has the meaning given such term by section
14 602(5) of the Communications Act of 1934 (47
15 U.S.C. 522(5)).

16 “(3) COMMERCIAL MOBILE SERVICE CAR-
17 RIER.—The term ‘commercial mobile service carrier’
18 means any person authorized to provide commercial
19 mobile radio service as defined in section 20.3 of
20 title 47, Code of Federal Regulations.

21 “(4) CURRENT GENERATION BROADBAND SERV-
22 ICE.—The term ‘current generation broadband serv-
23 ice’ means the transmission of signals at a rate of
24 at least 1,500,000 bits per second to the subscriber

1 and at least 200,000 bits per second from the sub-
2 scriber.

3 “(5) MULTIPLEXING OR DEMULTIPLEXING.—

4 The term ‘multiplexing’ means the transmission of 2
5 or more signals over a single channel, and the term
6 ‘demultiplexing’ means the separation of 2 or more
7 signals previously combined by compatible multi-
8 plexing equipment.

9 “(6) NEXT GENERATION BROADBAND SERV-

10 ICE.—The term ‘next generation broadband service’
11 means the transmission of signals at a rate of at
12 least 22,000,000 bits per second to the subscriber
13 and at least 5,000,000 bits per second from the sub-
14 scriber.

15 “(7) NONRESIDENTIAL SUBSCRIBER.—The

16 term ‘nonresidential subscriber’ means a person who
17 purchases broadband services which are delivered to
18 the permanent place of business of such person.

19 “(8) OPEN VIDEO SYSTEM OPERATOR.—The

20 term ‘open video system operator’ means any person
21 authorized to provide service under section 653 of
22 the Communications Act of 1934 (47 U.S.C. 573).

23 “(9) OTHER WIRELESS CARRIER.—The term

24 ‘other wireless carrier’ means any person (other than
25 a telecommunications carrier, commercial mobile

1 service carrier, cable operator, open video system op-
2 erator, or satellite carrier) providing current genera-
3 tion broadband services or next generation
4 broadband service to subscribers through the radio
5 transmission of energy.

6 “(10) PACKET SWITCHING.—The term ‘packet
7 switching’ means controlling or routing the path of
8 a digitized transmission signal which is assembled
9 into packets or cells.

10 “(11) PROVIDER.—The term ‘provider’ means,
11 with respect to any qualified equipment—

12 “(A) a cable operator,

13 “(B) a commercial mobile service carrier,

14 “(C) an open video system operator, or

15 “(D) a satellite carrier, telecommunications
16 carrier, or other wireless carrier,

17 providing current generation broadband services or
18 next generation broadband services to subscribers
19 through such qualified equipment.

20 “(12) QUALIFIED EQUIPMENT.—

21 “(A) IN GENERAL.—The term ‘qualified
22 equipment’ means equipment capable of pro-
23 viding current generation broadband services or
24 next generation broadband services at any time
25 to each subscriber who is utilizing such services.

1 “(B) ONLY CERTAIN INVESTMENT TAKEN
2 INTO ACCOUNT.—Except as provided in sub-
3 paragraph (C) or (D), equipment shall be taken
4 into account under subparagraph (A) only to
5 the extent it—

6 “(i) extends from the last point of
7 switching to the outside of the unit, build-
8 ing, dwelling, or office owned or leased by
9 a subscriber in the case of a telecommuni-
10 cations carrier,

11 “(ii) extends from the customer side
12 of the mobile telephone switching office to
13 a transmission/receive antenna (including
14 such antenna) owned or leased by a sub-
15 scriber in the case of a commercial mobile
16 service carrier,

17 “(iii) extends from the customer side
18 of the headend to the outside of the unit,
19 building, dwelling, or office owned or
20 leased by a subscriber in the case of a
21 cable operator or open video system oper-
22 ator, or

23 “(iv) extends from a transmission/re-
24 ceive antenna (including such antenna)
25 which transmits and receives signals to or

1 from multiple subscribers to a trans-
2 mission/receive antenna (including such
3 antenna) on the outside of the unit, build-
4 ing, dwelling, or office owned or leased by
5 a subscriber in the case of a satellite car-
6 rier or other wireless carrier, unless such
7 other wireless carrier is also a tele-
8 communications carrier.

