

106TH CONGRESS
2D SESSION

S. 2321

To amend the Internal Revenue Code of 1986 to allow a tax credit for development costs of telecommunications facilities in rural areas.

IN THE SENATE OF THE UNITED STATES

MARCH 29, 2000

Mr. ROCKEFELLER (for himself and Ms. SNOWE) 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 allow a tax credit for development costs of telecommunications facilities in rural areas.

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 “Rural Telecommuni-
5 cations Modernization Act of 2000”.

6 **SEC. 2. CREDIT FOR TELECOMMUNICATIONS FACILITIES**

7 **DEVELOPMENT IN RURAL AREAS.**

8 (a) IN GENERAL.—Section 46(a) of the Internal Rev-
9 enue Code of 1986 (relating to amount of investment cred-
10 it) is amended by striking “and” at the end of paragraph

1 (2), by striking the period at the end of paragraph (3)
2 and inserting “, and”, and by adding at the end the fol-
3 lowing:

4 “(4) the rural telecommunications facilities
5 credit.”

6 (b) AMOUNT OF CREDIT.—Subpart E of part IV of
7 subchapter A of chapter 1 of the Internal Revenue Code
8 of 1986 (relating to rules for computing investment credit)
9 is amended by inserting after section 47 the following:

10 **“SEC. 47A. RURAL TELECOMMUNICATIONS FACILITIES**
11 **CREDIT.**

12 “(a) IN GENERAL.—For purposes of section 46, the
13 rural telecommunications facilities credit for any taxable
14 year is an amount equal to the applicable percentage of
15 the qualified broadband local access facilities expenditures
16 for such taxable year.

17 “(b) APPLICABLE PERCENTAGE.—For purposes of
18 subsection (a), the applicable percentage in the case of
19 qualified broadband local access facilities expenditures in
20 connection with—

21 “(1) broadband telecommunications facilities, is
22 10 percent, and

23 “(2) enhanced broadband telecommunications
24 facilities, is 15 percent.

1 “(c) QUALIFIED BROADBAND LOCAL ACCESS FACILI-
 2 TIES EXPENDITURE.—For purposes of this section, the
 3 term ‘qualified broadband local access facilities expendi-
 4 ture’ means any expenditure—

5 “(1) chargeable to capital account—

6 “(A) for property for which depreciation is
 7 allowable under section 168, and

8 “(B) incurred in connection with
 9 broadband telecommunications facilities or en-
 10 hanced broadband telecommunications facilities
 11 serving rural subscribers, and

12 “(2) incurred during the period—

13 “(A) beginning with the taxpayer’s (or any
 14 predecessor’s) first taxable year beginning after
 15 the date of the enactment of this section, and

16 “(B) ending with the taxpayer’s (or any
 17 predecessor’s) third taxable year beginning
 18 after such date.

19 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
 20 poses of this section—

21 “(1) BROADBAND TELECOMMUNICATIONS FA-
 22 CILITIES.—The term ‘broadband telecommunications
 23 facilities’ means broadband local access facilities ca-
 24 pable of—

25 “(A) transmitting voice, and

1 “(B) downloading data at a rate of 1.5
2 MBPS and uploading data at a rate of .5
3 MBPS.

4 “(2) ENHANCED BROADBAND TELECOMMUNI-
5 CATIONS FACILITIES.—The term ‘enhanced
6 broadband telecommunications facilities’ means the
7 broadband local access facilities capable of—

8 “(A) transmitting voice, and

9 “(B) downloading and uploading data at a
10 rate of 10 MBPS.

11 “(3) DETERMINATION OF BROADBAND LOCAL
12 ACCESS FACILITIES.—Broadband local access
13 facilities—

14 “(A) begin at the switching point closest to
15 the rural subscriber, which is—

16 “(i) the subscriber side of the nearest
17 switching facility in the case of local ex-
18 change carriers,

19 “(ii) the subscriber side of the
20 headend or the node in the case of cable
21 television operators, and

22 “(iii) the subscriber side of the trans-
23 mission and reception facilities in the case
24 of a wireless or satellite carrier,

1 “(B) end at the interface between the net-
2 work and the rural subscriber’s location, and

3 “(C) do not include any switching facility.

4 “(4) RURAL SUBSCRIBER.—The term ‘rural
5 subscriber’ means a subscriber who lives in area
6 which—

7 “(A) is not within 10 miles of any incor-
8 porated or census designated places 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 (c) SPECIAL RULE FOR MUTUAL OR COOPERATIVE
15 TELEPHONE COMPANIES.—Section 501(c)(12)(B) of the
16 Internal Revenue Code of 1986 (relating to list of exempt
17 organizations) is amended by striking “or” at the end of
18 clause (iii), by striking the period at the end of clause (iv)
19 and inserting “, or”, and by adding at the end the fol-
20 lowing new clause:

21 “(v) which is not described in sub-
22 paragraph (A), in an amount which does
23 not exceed in any year an amount equal to
24 the applicable percentage of the qualified
25 broadband local access facilities expendi-

1 tures (as determined in section 47A) of the
2 mutual or cooperative telephone company
3 for such year.”

4 (d) CONFORMING AMENDMENT.—The table of sec-
5 tions for subpart E of part IV of subchapter A of chapter
6 1 of the Internal Revenue Code of 1986 is amended by
7 inserting after the item relating to section 47 the fol-
8 lowing:

“Sec. 47A. Rural telecommunications facilities credit.”

9 (e) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as provided in para-
11 graph (2), the amendments made by this section
12 shall apply to expenditures incurred after the date of
13 the enactment of this Act.

14 (2) SPECIAL RULE.—The amendments made by
15 subsection (e) shall apply to amounts received after
16 the date of the enactment of this Act.

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