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**HOUSE BILL 1702**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** Representatives Boehnke, Abbarno, and Chambers

Prefiled 12/27/21.

1 AN ACT Relating to accelerating broadband connectivity for  
2 Washington; adding new sections to chapter 82.04 RCW; adding a new  
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12  
4 RCW; creating new sections; and providing expiration dates.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** In 2019, Washington state set an ambitious  
7 statutory broadband internet connectivity goal that every residence  
8 and business have access to broadband with 150 megabits per second  
9 minimum download and upload speeds by 2028. When establishing that  
10 goal, the legislature observed that broadband is critical to full  
11 participation in society and the modern economy and recognized that  
12 reaching the goal would require additional and sustained investment,  
13 research, local and community participation, and public-private  
14 partnerships. In 2020, the legislature passed legislation recognizing  
15 that digital exclusion carries an immense societal and economic cost  
16 for Washingtonians, harming opportunities for economic success and  
17 exacerbating existing wealth and income gaps. In 2021, the  
18 legislature took steps to increase the authority of local governments  
19 to provide retail broadband service.

20 Given the critical functions that broadband serves and the  
21 inequity of digital exclusion, the legislature intends to use

1 additional policy tools to enhance the private sector's ability to  
2 partner in reaching state goals. The legislature finds it appropriate  
3 to recognize the value and necessity of private sector  
4 telecommunications providers to accelerate broadband connectivity and  
5 rapid achievement of the state broadband goal.

6 First, the legislature finds that it would be helpful to support  
7 the emerging innovations in low earth orbit satellites, which is a  
8 technology that can provide the necessary broadband speed to rural  
9 residents who may lack a wireline or wireless option. Second, the  
10 legislature finds that it would facilitate more public-private  
11 partnerships and more affordable connectivity, to lower the cost of  
12 new wireline and wireless broadband connections through a business  
13 and occupation tax credit offered per new residential connection that  
14 meets Washington state service standards.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04  
16 RCW to read as follows:

17 (1) This chapter does not apply to the value of products or the  
18 gross proceeds of sales derived from:

19 (a) Manufacturing low earth orbit satellites or their components  
20 used to provide broadband service to a residence or business;

21 (b) Manufacturing antennae or other hardware for receiving  
22 satellite broadband signals at a residence or business; or

23 (c) Research and development activities in satellite  
24 manufacturing, launch, and communications.

25 (2) A person claiming the exemption provided in this section must  
26 file a complete annual tax performance report with the department  
27 under RCW 82.32.534.

28 (3) This section expires December 31, 2027.

29 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04  
30 RCW to read as follows:

31 (1) Subject to the limitations in this section, a credit is  
32 allowed against the tax imposed under this chapter to a broadband  
33 service provider who newly serves residences with broadband service  
34 in support of the residential state broadband service access goals  
35 established under RCW 43.330.536.

36 (a) Beginning January 1, 2022, through December 31, 2023, a  
37 credit under this section equal to \$100 is allowed for each  
38 Washington residence newly served by broadband service that meets or

1 exceeds the minimum download speeds and upload speeds as provided  
2 under the state broadband goal established in RCW 43.330.536(1). The  
3 credit under this subsection (1)(a) only applies to broadband service  
4 provided to a residence that did not previously have broadband  
5 service that meets or exceeds the broadband service speeds provided  
6 under RCW 43.330.536(1).

7 (b) Beginning January 1, 2022, through December 31, 2027, a  
8 credit under this section equal to \$100 is allowed for each  
9 Washington residence newly served by broadband service that meets or  
10 exceeds the minimum download speeds and upload speeds as provided  
11 under the state broadband goal established in RCW 43.330.536(3). The  
12 credit under this subsection (1)(b) only applies to broadband service  
13 provided to a residence that did not previously have broadband  
14 service that meets or exceeds the broadband service speeds provided  
15 under RCW 43.330.536(3).

16 (2) A person claiming the credit under this section must file a  
17 complete annual tax performance report with the department under RCW  
18 82.32.534.

19 (3) This section expires January 1, 2028.

20 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.08  
21 RCW to read as follows:

22 (1) The tax levied by RCW 82.08.020 does not apply to:

23 (a) The sale of machinery and equipment used in the manufacture  
24 of low earth orbit satellites or their components used to provide  
25 broadband service to a residence or business; and

26 (b) The satellite broadband components sold with that broadband  
27 service that are needed for receiving the broadband signal.

28 (2) This section expires December 31, 2027.

29 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.12  
30 RCW to read as follows:

31 (1) The provisions of this chapter do not apply in respect to:

32 (a) The use of machinery and equipment used in the manufacture of  
33 low earth orbit satellites or their components used to provide  
34 broadband service to a residence or business; and

35 (b) The satellite broadband components sold with that broadband  
36 service that are needed for receiving the broadband signal.

37 (2) This section expires December 31, 2027.

1        NEW SECTION.    **Sec. 6.**    (1) This section is the tax preference  
2 performance statement for the tax preferences contained in sections  
3 2, 3, 4, and 5, chapter . . . , Laws of 2022 (sections 2, 3, 4, and 5  
4 of this act). This performance statement is only intended to be used  
5 for subsequent evaluation of the tax preferences. It is not intended  
6 to create a private right of action by any party or be used to  
7 determine eligibility for preferential tax treatment.

8        (2) The legislature categorizes the tax preferences in sections  
9 2, 3, 4, and 5 of this act as ones intended to improve industry  
10 competitiveness, as indicated in RCW 82.32.808(2)(b), and provide tax  
11 relief for certain businesses or individuals, as indicated in RCW  
12 82.32.808(2)(e).

13        (3) It is the legislature's specific public policy objective to:

14        (a) For the tax preferences contained in sections 2, 4, and 5 of  
15 this act, improve industry competitiveness and innovation in the  
16 emerging satellite broadband service industry in order to assist  
17 these service providers in scaling up to meet consumer demand, and  
18 ultimately keeping costs low for consumers. It is the legislature's  
19 intent to increase, year-over-year, the cumulative tax relief  
20 provided to the satellite broadband service industry for the purpose  
21 of increasing rates of investment and the number of tax preference  
22 beneficiaries in order to grow the satellite broadband service  
23 industry cluster in Washington.

24        (b) For the tax preference contained in section 3 of this act,  
25 incentivize local, regional, and national telecommunications  
26 companies to choose to deploy capital in Washington in the near term  
27 and direct that capital toward connecting the unserved and  
28 underserved.

29        (4) In order to obtain the data necessary to perform a review of:

30        (a) The tax preferences contained in sections 2, 4, and 5 of this  
31 act, the joint legislative audit and review committee may refer to  
32 the number of Washington based sales, if any, of broadband service to  
33 a residence or business installation antennae or related satellite  
34 broadband signal receiving kits. In addition, for the tax preference  
35 contained in section 2 of this act, the data to be collected is the  
36 amount of tax relief claimed.

37        (b) The tax preference contained in section 3 of this act, the  
38 joint legislative audit and review committee may refer to the number  
39 of new residences connected with qualifying service.

1           (5) The legislature intends for the tax preferences to expire as  
2 of January 1, 2028.

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