



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 22, 2023

SB 408 Income Tax – Subtraction Modification – Qualified Broadband Grants

Chairman Guzzone, Vice Chairman Rosapepe, and members of the Senate Budget and Taxation Committee,

The lack of high-speed internet is a problem across Maryland, in both rural and urban regions. The Baltimore Sun reported two and a half years ago that “an estimated 324,000 rural Marylanders don’t have access to high-speed internet and in Baltimore City, 96,000 households — more than 40% of households — lack access to high-speed internet.

In 2017, Governor Larry Hogan created the state’s Office of Rural Broadband, and he launched the Connect Maryland initiative last year to confront this problem head on. Governor Wes Moore is also committed to helping connect Marylanders with high-speed internet.

Thanks to programs launched by both the State of Maryland and the Federal government, grants can now be awarded to internet service providers to build and install broadband infrastructure. Unfortunately, many who receive these grants are quickly learning that they must pay taxes on them.

On the front end, these businesses are taking a major loss. For example, a business who receives a \$15 million grant from the State of Maryland to provide broadband will pay \$2.5 million in taxes. A business who takes a \$20 million federal broadband grant will pay roughly \$4.2 million in federal taxes in just one year. A larger company like Verizon or Comcast might be able to take a hit like that and be fine but many of these grants are being awarded to smaller internet service providers who cannot pay costs like this up front.

We are asking companies to step up and seek out these grants to get Maryland connected, however we’re also asking them to make a huge financial sacrifice and risk. This is a colossal disincentive that is making the idea of competing for these types of grants extremely unattractive. Let’s get Maryland connected while helping the internet service providers who are trying to get the job done.

I respectfully request a favorable report on Senate Bill 408.