



1.) Can I apply for the property tax exemption before I have certification from the Office of the Chief Information Officer (OCIO)?

Yes. In 2016 companies may apply for the property tax exemption prior to receiving the certification from OCIO. However, companies should promptly submit the certification once obtained. Failure to do so may result in the exemption being revoked.

2.) I have started construction on or completed work on installing Broadband Infrastructure (BI) in a Targeted Service Area (TSA). The February 1st application deadline for 2016 is now past. When and how do I get my exemption?

Iowa Code § 427.1(40) requires that those wishing to apply for the broadband property tax exemption must first provide certification to the local assessor or to the Iowa Department of Revenue (IDR) that the BI they plan to construct will be installed in a TSA with the required download and upload speeds prior to the commencement of the installation. Companies that have submitted such certifications will be considered to have submitted a timely Application for Exemption for 2016 if that certification was made on or before February 1, 2016.

The Application and supporting materials (except for OCIO certification as mentioned in Question 1) must be completed and filed with IDR no later than February 15, 2016 in order to allow adequate time to review the information and approve or deny the Applications before the March 1, 2016 deadline.

3.) Do I have to submit an application to each county in which I will be installing BI?

No. One Application should be submitted to IDR. The **Application form (attached)** provides a space to indicate each and every taxing jurisdiction in which a company wishes to qualify for the property tax exemption. However, if at a later date, the BI installation expands into new counties or cities that were not anticipated at the time of the initial application, companies should submit a new Application for the additional jurisdictions.

4.) How is IDR going to calculate my exemption? Which approach to value will be used?

IDR will use the depreciated cost associated with the newly installed BI in a TSA. For companies valued using the 3 approaches to value (Stock & Debt, Income, and Cost), IDR will complete valuation comparisons of the company both *without* the newly installed BI and *with* the newly installed BI.

IDR will strictly use the cost indicator in the 3 approaches to value as evidence of value for the newly installed BI. The difference between those two valuation comparisons will be considered the amount of value added and the amount of the exemption. **Example #1 (attached) illustrates a sample exemption calculation for companies valued using the 3 approaches to value.**



For those companies valued using the Replacement Cost New Less Depreciation (RCNLD) method, IDR will use the depreciated cost of newly installed BI to determine the value added by the new infrastructure. All costs associated with the RCNLD method will be included in the overall value of the company. IDR will then deduct the depreciated costs associated with the new BI from the overall value. That amount will be considered the amount of value added and the amount of the exemption. **Example #2 (attached) illustrates a sample valuation and exemption calculation for companies valued using the RCNLD method.**

5.) Will my exemption be dollar for dollar equivalent to the cost of my BI?

Not necessarily. For companies assessed by IDR pursuant to Iowa Code chapter 433, the exemption shall be limited to an amount equal to the actual value added by the installation of the BI. Please see the answer to Question 4 for a description of how value added will be determined.

6.) How is the local assessor going to calculate my exemption?

Local assessors will use IDR's Cable TV Manual to determine the amount of value added and the amount of the exemption. The Cable TV Manual can be found on IDR's website at: <https://tax.iowa.gov/utilities-and-cable-companies-central-assessment-reporting-forms>

7.) What kind of property qualifies as BI?

Iowa Code § 8B.1(2) defines "broadband infrastructure" as the physical infrastructure used for the transmission of data that provides broadband services. "Broadband infrastructure" does not include land, buildings, structures, improvements, or equipment not directly used in the transmission of data via broadband.

8.) How do I know if an area is a TSA?

Iowa Code § 8B.1(12) defines "targeted service area" to mean a United States census bureau census block located in this state, including any crop operation located within the census block, within which no communications service provider offers or facilitates broadband service at or above twenty-five megabits per second of download speed and three megabits per second of upload speed as of July 1, 2015. Iowa Code § 8B.10 provides that OCIO shall identify the targeted service areas. Connect Iowa, in conjunction with OCIO, has published maps showing areas with specific download and upload speeds at <http://www.connectiowa.org/mapping/state>.



9.) How do I report my exempt BI on the annual TR1-3 report (required by Iowa Code section 433.1 and 701 IAC 77.2)?