9 “(C) PACKET SWITCHING EQUIPMENT.—

10 Packet switching equipment, regardless of loca-
11 tion, shall be taken into account under subpara-
12 graph (A) only if it is deployed in connection
13 with equipment described in subparagraph (B)
14 and is uniquely designed to perform the func-
15 tion of packet switching for current generation
16 broadband services or next generation
17 broadband services, but only if such packet
18 switching is the last in a series of such func-
19 tions performed in the transmission of a signal
20 to a subscriber or the first in a series of such
21 functions performed in the transmission of a
22 signal from a subscriber.

23 “(D) MULTIPLEXING AND

24 DEMULTIPLEXING EQUIPMENT.—Multiplexing
25 and demultiplexing equipment shall be taken

1 into account under subparagraph (A) only to
2 the extent it is deployed in connection with
3 equipment described in subparagraph (B) and
4 is uniquely designed to perform the function of
5 multiplexing and demultiplexing packets or cells
6 of data and making associated application
7 adaptations, but only if such multiplexing or
8 demultiplexing equipment is located between
9 packet switching equipment described in sub-
10 paragraph (C) and the subscriber's premises.

11 “(13) QUALIFIED EXPENDITURE.—

12 “(A) IN GENERAL.—The term ‘qualified
13 expenditure’ means any amount—

14 “(i) chargeable to capital account with
15 respect to the purchase and installation of
16 qualified equipment (including any up-
17 grades thereto) for which depreciation is
18 allowable under section 168, and

19 “(ii) incurred after December 31,
20 2001, and before January 1, 2006.

21 “(B) CERTAIN SATELLITE EXPENDITURES
22 EXCLUDED.—Such term shall not include any
23 expenditure with respect to the launching of
24 any satellite equipment.

1 “(14) RESIDENTIAL SUBSCRIBER.—The term
2 ‘residential subscriber’ means an individual who pur-
3 chases broadband services which are delivered to
4 such individual’s dwelling.

5 “(15) RURAL AREA.—The term ‘rural area’
6 means any census tract which—

7 “(A) is not within 10 miles of any incor-
8 porated or census designated place containing
9 more than 25,000 people, and

10 “(B) is not within a county or county
11 equivalent which has an overall population den-
12 sity of more than 500 people per square mile of
13 land.

14 “(16) RURAL SUBSCRIBER.—The term ‘rural
15 subscriber’ means a residential subscriber residing in
16 a dwelling located in a rural area or nonresidential
17 subscriber maintaining a permanent place of busi-
18 ness located in a rural area.

19 “(17) SATELLITE CARRIER.—The term ‘sat-
20 ellite carrier’ means any person using the facilities
21 of a satellite or satellite service licensed by the Fed-
22 eral Communications Commission and operating in
23 the Fixed-Satellite Service under part 25 of title 47
24 of the Code of Federal Regulations or the Direct
25 Broadcast Satellite Service under part 100 of title

1 47 of such Code to establish and operate a channel
2 of communications for point-to-multipoint distribu-
3 tion of signals, and owning or leasing a capacity or
4 service on a satellite in order to provide such point-
5 to-multipoint distribution.

6 “(18) SUBSCRIBER.—The term ‘subscriber’
7 means a person who purchases current generation
8 broadband services or next generation broadband
9 services.

10 “(19) TELECOMMUNICATIONS CARRIER.—The
11 term ‘telecommunications carrier’ has the meaning
12 given such term by section 3(44) of the Communica-
13 tions Act of 1934 (47 U.S.C. 153(44)), but—

14 “(A) includes all members of an affiliated
15 group of which a telecommunications carrier is
16 a member, and

17 “(B) does not include a commercial mobile
18 service carrier.

19 “(20) TOTAL POTENTIAL SUBSCRIBER POPU-
20 LATION.—The term ‘total potential subscriber popu-
21 lation’ means, with respect to any area and based on
22 the most recent census data, the total number of po-
23 tential residential subscribers residing in dwellings
24 located in such area and potential nonresidential

1 subscribers maintaining permanent places of busi-
2 ness located in such area.

