

AMENDED IN SENATE MAY 16, 2000

AMENDED IN SENATE MARCH 27, 2000

SENATE BILL

No. 1817

**Introduced by Senator Murray
(Coauthor: Senator Solis)**

(Coauthors: Assembly Members Cedillo, Cunneen,
Ducheny, Keeley, Longville, Pescetti, and Strom-Martin)

February 24, 2000

An act to add and repeal Sections 17053.97 and 23697 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1817, as amended, Murray. Income and bank and corporation taxes: credit: Internet.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable and income year beginning on or after January 1, 2000, and before January 1, 2006, ~~in an amount equal to \$200 for~~ to any taxpayer who is an Internet service provider who provides ~~an Internet connection, a minimum of 5 years of unlimited Internet access, and a personal computer without charge,~~ *without charge, Internet access, and a personal computer* to a low-income household. *The credit for any taxable or income year would be for \$200 multiplied by the number of low-income households that were first provided*

unlimited use of Internet access and a personal computer during the taxable or income year.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares the
2 following:

3 (a) Information tools such as the personal computer
4 and the Internet are increasingly critical to educational
5 and economic successes and personal advancement.

6 (b) The National Technology Information Agency has
7 found that there is a significant “digital divide”
8 separating American information “haves” and
9 “have-nots.” For example, Black and Hispanic households
10 are approximately two-fifths as likely as White households
11 to have home Internet access.

12 (c) The gaps with regard to Internet access between
13 White and Black or Hispanic households continue to
14 widen.

15 (d) The Internet affords educational opportunities
16 previously unavailable to many Californians. According
17 to the United States Department of Commerce, 45
18 percent of Americans earning between ten thousand
19 dollars (\$10,000) and fourteen thousand nine hundred
20 ninety-nine dollars (\$14,999) who use the Internet at
21 home use it for online courses.

22 (e) The Legislature supports reduction of the digital
23 divide and equity of access to information resources.

24 (f) It is the intent of the Legislature that all California
25 students be connected to the information infrastructure.

26 (g) It is the intent of the Legislature to encourage
27 California public schools and libraries to maximize the use
28 of e-rate funds available from the United States
29 Department of Commerce in order to further reduce the
30 digital divide.

31 SEC. 2. Section 17053.97 is added to the Revenue and
32 Taxation Code, to read:



1 ~~17053.97. (a) For each taxable year beginning on or~~
2 *17053.97. (a) (1) For each taxable year beginning on*
3 *or after January 1, 2000, and before January 1, 2006, there*
4 *shall be allowed as a credit against the “net tax,” as*
5 *defined in Section 17039, to a taxpayer who is an Internet*
6 *service provider who provides, without charge, Internet*
7 *access, a minimum of one year of unlimited use of that*
8 *Internet access, and a personal computer to a low-income*
9 *household. The amount of the credit for any taxable year*
10 *shall be equal to two hundred dollars (\$200) multiplied by*
11 *the number of low-income households that were first*
12 *provided unlimited use of Internet access and a personal*
13 *computer during the taxable year.*
14 *(2) The credit shall be allowed to the taxpayer only for*
15 *the first taxable year that unlimited use of Internet access*
16 *and the personal computer are provided without charge*
17 *to a low-income household.*
18 *(b) For purposes of this section, “low-income*
19 *household” means a household for which both of the*
20 *following apply:*
21 *(1) The household meets the current law income*
22 *standards for lifeline telephone service, as defined in the*
23 *Moore Universal Telephone Service Act, Article 8*
24 *(commencing with Section 871) of Chapter 4 of Part 1 of*
25 *Division 1 of the Public Utilities Code.*
26 *(2) The household has at least one child enrolled in*
27 *public school in grades K to 12, inclusive.*
28 *(c) For purposes of this section, “Internet access”*
29 *means the providing of the storage, computer processing,*
30 *and transmission of information that enables a user to*
31 *make use of the resources found by way of the Internet.*
32 *“Internet access” does not include telephone service or*
33 *telecommunications services to the extent that the*
34 *amount paid for those services are determined by the*
35 *Internal Revenue Service to be subject to tax under*
36 *Section 4251 of Title 26 of the United States Code.*
37 *(d) For purposes of this section, “Personal computer”*
38 *means a fully operational multimedia computer that, at*
39 *a minimum, is equipped with all the following*



