



Broadband Grant Taxation & Beyond

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PLANNING FOR GRANTS, CHANGES, AND THE FUTURE

Topics Covered

01 Principles to Understand

02 Review Current State

03 Solutions

04 Other Tax Developments



Principles to Understanding Taxes

PRINCIPLES FOR UNDERSTANDING TAXES

- Encourage Behavior
- Discourage Behavior
- Fund Government Expenditures





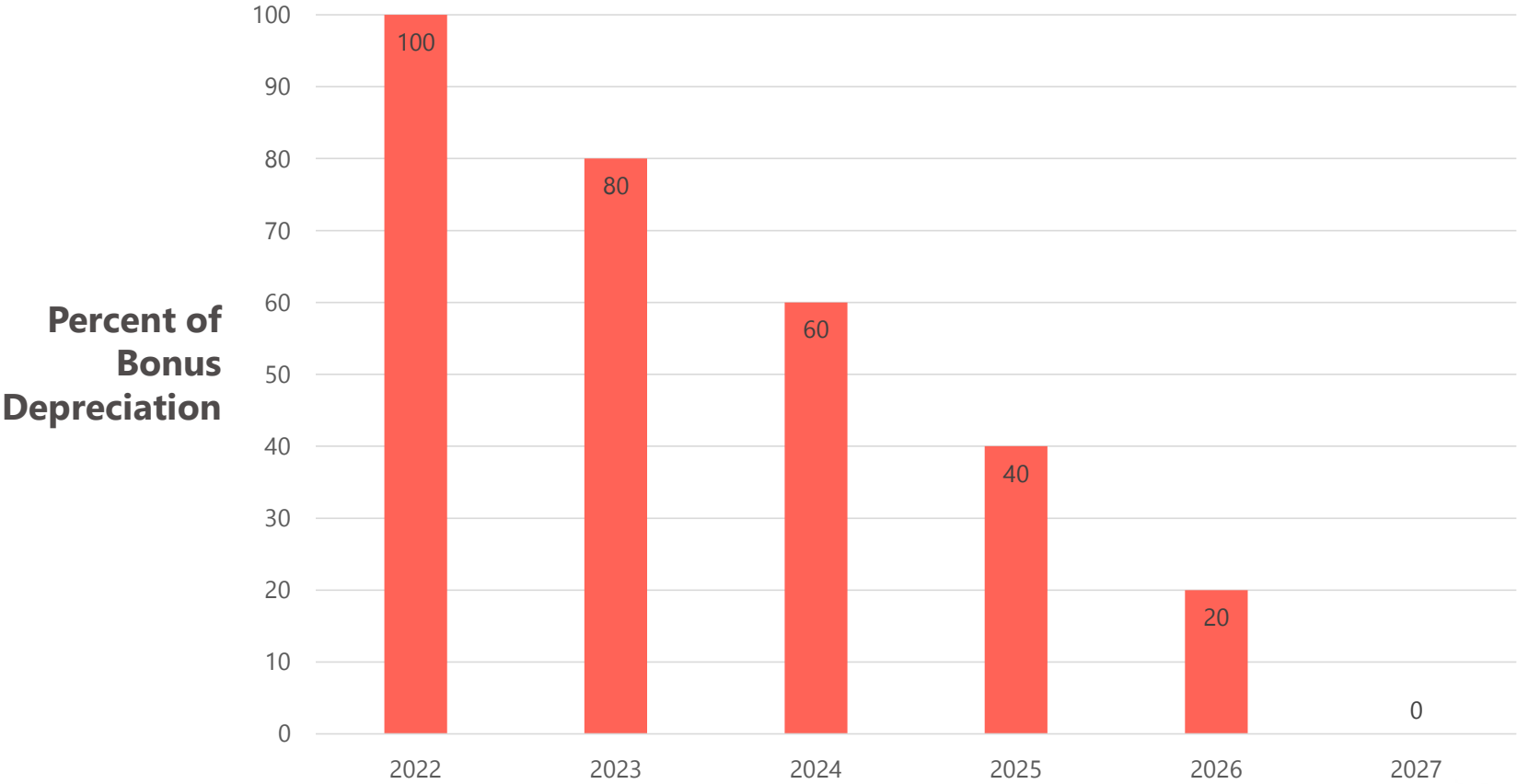
Current State



IMPACTS OF TAX CUTS + JOBS ACTS OF 2017

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

Bonus Depreciation Phase-Out Schedule





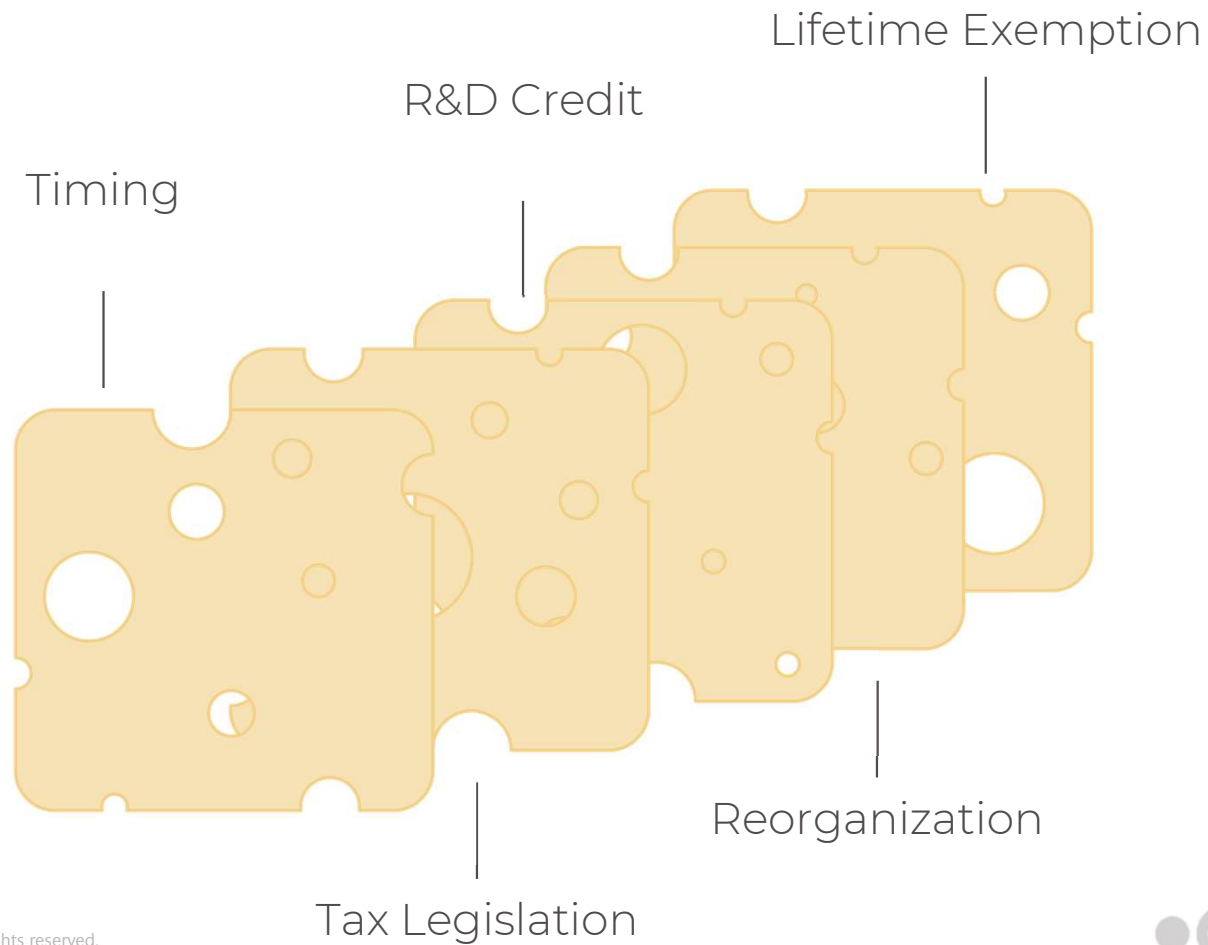
IMPACTS OF TAX CUTS + JOBS ACT OF 2017

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



Potential Solutions

Swiss Cheese Model of Preventing Taxation





Timing

Potential Solution

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.





Network Asset Maintenance Allowance

Potential Solution

Network Asset Maintenance Allowance

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





Research & Development Tax Credit

Potential Solution

Four Part Test

1. Qualified Business Purpose

2. Technical in Nature (Hard Sciences)

3. Technical Uncertainty

4. Process of Experimentation

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



Advocate

Potential Solution

Potential Legislation

Tell the Story

Make Grants Non-Taxable

Extend 100% Bonus Depreciation





1099 Issues

CORRECTED (if checked)

**Certain
Government
Payments**

