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Broadening Online Opportunities Through Simple Technologies
Act H.R.1362 (117th Congress)

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**Broadening Online Opportunities Through Simple Technologies Act**

**H.R.1362 (117th Congress)**

**By: Minh Nguyet (Tracy) Than, Yulin Ke, MST Students**

**Background**

On December 7, 2020, the Federal Communications Commission (FCC) announced that millions of rural Americans in 49 states and the Commonwealth of the Northern Mariana Islands will have access to high-speed Internet service through Phase I of the Rural Digital Opportunity Fund (RDOF) auction. The published auction results show that bidders received funding to deploy high-speed broadband to more than 5.2 million unserved households and businesses, representing nearly 99% of the locations available for the auction. In addition, the FCC will allocate $9.2 billion through its RDOF to communities across the country for distribution over the next 10 years.¹

According to the FCC “2018 Broadband Deployment Report”, the internet speed standard is the speed benchmark of 25 Mbps download/3 Mbps upload (25 Mbps/3 Mbps) for fixed services. By the end of 2016, 92.3% of all Americans had access to fixed terrestrial broadband at speeds of 25 Mbps/3 Mbps, compared to 89.4% in 2014 and 81.2% in 2012. Nevertheless, more than 24 million Americans continue to lack fixed terrestrial broadband at speeds of 25 Mbps/3 Mbps.² Meanwhile, the U.S. Census Bureau in late 2019 estimated that 15 million American households were below the federal minimum standard for broadband speeds, more than one-third of which lacked broadband connectivity.³

The RDOF gives internet providers up to 10 years to reach all assigned locations. U.S. Rep. John Moolenaar (R-MI) sponsored the Broadening Online Opportunities through Simple Technologies (BOOST) Act, H.R. 1362, which will provide a short-term solution.⁴ The bipartisan BOOST Act would allow eligible rural homeowners and primary lessees to claim a consumer tax credit up to $400 after purchasing a signal booster or hotspot to improve a slow internet connection. The tax credit would expire when the broadband speed in the household’s area meets the federal minimum standard or after the credit sunsets in five years (2025). The Act is

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also technology neutral. Families could use the credit to purchase the solution that suits them best, whether it is equipment to receive Internet from a satellite or a signal booster.