1 *performance standards, software, and other features or*
2 *their equivalent:*

3 (1) *A 56k internal modem.*

4 (2) *A 380mhz processor.*

5 (3) *Sixty-four megabytes of RAM.*

6 (4) *A 4 gigabyte hard drive.*

7 (5) *A 32 speed CD-ROM.*

8 (6) *A word processing program copyrighted 1999 or*
9 *later.*

10 (7) *The same level of technical assistance provided to*
11 *any other purchaser of the computer or Internet access*
12 *during the normal course of business.*

13 (e) *The taxpayer shall maintain adequate records to*
14 *substantiate the number of low-income households to*
15 *which Internet access is provided that entitles the*
16 *taxpayer to claim the credit allowed pursuant to this*
17 *section.*

18 (f) *In the case where the credit allowed by this section*
19 *exceeds the “net tax,” the excess may be carried over to*
20 *reduce the “net tax” in the following year, and the*
21 *succeeding nine years if necessary, until the credit is*
22 *exhausted, whichever occurs first.*

23 (g) *The Franchise Tax Board shall report, upon*
24 *request of a committee appointed by either the Assembly*
25 *or the Senate of the Legislature, or both, the total amount*
26 *of tax credit claimed under this section, and the number,*
27 *type, and income level of taxpayers claiming the credits.*
28 *The Franchise Tax Board shall also report the industry*
29 *classifications of corporate taxpayers claiming the credits.*

30 (h) *This section shall remain in effect only until*
31 *December 1, 2006, and as of that date is repealed.*

32 SEC. 3. *Section 23697 is added to the Revenue and*
33 *Taxation Code, to read:*

34 23697. (a) (1) *For each income year beginning on or*
35 *after January 1, 2000, and before January 1, 2006, there*
36 *shall be allowed as a credit against the “tax,” as defined*
37 *in Section 23036, to a taxpayer who is an Internet service*
38 *provider who provides, without charge, an Internet*
39 *access, a minimum of one year of unlimited use of that*
40 *Internet access, and a personal computer to a low-income*



1 household. The amount of the credit for any income year
2 shall be equal to two hundred dollars (\$200) multiplied by
3 the number of low-income households that were first
4 provided unlimited use of the Internet access and a
5 personal computer during the income year.

6 (2) The credit shall be allowed to the taxpayer only for
7 the first income year that unlimited use of the Internet
8 access and the personal computer are provided without
9 charge to a low-income household.

10 (b) For purposes of this section, “low-income
11 household” means a household for which both of the
12 following apply:

13 (1) The household meets the current law income
14 standards for lifeline telephone service, as defined in the
15 Moore Universal Telephone Service Act, Article 8
16 (commencing with Section 871) of Chapter 4 of Part 1 of
17 Division 1 of the Public Utilities Code.

18 (2) The household has at least one child enrolled in
19 public school in grades K to 12, inclusive.

20 (c) For purposes of this section, “Internet access”
21 means the providing of the storage, computer processing,
22 and transmission of information that enables a user to
23 make use of the resources found by way of the Internet.
24 “Internet access” does not include telephone service or
25 telecommunications services to the extent that the
26 amount paid for those services are determined by the
27 Internal Revenue Service to be subject to tax under
28 Section 4251 of Title 26 of the United States Code.

29 (d) For purposes of this section, “personal computer”
30 means a fully operational multimedia computer that, at
31 a minimum, is equipped with all the following
32 performance standards, software, and other features of
33 their equivalent:

34 (1) A 56k internal modem.

35 (2) A 380mhz processor.

36 (3) Sixty-four megabytes of RAM.

37 (4) A 4 gigabyte hard drive.

38 (5) A 32 speed CD-ROM.

39 (6) A word processing program copyrighted 1999 or
40 later.



1 (7) *The same level of technical assistance provided to*
2 *any other purchaser of the computer or Internet access*
3 *during the normal course of business.*

4 (e) *The taxpayer shall maintain adequate records to*
5 *substantiate the number of low-income households to*
6 *which Internet access is provided that entitles the*
7 *taxpayer to claim the credit allowed pursuant to this*
8 *section.*

9 (f) *In the case where the credit allowed by this section*
10 *exceeds the “tax,” the excess may be carried over to*
11 *reduce the “tax” in the following year, and the*
12 *succeeding nine years if necessary, until the credit is*
13 *exhausted, which ever occurs first.*

14 (g) *The Franchise Tax Board shall report, upon*
15 *request of a committee appointed by either the Assembly*
16 *or the Senate of the Legislature, or both, the total amount*
17 *of tax credit claimed under this section, and the number,*
18 *type, and income level of taxpayers claiming the credits.*