**Copy B
For Recipient**

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.



PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. USDA, RURAL DEVELOPMENT PHONE# (833) 797-3726 211 N BROADWAY STE 1701; MAIL STOP 2332 ST. LOUIS, MO 63102	1 Unemployment compensation \$	OMB No. 1545-0120 Form 1099-G (Rev. January 2022) For calendar year 2023	
	2 State or local income tax refunds, credits, or offsets \$		
PAYER'S TIN 43-1757115	RECIPIENT'S TIN [REDACTED]	3 Box 2 amount is for tax year	4 Federal income tax withheld \$
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code [REDACTED]	5 RTAA payments \$	6 Taxable grants \$ [REDACTED]	
	7 Agriculture payments \$	8 If checked, box 2 is trade or business income <input type="checkbox"/>	
	9 Market gain \$		
Account number (see instructions) [REDACTED]	10a State	10b State identification no.	11 State income tax withheld \$
			\$

Form **1099-G** (Rev. 1-2022)

(Keep for your records)

www.irs.gov/Form1099G

Department of the Treasury - Internal Revenue Service

**The amount in box 6 is for an ARRA Broadband Initiatives Grant, the reported portion of the grant used for capital expenditures is \$9,288,035.00 and is not taxable per IRS Procedure 2010-34 effective September 23, 2010.
Pilot Broadband Grant**



Lifetime Exemption

IRS Lifetime Exemption

How much? \$13.61 Million

Who? Per person

Why? Facilitates wealth transfer

How much longer? Until 12/31/2025

Thank you.

Questions?

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