

**141.391 Nonrefundable tax credit for expansion of broadband services.**

- (1) As used in this section:
  - (a) "Eligible equipment or services" means the equipment used in the expansion of broadband services in Kentucky and includes:
    1. Wires, cables, fiber, conduits, antennas, poles, switches, routers, amplifiers, rectifiers, repeaters, receivers, multiplexers, transmitters, circuit cards, insulating and protective materials and cases, power equipment, backup power equipment, diagnostic equipment, storage devices, and modems;
    2. General central office or headend equipment, including:
      - a. Channel cards;
      - b. Frames; and
      - c. Cabinets;
    3. Equipment used in successor technologies, including items used to monitor, test, maintain, enable, or facilitate:
      - a. Eligible equipment or services;
      - b. Machinery;
      - c. Software;
      - d. Ancillary components;
      - e. Appurtenances; and
      - f. Accessories; and
    4. Any other infrastructure that is used in whole or in part to provide or expand broadband communications services; and
  - (b) "Qualified broadband investment":
    1. Means the purchase or lease of any eligible equipment or services by any provider that Kentucky sales and use tax has been paid under KRS Chapter 139; and
    2. Does not include the purchase or lease of personal consumer electronics, including:
      - a. Smartphones;
      - b. Computers;
      - c. Tablets;
      - d. Consumer-grade modems; and
      - e. Routers.
- (2) For taxable years beginning on or after January 1, 2025, but before January 1, 2029, there is hereby created a qualified broadband investment tax credit to provide for the expansion of broadband services in this state.
- (3) (a) The credit in subsection (2) of this section shall be nonrefundable, nontransferable, and allowed against the tax imposed under KRS 141.020 or 141.040 and 141.0401 with the ordering of the credit as provided in KRS 141.0205.

- (b) The tax credit shall be equal to the amount of sales tax actually paid on the qualified broadband investment:
  - 1. Reduced by the amount of seller reimbursement allowed under KRS 139.570; and
  - 2. Limited to:
    - a. Fifty percent (50%) of the amount determined under subparagraph 1. of this paragraph for a taxpayer; and
    - b. A total of five million dollars (\$5,000,000) for all tax credits in each taxable year in which the credit is available.
- (4) (a) Beginning with calendar year 2025, any taxpayer who intends to take the credit for a qualified broadband investment tax credit shall:
  - 1. Submit an application for approval to the department on a form prescribed by the department prior to December 31, 2025, and each December 31 thereafter as long as the credit is available; and
  - 2. Provide:
    - a. The taxpayer's identification number;
    - b. The amount of sales and use tax that the taxpayer remitted or intends to remit for the qualified broadband investment; and
    - c. A statement of how approval of this tax credit will result in greater investment in this state by:
      - i. Expansion of broadband services;
      - ii. An upgrade to existing broadband infrastructure; or
      - iii. An increase of access to broadband for the residents in this state.
- (b) The department shall:
  - 1. Review all submitted applications no later than January 15, 2026, and each January 15 thereafter as long as the credit is available; and
  - 2. By February 1 following the end of the calendar year, provide a letter to the taxpayer indicating approval and amount of tax credit to be awarded.
- (5) A taxpayer approved for credit under subsection (4) of this section shall submit with their return, verification of the sales and use tax remitted on the qualified broadband investment, which may include:
  - (a) Receipt of eligible equipment or services purchased; or
  - (b) Lease agreement for eligible equipment or services.
- (6) If the total amount of credits granted approval under subsection (4) of this section exceeds five million dollars (\$5,000,000), each taxpayer shall receive no more than its applicable pro rata share of the five million dollar (\$5,000,000) limit.
- (7) (a) In order for the General Assembly to evaluate the effectiveness of the qualified broadband investment tax credit, the department shall submit the following information to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue on or before November 1, 2026, and on or before each November 1 thereafter as long as

the credit may be claimed on a return:

1. The location of the taxpayer, by county, as reflected on the return filed for the taxable year;
  2. The amount of qualified broadband investment tax credit claimed by the taxpayer for the taxable year;
  3. The total cumulative amount of all qualified broadband investment tax credits claimed for the taxable year; and
  4.
    - a. In the case of all taxpayers other than corporations, based on ranges of adjusted gross income of no larger than five thousand dollars (\$5,000) for the taxable year, the total amount of qualified broadband investment tax credit claimed and the total number of returns claiming this tax credit for each income range; and
    - b. In the case of all corporations, based on ranges of net income no larger than fifty thousand dollars (\$50,000) for the taxable year, the total amount of tax credit claimed and the number of returns claiming a tax credit for each net income range.
- (b) The information required to be reported under this section shall not be considered confidential taxpayer information and shall not be subject to KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes prohibiting disclosure or reporting of information.

**Effective:** July 15, 2024

**History:** Created 2024 Ky. Acts ch. 166, sec. 11, effective July 15, 2024.