**Principles of Good Tax Policy**


### Principles of Good Tax Policy Worksheet

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<tr>
<th>Criteria</th>
<th>Does the proposal satisfy the criteria? (explain)</th>
<th>+/-</th>
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<tbody>
<tr>
<td><strong>Equity and Fairness</strong> – Are similarly situated taxpayers taxed similarly? Also consider any different effects based on an individual’s income level and where they live.</td>
<td>Horizontal equity: Horizontal equity exists when taxpayers in similar situations are taxed in the same manner. This proposal respects horizontal equity. Most urban homeowners do not have the trouble of internet connection, but rural homeowners need to purchase a signal booster or hotspot to improve a slow internet connection to achieve the same level as urban homeowners. Providing a tax credit to eligible homeowners is a way to achieve conditions similar to those of urban homeowners, consistent with horizontal equity. Specifically, a credit is worth the same to all taxpayers, whereas a deduction is worth more to high-income individuals. All eligible taxpayers would be able to benefit from the credit, irrespective of their income, and achieve horizontal equity.</td>
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<td>Vertical equity: The proposal may satisfy that principle in part. On one hand, the proposal allows eligible rural homeowners to claim a refundable tax credit after purchasing a signal booster or hotspot to improve a slow internet connection. As a result, this proposal is consistent with vertical equity in that it provides eligible rural homeowners with the opportunity to increase their internet use. On the other hand, this proposal only benefits taxpayers who can purchase this enhanced equipment, because taxpayers must purchase the equipment before they can claim the credit. For taxpayers with such low incomes that they cannot purchase equipment, it is impossible to take advantage of this proposal.</td>
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<td>Certainty – Does the rule clearly specify when the tax is to be paid, how it is to be paid, and how the amount to be paid is to be determined?</td>
<td>This proposal clearly states that an individual taxpayer is allowed to elect a tax credit for 75% of qualified signal booster expenditures up to $400 in a single tax year through 2025. Also, the proposal defines qualified signal booster expenditures as amounts paid for the purchase of any communications signal booster for use by the taxpayer in a principal residence located in an underserved area. This proposal therefore meets the principle of certainty.</td>
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<td>Convenience of payment – is the tax due at a time that is convenient for the payor?</td>
<td>This proposal does not add an extra burden on taxpayers to pay their taxes because it only involves additional credits on their tax returns which does not affect the date they pay their taxes and the methods they use for paying taxes. However, if the money is necessary to make the purchase, taxpayers will not get it until they file their tax returns. Money is not available when needed, which harms lower income individuals. This proposal partially meets this principle.</td>
<td>+/-</td>
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<td>Effective Tax Administration – Are the costs to collect the tax at a minimum level for both the government and taxpayers? Also consider the time needed to implement this tax or change.</td>
<td>There are some concerns regarding this proposal which can hinder the effectiveness of tax administration. First, such expenditure must be &quot;qualified signal booster expenditures&quot;. This means that the taxpayer's principal residence must be situated in an &quot;unserved area&quot; and the expenses incurred for the purchase of any communication signal booster. Confirmation of these conditions will impact the effectiveness of enforcement. Second, &quot;unserved area&quot; means an area eligible for funding under phase 1 or phase 2 of the RDOF established by the FCC in the Report and Order in the matter of the RDOF and Connect America Fund that was adopted by the Commission on January 30, 2020 (FCC 20–5). Taxpayers and the IRS must confirm the &quot;unserved area&quot; in order to qualify for the credit. However, this can be challenging to determine. For example, the origin unserved area becomes a service area in the middle of a particular year. Whether or not the taxpayer can still benefit from the credit and how to allocate it will become an issue. Third, the credit may only be used by eligible taxpayers once before the proposal expires in 2025. If the taxpayer moves during this period, this may make implementation more difficult.</td>
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<td><strong>Information Security</strong> – Will taxpayer information be protected from both unintended and improper disclosure?</td>
<td>With respect to information security, the credit would be available to taxpayers based on their current information; there are no additional tax forms with their annual tax return.</td>
<td>N/A</td>
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<tr>
<td><strong>Simplicity</strong> - can taxpayers understand the rules and comply with them correctly and in a cost-efficient manner?</td>
<td>A special calculation is not required under this proposal. Eligible taxpayers can claim up to $400 in tax credits after purchasing a signal booster or hotspot to improve a slow internet connection. The important thing to remember is that taxpayers are required to keep receipts or any other documents to support the purchase. Some of the definitions in this proposal make taxpayers not completely understand that they are qualified for the credit, so they can miss it. In this way, the proposal complies partially with the principle of simplicity.</td>
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<td><strong>Neutrality</strong> - The effect of the tax law on a taxpayer’s decisions as to how to carry out a particular transaction or whether to engage in a transaction should be kept to a minimum.</td>
<td>The bill was introduced to support families to get more reliable internet service in their homes in unserved areas. However, it may encourage households to purchase a simple signal booster or mobile hot-spot equipment to get the tax credit even though they do not need one. Taxpayers who want to make a purchase may try to install expensive equipment that maximizes up to a $400 tax credit. As the bill affects taxpayers’ behavior, the neutrality principle is not met. However, the sponsors are trying to influence taxpayer behavior with the tax credit.</td>
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<td><strong>Economic growth and efficiency</strong> – will the tax unduly impede or reduce the productive capacity of the economy?</td>
<td>Since the BOOST Act enables people to connect to the internet by creating their own internet hotspots or by boosting the speed of a connection they already have, it will support the rural community to conduct business from home, do homework, and work from home effectively during the pandemic and will be useful for many years to come. A study shows that the work-from-home boom lifts productivity in the U.S. economy by 5%, mostly because of savings in commuting time. This bill will make people have the rapid adoption of new technology during the pandemic, which will offer lasting economic gains and boost the economy after the pandemic. The principle of economic growth and efficiency would be satisfied. At the same time, because this proposal promotes the growth of e-commerce, it could also harm in-person businesses in rural areas. They have to go work and in office and pay their expenses</td>
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on their own and do not get any tax credit to reduce their tax liability.

