

Legislative Analysis



DEDUCTING BROADBAND GRANTS

Phone: (517) 373-8080
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House Bill 4287 as reported from committee

Sponsor: Rep. Karl Bohnak

Committee: Finance

Complete to 5-7-25

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4287 would amend the Income Tax Act to allow taxpayers that file under the individual income tax, the corporate income tax, or the flow-through entity tax to deduct, beginning for the 2023 tax year, any grant money received from an *eligible grant* to the extent that money is included in federal taxable income.

Eligible grant would mean a grant issued by Michigan, a political subdivision of Michigan, the federal government, or any other state for the purposes of providing, improving, or expanding broadband expansion in Michigan under any of the following:

- The Broadband Expansion Act of Michigan.
- The Connecting Michigan Communities Grant Program established under 2018 PA 618 and 2020 PA 166.
- Any of the following federal programs:
 - The Broad Equity, Access, and Deployment Program.
 - The Middle Mile Grant Program.
 - The Connect America Fund, Alternative Connect America Cost Model, and Enhanced Alternative Connect America Cost Model programs administered by the Federal Communications Commission (FCC) under the FCC Connect America Fund Order, including various phases and revisions.
 - The Reconnect Program, also known as the Rural Ecoconnectivity Program.
 - The Rural Digital Opportunity Fund established and administered by the FCC.
 - The Tribal Broadband Connectivity Program administered by the National Telecommunications and Information Administration (NTIA).
 - The Broadband Infrastructure Program administered by the NTIA.
 - The Coronavirus Capital Projects Fund.
 - The State Digital Equity Capacity Grant Program.
 - The Rural Broadband Access Loan and Loan Guarantee Program administered by the U.S. Department of Agriculture Rural Utilities Service.

The bill would also allow taxpayers to deduct expenses attributable to the eligible grant, including depreciation, to the extent they are deducted in arriving at federal taxable income.

MCL 206.30 et seq.

BACKGROUND AND DISCUSSION:

The bill is identical to HB 5682 of the 2023-24 legislative session as passed by the House.¹

¹ <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2024-HB-5682>

According to committee testimony, this grant funding was previously deductible at the federal level, and thus at the state level, since state taxable income is based on federal taxable income. However, when the federal deduction was eliminated in 2017, the money also became taxable at the state level. Supporters argued that the bill would ensure that the taxpayer money that funds the grants goes completely to broadband expansion without also being taxed itself.

FISCAL IMPACT:

The bill would reduce general fund revenue by approximately \$8.4 million in FY 2024-25 and \$5.1 million in FY 2025-26 due to the bill's retroactivity, and by approximately \$4.0 million annually after that through the termination of grant projects, according to the Department of Treasury. The bill could present a timing issue when it comes to reconciling receipt of the grant proceeds and the year in which the expenses occur for net income purposes.

As of this writing, it is estimated that over \$2.3 billion of eligible broadband grants have been awarded. To the extent that some portion of the awards went to entities or individuals not subject to taxation, that would mitigate the fiscal impacts noted above. It should also be noted that the annual fiscal impact assumes relatively stable distribution of grant awards across fiscal years. Any change in this distribution would alter the fiscal impact across fiscal years.

POSITIONS:

Representatives of the following entities testified in support of the bill (4-22-25):

- Peninsula Fiber Network
- Broadband Association of Michigan

AT&T indicated support for the bill. (4-22-25)

The Michigan Department of Treasury indicated opposition to the bill. (5-6-25)

Legislative Analyst: Alex Stegbauer

Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.