



## **Vote YES on SB29 (Bramble)**

### **Sales Tax Exemption for Certain Telecommunications Equipment Purchases**

#### **What does SB29 do?**

SB29 exempts certain purchases and leases of telecommunications equipment from state and local sales tax. Exempt purchases and leases would include

- telecommunications switching and routing machinery and software,
- telecommunications transmission equipment, machinery, and software,
- equipment necessary to provide 911 service, and
- maintenance and repair of the above telecommunications machinery & equipment

Types of exempt purchases would include:

- computers used in the provision of telecommunications services, (not office equipment),
- test equipment to insure telecommunications equipment is operating properly,
- towers used to support telecommunications equipment ,
- temperature or environmental equipment or machinery used to protect, telecommunications equipment (not office air conditioning),
- modems,
- multiplexers,
- routers,
- bridges, and
- cross connects

#### **What are the reasons for this exemption?**

At least three reasons exist for exempting telecommunications equipment from sales taxes.

- Economic development depends heavily on investment in telecommunications infrastructure. Investment occurs where rates of return are highest, and state and local governments are competing for telecommunications investment by offering sales tax exemptions and credits for purchases of telecommunications equipment.
- UTOPIA and IProvo are exempt from these taxes, creating a tax inequity. While SB29 does not address all tax inequities between UTOPIA/IProvo and private sector telecom companies, SB29 is an improvement over the status quo.
- To avoid tax pyramiding, business inputs should not be subject to sales taxes.

Fiscal note is \$7.2 million for the state and \$2.8 million for local governments.