| Transparency and Visibility – Will taxpayers know that the tax exists and how and when it is imposed upon them and others? | Taxpayers will easily know of the existence of the new rule because the mobile industry and technology companies will promote the policy to attract more purchasers. In addition, the IRS will also update the credit when an individual files a tax return with instructions on qualified signal booster expenditures. Taxpayers will easily follow the instructions to get the tax credit. The bill meets the principle of transparency and visibility. | + |
| Minimum tax gap – is the likelihood of intentional and unintentional noncompliance likely to be low? Is there any way people may intentionally or unintentionally avoid or evade this tax or rule? | There is no risk of intentional or unintentional noncompliance as it is straightforward that taxpayers need to prove the purchase of communications signal boosters in areas with inadequate broadband internet access service. It requires taxpayers to document and record purchases to be qualified if the IRS audits. Thus, it gives an additional incentive for the taxpayer to file the tax return on time to receive their refundable tax credit. | + |
| Accountability to taxpayers – Do taxpayers have access to information on tax laws and their development, modification and purpose; is the information visible? | Taxpayers should readily have access to information for understanding and utilizing the tax law. The purpose of this bill is to encourage Americans in rural areas to have the ability to access the internet in the form of a refundable tax credit. This is an interim alternative before the standard network speed is completely reached. However, it would be challenged for them due to limited access to high-speed broadband in limited access to real-time information. Taxpayers may not know the amount of the credit applicable to the particular tax year until they file their tax return, and there are no references where taxpayers can find this information in the bill. In addition, the taxpayer will not understand why this approach is used rather than issuing the equipment to low-income individuals. They have to buy equipment to claim credit instead. Therefore, the principle of accountability to taxpayers is partially met. | +/- |
| Appropriate government revenues – will the government be able to determine how much tax revenue will likely be collected and when? | To make broadband more accessible to people, giving a tax credit will decrease the revenue available to the government, without regard to other available credits supporting taxpayers currently. In addition, it will be difficult for the government to estimate the tax cost for this bill. There will be an increase in the tax credit as high demand for internet for people in rural areas continues after the pandemic. Since the credit is refundable, it may be harder to estimate which and how many taxpayers will engage in tax | - |
planning to take advantage of this particular aspect. At this point, the government should be able to figure out how many are likely to be purchased. The principle of appropriate government revenues is not met.

Summary

According to the above analysis, H.R.1362 satisfies three principles of good tax policy, including certainty, transparency and visibility, and minimum tax gap. There are mixed results, which are equity and fairness, convenience of payment, simplicity, economic growth and efficiency, and accountability to taxpayers. Effective tax administration, neutrality, appropriate government revenues are the principles that are not met. Although this bill enables rural families to access the Internet by boosting the speed of connection they already have, it will only benefit a few such as those who can afford the high cost of mobile hotspot service or those who already have a signal to boost. Purchasing a hotspot is a small part since broadband has an expensive monthly fee for low-income taxpayers. Therefore, this bill is not favorable to low-income taxpayers.

There are some improvements that could be made:

1. Consider reducing the threshold of the purchase price of communications signal boosters that is suitable for each bracket low-income taxpayers fall into. This should help satisfy vertical equity.
2. As the taxpayers in rural areas cannot access the Internet, it is necessary to deliver information about the credit for purchasing signal boosters through the tax return forms so they can know before filing and do not miss the opportunity to get that credit. Additional avenues of communication should be considered such as magazines, television ads, and posters in government offices.
3. The RDOF gives the internet providers up to 10 years to reach all assigned locations, but the bill may expire after 5 years. The bill can consider extending the applicable period and cooperating with the local government or a telecommunications company to promote: Whether the local area has already met the federal connection speed standard, so this credit can no longer be applied, or the local has not yet reached the standard, so residents can use this credit.
4. The proposal is based on the condition that the taxpayer’s principal residence is in the unserved area, if several taxpayers live in the same residence at the same time, they may be able to buy several enhanced equipment (even if so much equipment is actually not required). To avoid this situation, the proposal can increase restrictions such that each address can be applied to the credit only once.