The Application for the Exemption will include a "Supplemental Section 2A for Qualifying Broadband Infrastructure." The Supplemental Section 2A will prompt you to enter all the information needed for approval of your Application. Please also include any supporting documentation requested with the Application.

10.) Do I have to reapply for the property tax exemption every year?

Iowa Code § 427.1(40)(f)(4) (2016) states that once approved in a jurisdiction, the exemption stands for ten years without the need for reapplication. However, if the BI installation expands into a taxing jurisdiction not included on the original Application, a new Application for the new jurisdiction(s) must be submitted.

11.) What if I begin this broadband project in 2017 and it takes until 2022 to fully complete, what years qualify for exemption and what years do not?

The exemption applies to qualified installations *commenced and completed on or after July 1, 2015 and before July 1, 2020* in a TSA. Therefore, only installation of BI that is completed in a TSA before July 1, 2020 will qualify for the exemption; BI completed in a TSA after July 1, 2020 will not qualify for the exemption.

The Application for Exemption must be filed in the year the BI is first assessed for taxation *or* in the following two years. For the date range described in this question the Application could be filed first in 2018, the first year the BI is assessed for taxation, or in 2019 or 2020. The exemption would run ten years from the date of the Application. However, only the value added from installation of BI that is completed before July 1, 2020 will be eligible for the exemption.

12.) If my telephone company uses the same central office assets and equipment in providing broadband in a TSA will that equipment be exempt?

The exemption applies to the installation of BI in a TSA. Installation of BI means the construction, building, and furnishing of new physical infrastructure used for the transmission of data that provides broadband services. Therefore, if a company installs new central office assets and equipment in a TSA as part of a BI installation, the value added by installing those assets will be included in the exemption.



13.) My company only provides cable TV and internet service. My company is installing new line miles in a TSA to provide *only* broadband service. Do I need to report those new line miles to IDR?

Subsequent to providing the initial certification to the local assessor, a company applying under this scenario would still submit its application for the exemption with IDR by February 1 of the year in which the BI is first assessed for taxation, or in the following two assessment years. IDR will then forward the Application and associated documents to the county board of supervisors of each county in which the BI will be located. BI that is not also used to provide telephone service is locally assessed and therefore those Applications and reporting requirements will be reviewed at the local level.



Application for Broadband Infrastructure Property Tax Exemption

This application must be filed with the Iowa Department of Revenue by February 1 of the year in which the Broadband Infrastructure is first assessed for taxation or the following two assessment years.

Applicant Contact Information	
<small>PLEASE PRINT</small>	
Name: _____	
Phone #(____) _____	Email _____

- 1. Company Name: _____
- 2. Official Address: _____
- 3. Address if not the Same as Above: _____
- 4. Applicable Counties: _____

5. Check one: Locally assessed under Iowa Code ch. 441; or Centrally assessed under Iowa Code ch. 433
 (Cable property belonging to companies reporting telephony separately is locally assessed).

6. Date of commencement of installation of Broadband Infrastructure _____

7. Date of completion of installation of Broadband Infrastructure _____

8. Date of completion is estimated? Yes No

9. The following documentation must be attached:

- The nature of the Broadband Infrastructure installation, including the number of new line miles installed within the jurisdiction where seeking the exemption; a description of the property and how it is related to delivering broadband services; and the taxing districts affected.
- The percentage of homes, farms, schools, and businesses in the Targeted Service Area (TSA) that will be provided access to broadband service.
- The actual cost of installing the Broadband Infrastructure under the project and supporting documents demonstrating the actual cost. If construction has already begun, include the actual cost already incurred and the remaining actual cost and supporting documentation.
- Certification from the Office of the Chief Information Officer (OCIO) pursuant to section 8B.10 that the installation is being performed or was completed in a TSA.
- Certification from OCIO that the Broadband Infrastructure installed in the TSA facilitates broadband service at or above twenty-five megabits per second of download speed and three megabits per second of upload speed.
- If applicable, a copy of any nonwireless broadband-related permit issued by a political subdivision.
- List of taxing districts where Broadband Infrastructure eligible for the exemption has been installed.