3 “(21) UNDERSERVED AREA.—The term ‘under-
4 served area’ means any census tract which is located
5 in—

6 “(A) an empowerment zone or enterprise
7 community designated under section 1391,

8 “(B) the District of Columbia Enterprise
9 Zone established under section 1400,

10 “(C) a renewal community designated
11 under section 1400E, or

12 “(D) a low-income community designated
13 under section 45D.

14 “(22) UNDERSERVED SUBSCRIBER.—The term
15 ‘underserved subscriber’ means a residential sub-
16 scriber residing in a dwelling located in an under-
17 served area or nonresidential subscriber maintaining
18 a permanent place of business located in an under-
19 served area.

20 “(f) DESIGNATION OF CENSUS TRACTS.—The Sec-
21 retary shall, not later than 90 days after the date of the
22 enactment of this section, designate and publish those cen-
23 sus tracts meeting the criteria described in paragraphs
24 (15) and (21) of subsection (e).”.

1 (b) CREDIT TO BE PART OF INVESTMENT CREDIT.—
2 Section 46 of the Internal Revenue Code of 1986 (relating
3 to the amount of investment credit) is amended by striking
4 “and” at the end of paragraph (2), by striking the period
5 at the end of paragraph (3) and inserting “, and”, and
6 by adding at the end the following new paragraph:

7 “(4) the broadband credit.”

8 (c) SPECIAL RULE FOR MUTUAL OR COOPERATIVE
9 TELEPHONE COMPANIES.—Section 501(c)(12)(B) of the
10 Internal Revenue Code of 1986 (relating to list of exempt
11 organizations) is amended by striking “or” at the end of
12 clause (iii), by striking the period at the end of clause (iv)
13 and inserting “, or”, and by adding at the end the fol-
14 lowing new clause:

15 “(v) from sources not described in
16 subparagraph (A), but only to the extent
17 such income does not in any year exceed
18 an amount equal to the credit for qualified
19 expenditures which would be determined
20 under section 48A for such year if the mu-
21 tual or cooperative telephone company was
22 not exempt from taxation.”

23 (d) CONFORMING AMENDMENT.—The table of sec-
24 tions for subpart E of part IV of subchapter A of chapter
25 1 of the Internal Revenue Code of 1986 is amended by

1 inserting after the item relating to section 48 the following
2 new item:

“Sec. 48A. Broadband credit.”

3 (e) REGULATORY MATTERS.—

4 (1) PROHIBITION.—No Federal or State agency
5 or instrumentality shall adopt regulations or rate-
6 making procedures that would have the effect of
7 confiscating any credit or portion thereof allowed
8 under section 48A of the Internal Revenue Code of
9 1986 (as added by this section) or otherwise sub-
10 verting the purpose of this section.

11 (2) TREASURY REGULATORY AUTHORITY.—It is
12 the intent of Congress in providing the broadband
13 credit under section 48A of the Internal Revenue
14 Code of 1986 (as added by this section) to provide
15 incentives for the purchase, installation, and connec-
16 tion of equipment and facilities offering expanded
17 broadband access to the Internet for users in certain
18 low income and rural areas of the United States, as
19 well as to residential users nationwide, in a manner
20 that maintains competitive neutrality among the var-
21 ious classes of providers of broadband services. Ac-
22 cordingly, the Secretary of the Treasury shall pre-
23 scribe such regulations as may be necessary or ap-
24 propriate to carry out the purposes of section 48A
25 of such Code, including—

1 (A) regulations to determine how and when
2 a taxpayer that incurs qualified expenditures
3 satisfies the requirements of section 48A of
4 such Code to provide broadband services, and

5 (B) regulations describing the information,
6 records, and data taxpayers are required to pro-
7 vide the Secretary to substantiate compliance
8 with the requirements of section 48A of such
9 Code.

10 Until the Secretary prescribes such regulations, tax-
11 payers may base such determinations on any reason-
12 able method that is consistent with the purposes of
13 section 48A of such Code.

14 (f) EFFECTIVE DATES.—

15 (1) IN GENERAL.—Except as provided in para-
16 graph (2), the amendments made by this section
17 shall apply to expenditures incurred after December
18 31, 2001.

19 (2) SPECIAL RULE.—The amendments made by
20 subsection (e) shall apply to amounts received after
21 December 31, 2001.

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