

Broadband Grant Taxation & Beyond

Planning for Grants, Changes, and the Future

TOPICS COVERED

+ **Principles to Understand**

+ **Review Current State**

+ **Solutions**

+ **Other Tax Developments**

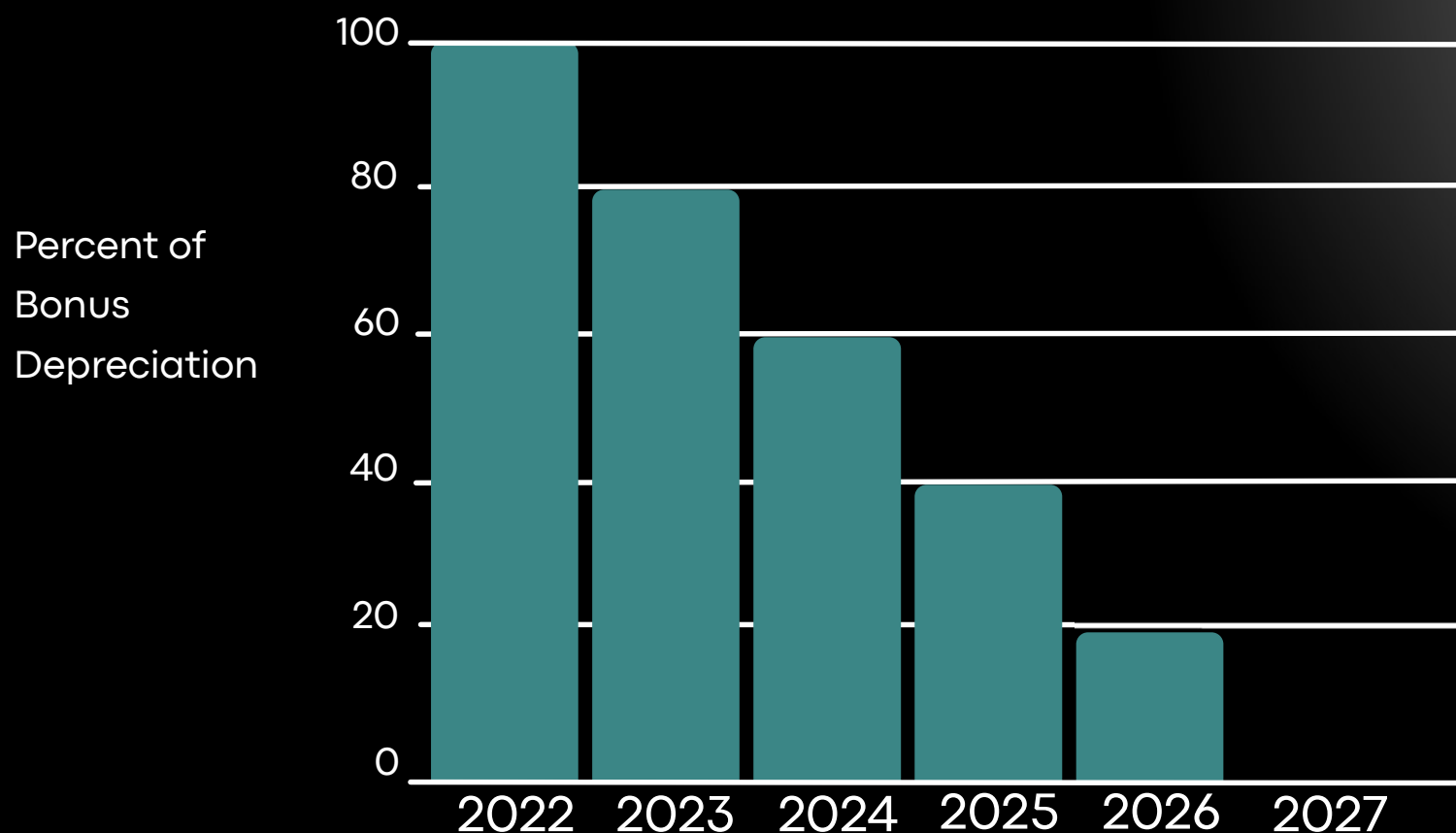
+ Principles for Understanding Taxes

- Encourage Behavior
- Discourage Behavior
- Fund Government Expenditures

+ Current State

Impacts of Tax Cuts & Jobs Act of 2017:

- Grants are taxable income when funds are received
- Phase out of bonus depreciation



Bonus Depreciation Phase-Out Schedule

+ Current State

Impacts of Tax Cuts & Jobs Act of 2017:

- Grants are taxable income when funds are received
- Phase out of bonus depreciation
- Removal of NOL carrybacks

Potential Solutions

POTENTIAL SOLUTIONS



TIMING

+ **When are assets placed in service?**



Wrong Timing - income one year,
deduction in the next - no NOL carryback

Good timing - bonus depreciation
to offset income recognition



When is property considered placed in service?

- + Generally, property is considered placed in service when it is ready and available for a specific use, regardless of whether or not it is actually used at the time.

POTENTIAL SOLUTIONS

Network Asset Maintenance Allowance

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Network Asset Maintenance Allowance:

- + IRS safe harbor
- + In general, immediate deduction of 12% of certain assets placed in service

POTENTIAL SOLUTIONS

Patronage Deduction

POTENTIAL SOLUTIONS

Research & Development Tax Credit

Research and Development Tax Credit

Four Part Test

- + Qualified Business Purpose
- + Technical in Nature (Hard Sciences)
- + Technical Uncertainty
- + Process of Experimentation

Research and Development Tax Credit

Qualified Research Expenses (QREs)

- + Employee Wages
- + Supplies
- + 3rd Party Contractors

R & D Nuances

- + Economic Risk Lies with the Taxpayer
- + Carries Forward 20 years/until used
- + Expenses are now capitalized

POTENTIAL SOLUTIONS

ADVOCATE



Potential Legislation

- + **Tell the Story**
- + **Make Grants Non-Taxable**
- + **Extend 100% Bonus Depreciation**

Thank You!

Questions?

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