INCOMPLETE APPLICATIONS WILL NOT BE APPROVED

Department Authorized Representative Allowed Disallowed
Signed: _____ **Date:** _____

Board of Supervisors Allowed Disallowed
Signed: _____ **Date:** _____

Instructions for the Application for Broadband Infrastructure Property Tax Exemption

Line 1: Enter the name of the company.

Line 2: Enter the address of the property seeking the exemption.

Line 3: Enter the mailing address of the company entered in line 1.

Line 4: List each and every county and/or assessing jurisdiction in which the property seeking an exemption is located. Attach a separate page, if necessary.

Line 5: Check either the box for locally assessed property under Iowa Code chapter 441 or centrally assessed property under Iowa Code chapter 433. Cable property is locally assessed if it belongs to a cable company that reports any of their telephony separately to the Department.

Line 6: Enter the date qualifying construction work in progress began as reported on the TR1-3 report first beginning after July 1, 2015 and before July 1, 2020 for installation of Broadband Infrastructure within a Targeted Service Area.

Line 7: Enter the date or estimated date that qualifying construction is to be completed for a Targeted Service Area that receives broadband service delivered at or above twenty-five megabits per second of download speed and three megabits per second of upload speed.

Line 8: Check "Yes" if the date on line 7 has not yet occurred at time of application. Check "No" if the date on line 7 has already occurred at the time of application.

Line 9: Attach the following items to the application on a separate report:

9a: Complete the Supplemental Section 2A for Qualifying Broadband Infrastructure Pages 1-4 from the TR1-3 report as shown in the attachment to this application. Also include the number of new line miles installed within each county and taxing jurisdiction where the exemption is sought.

9b: The percentage of homes, farms, schools, and businesses in the targeted service area that will be provided access to broadband service.

9c: The actual cost of installing the Broadband Infrastructure under the project and supporting documents demonstrating the actual cost. Examples of supporting documents demonstrating the actual cost include accounting records, construction contracts, invoices, bills of sale, depreciation schedules, or other records. If construction has begun at the time of application for exemption, provide supporting documentation for the actual cost incurred beginning after July 1, 2015 and the remaining actual costs yet to be incurred if the remaining costs are available.

9d: Certification from the Office of the Chief Information Officer (OCIO) pursuant to Iowa Code section 8B.10 that the installation is being performed or was completed in a Targeted Service Area.

9e: Certification from OCIO that the Broadband Infrastructure installed in the Targeted Service Area facilitates broadband service at or above twenty-five megabits per second of download speed and three megabits per second of upload speed.

9f: If applicable, a copy of any nonwireless broadband-related permit issued by a political subdivision.

9g: A list of the taxing districts in which the installation of Broadband Infrastructure subject to the exemption has occurred or will occur. This list should be in the same format as the supplemental list required to be provided with the TR1-3 for telephony.

QUALIFYING BROADBAND INFRASTRUCTURE LOCATED IN A TARGETED SERVICE AREA
FINANCIAL BALANCE SHEET - ORIGINAL COSTS

Line No	Account Description (A)	Account Number	Beginning Balance (B)	Additions (C)	Retirements (D)	Ending Balance (E)	Accumulated Amortization/Depreciation (F)	Net Assets Per Books (G)
Broadband - General Support Assets								
1.	Land	9111	\$		\$	\$		\$
2.	Motor Vehicles	9112	\$		\$	\$		\$
3.	Aircraft	9113	\$		\$	\$		\$
4.	Special Purpose Vehicles	9114	\$		\$	\$		\$
5.	Garage Work Equipment	9115	\$		\$	\$		\$
6.	Other Work Equipment	9116	\$		\$	\$		\$
7.	Buildings	9121	\$		\$	\$		\$
8.	Furniture	9122	\$		\$	\$		\$
	Office Equipment							
9.	Office Support Equipment	9123.1	\$		\$	\$		\$
10.	Company Communications Equip.	9123.2	\$		\$	\$		\$
11.	Total Office Equipment		\$		\$	\$		\$
	(Enter Total of Lines 1 thru 10)							
12.	General Support Computers	9124	\$		\$	\$		\$
13.	Total General Support Assets		\$		\$	\$		\$
	(Enter Total of Lines 11 and 12)							
Broadband - Central Office Assets								
14.	Analog Electronic Switching	9211	\$		\$	\$		\$
15.	Digital Electronic Switching	9212	\$		\$	\$		\$
	Electro-Mechanical Switching							
16.	Step-By-Step Switching	9215.1	\$		\$	\$		\$
17.	Crossbar Switching	9215.2	\$		\$	\$		\$
18.	Other Electro-Mechanical Switching	9215.3	\$		\$	\$		\$
19.	Total Electro-Mechanical Switching		\$		\$	\$		\$
	(Enter Total of Lines 16 thru 18)							

QUALIFYING BROADBAND INFRASTRUCTURE LOCATED IN A TARGETED SERVICE AREA
FINANCIAL BALANCE SHEET - ORIGINAL COSTS

Line No	Account Description (A)	Account Number	Beginning Balance (B)	Additions (C)	Retirements (D)	Ending Balance (E)	Accumulated Amortization/Depreciation (F)	Net Assets Per Books (G)
20.	Operator Systems	9220	\$	\$	\$	\$	\$	\$
	Central Office Transmission Radio Systems							
21.	Satellite & Earth Station Facilities	9231.1	\$	\$	\$	\$	\$	\$
22.	Other Radio Facilities (1)	9231.2	\$	\$	\$	\$	\$	\$
23.	Total Radio Systems		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 21 and 22)							
24.	Circuit Equipment	9232	\$	\$	\$	\$	\$	\$
25.	Total Central Office Transmission		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 20, 23, and 24)							
26.	Total Central Office Assets		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 14, 15, 19, & 25)							
Broadband - Information Origination/Termination Assets								
27.	Other Terminal Equipment	9362	\$	\$	\$	\$	\$	\$
Broadband-Cable and Wire Facilities Assets								
28.	Poles	9411	\$	\$	\$	\$	\$	\$
29.	Aerial Cable	9421	\$	\$	\$	\$	\$	\$
30.	Underground Cable	9422	\$	\$	\$	\$	\$	\$
31.	Buried Cable	9423	\$	\$	\$	\$	\$	\$
32.	Submarine Cable	9424	\$	\$	\$	\$	\$	\$
33.	Deep Sea Cable	9425	\$	\$	\$	\$	\$	\$

QUALIFYING BROADBAND INFRASTRUCTURE LOCATED IN A TARGETED SERVICE AREA
FINANCIAL BALANCE SHEET - ORIGINAL COSTS

Line No	Account Description (A)	Account Number	Beginning Balance (B)	Additions (C)	Retirements (D)	Ending Balance (E)	Accumulated Amortization/Depreciation (F)	Net Assets Per Books (G)
Broadband - Cable & Wire Facilities Assets (Continued)								
34.	Intrabuilding Network Cable	9426	\$	\$	\$	\$	\$	\$
35.	Aerial Wire	9431	\$	\$	\$	\$	\$	\$
36.	Conduit Systems	9441	\$	\$	\$	\$	\$	\$
37.	Total Cable and Wire Facilities Assets		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 28 thru 36)							
Broadband - Amortizable Assets								
38.	Capital Leases	9681	\$	\$	\$	\$	\$	\$
39.	Accum. Amortization-Capital Leases	9410	\$ ()	\$ ()	\$ ()	\$ ()	\$ ()	\$ ()
40.	Net Capital Leases		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 38 and 39)							
41.	Leasehold Improvements	9682	\$	\$	\$	\$	\$	\$
42.	Accum. Amort-Leasehold Improve.	9420	\$ ()	\$ ()	\$ ()	\$ ()	\$ ()	\$ ()
43.	Net Leasehold Improvements		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 41 and 42)							
44.	Intangibles	9690	\$	\$	\$	\$	\$	\$
45.	Accum. Amort-Intangibles	9500	\$ ()	\$ ()	\$ ()	\$ ()	\$ ()	\$ ()
46.	Net Intangibles		\$	\$	\$	\$	\$	\$
	(Enter Total of Lines 44 and 45)							

QUALIFYING BROADBAND INFRASTRUCTURE LOCATED IN A TARGETED SERVICE AREA
FINANCIAL BALANCE SHEET - ORIGINAL COSTS

Line No	Account Description (A)	Account Number	Beginning Balance (B)	Additions (C)	Retirements (D)	Ending Balance (E)	Accumulated Amortization/Depreciation (F)	Net Assets Per Books (G)
47.	Total Amortizable Assets (Enter Total of Lines 40, 43, and 46)		\$	\$	\$	\$	\$	\$
48.	Total Telecommun. Plant in Service (Enter Total of Lines 13, 26, 27, 37, & 47)		\$	\$	\$	\$	\$	\$
Estimated Remaining Cost for Project Completion			\$					

Footnote:

Project is defined as Qualifying Broadband Infrastructure installed in Target Service Area.

Example # 1 -- Comparison for Companies Valued using 3 Approaches to Value

Broadband Excluded from Value

COST AS EVIDENCE OF VALUE	
Plant in Service	Line 41 CWIP adj \$40,000,000
Less Depreciation	Line 42 -75.00% (30,000,000)
Net Operating Plant in Service	Line 47 & 48 10,000,000
Add CWIP	Line 14
Add Materials and Supplies	0
Plant Adjustment	0
Held for Future Use	0
Other	0
System Cost Approach	\$10,000,000

Broadband Included in Value

COST AS EVIDENCE OF VALUE	
Plant in Service	Line 41 CWIP adj \$40,000,000
New Broadband TSA	\$4,000,000
Less Depreciation	Line 42 -75.00% (30,000,000)
Net Operating Plant in Service	Line 47 & 48 14,000,000
Add CWIP	Line 14
Add Materials and Supplies	0
Plant Adjustment	0
Held for Future Use	0
Other	0
System Cost Approach	\$14,000,000

CWIP = Construction Work in Progress

CORRELATION OF VALUE	
Stock and Debt Approach	\$9,633,073 50% 4,816,537
Income Approach	\$5,817,156 30% 1,745,147
Cost Approach	\$10,000,000 20% 2,000,000
Percent to Iowa	System Value \$8,561,683
Iowa Value Before Deductions	100.00000% 8,561,683

CWIP = Construction Work in Progress

CORRELATION OF VALUE	
Stock and Debt Approach	\$9,633,073 50% 4,816,537
Income Approach	\$5,817,156 30% 1,745,147
Cost Approach	\$14,000,000 20% 2,800,000
Percent to Iowa	System Value \$9,361,683
Iowa Value Before Deductions	100.00000% 9,361,683
Value Added Broadband Exemption	(800,000)
Iowa Value Rounded	Subtotal \$8,561,683
Net Assessed Iowa Value	Exempted Value (40%) 3,424,800
	\$5,137,200

Example #2

RCNLD Value Calculation

DECEMBER 31, 2015

<u>DEPT. OF REVENUE ACCOUNT GROUPINGS</u>	<u>ORIGINAL COST PLANT-IN-SERVICE</u>	<u>RCNLD REV. DEPT METHOD</u>
LAND(100%)	\$500,000	\$500,000
MATERIALS AND SUPPLIES(100%)	200,000	200,000
CWIP(100%)	200,000	200,000
OUTSIDE PLANT (Buried Cable)	3,300,000	3,188,250
TOTALS	\$4,200,000	\$4,088,250
Assessed Value		4,088,000
Broadband Exemption		(979,200)
Total		3,108,800
Exempted Value	2,643,800	(1,057,520)
	40%	
Net Assessed Value		2,051,280

Example #2 Continued

RCNLD CALCULATION FOR OUTSIDE PLANT
Including Broadband Infrastructure

A. YEAR	B. BURIED CABLE	C. TELEPHONE PLANT INDEX	D. REPLACEMENT COST-NEW (B*C)	E. USEFUL LIFE	F. RCNLD (D*E)
2015	1,000,000	1.02	1,020,000	0.96	979,200
New Broadband Infrastructure 2015	1,000,000	1.02	1,020,000	0.96	979,200
2014	800,000	1.05	840,000	0.91	764,400
2013	500,000	1.07	535,000	0.87	465,450
TOTAL	3,300,000		3,415,000		3,188,250