19 (h) *The Franchise Tax Board shall also report the*
20 *industry classifications of corporate taxpayers claiming*
21 *the credits. This section shall remain in effect only until*
22 *December 1, 2006, and as of that date is repealed.*

23 ~~after January 1, 2000, and before January 1, 2006, there~~
24 ~~shall be allowed as a credit against the “net tax,” as~~
25 ~~defined in Section 17039, an amount equal to two hundred~~
26 ~~dollars (\$200) to any taxpayer who is an Internet service~~
27 ~~provider who provides an Internet connection, a~~
28 ~~minimum of five years of unlimited Internet access, and~~
29 ~~a personal computer without charge to a low income~~
30 ~~household.~~

31 ~~(b) For purposes of this section, “low income~~
32 ~~household” means a household for which both of the~~
33 ~~following apply:~~

34 ~~(1) The household meets the same income standards~~
35 ~~currently in law for lifeline telephone service, as defined~~
36 ~~in the Moore Universal Telephone Service Act, Article 8~~
37 ~~(commencing with Section 871) of Chapter 4 of Part 1 of~~
38 ~~Division 1 of the Public Utilities Code.~~

39 ~~(2) The household has at least one child enrolled in~~
40 ~~public school in grades k to 12, inclusive.~~



1 ~~(c) For the purposes of this section, “personal~~
2 ~~computer” means a fully operational multimedia~~
3 ~~personal computer that, at a minimum, is equipped with~~
4 ~~all the following performance standards, software, and~~
5 ~~other features or their equivalent:~~

6 ~~(1) A 56k internal modem.~~

7 ~~(2) A 380mhz processor.~~

8 ~~(3) Sixty-four megabytes of RAM.~~

9 ~~(4) A 4 gigabyte hard drive.~~

10 ~~(5) A 32 speed CD-ROM.~~

11 ~~(6) A word processing program copyrighted 1999 or~~
12 ~~later.~~

13 ~~(7) The same level of technical assistance provided to~~
14 ~~any other purchaser of the computer or Internet service~~
15 ~~during the normal course of business.~~

16 ~~(d) The taxpayer shall maintain adequate records to~~
17 ~~justify the eligibility of all participants.~~

18 ~~(e) In the case where the credit allowed by this section~~
19 ~~exceeds the “net tax,” the excess may be carried over to~~
20 ~~reduce the “net tax” in the following year, and~~
21 ~~succeeding years if necessary, until the credit is~~
22 ~~exhausted.~~

23 ~~(f) This section shall remain in effect only until~~
24 ~~December 1, 2006, and as of that date is repealed.~~

25 ~~SEC. 3. Section 23697 is added to the Revenue and~~
26 ~~Taxation Code, to read:~~

27 ~~23697. (a) For each income year beginning on or~~
28 ~~after January 1, 2000, and before January 1, 2006, there~~
29 ~~shall be allowed as a credit against the “tax,” as defined~~
30 ~~in Section 23036, an amount equal to two hundred dollars~~
31 ~~(\$200) to any taxpayer who is an Internet service~~
32 ~~provider who provides an Internet connection, a~~
33 ~~minimum of five years of unlimited Internet access, and~~
34 ~~a personal computer without charge to a low-income~~
35 ~~household.~~

36 ~~(b) For purposes of this section, “low-income~~
37 ~~household” means a household for which both of the~~
38 ~~following apply:~~

39 ~~(1) The household meets the same income standards~~
40 ~~currently in law for lifeline telephone service, as defined~~



1 in the Moore Universal Telephone Service Act, Article 8
2 (commencing with Section 871) of Chapter 4 of Part 1 of
3 Division 1 of the Public Utilities Code.

4 (2) The household has at least one child enrolled in
5 public school in grades k to 12, inclusive.

6 (e) For the purposes of this section, “personal
7 computer” means a fully operational multimedia
8 personal computer that, at a minimum, is equipped with
9 all the following performance standards, software, and
10 other features of their equivalent:

- 11 (1) A 56k internal modem.
- 12 (2) A 380mhz processor.
- 13 (3) Sixty four megabytes of RAM.
- 14 (4) A 4 gigabyte hard drive.
- 15 (5) A 32 speed CD-ROM.
- 16 (6) A word processing program copyrighted 1999 or
17 later.

18 (7) The same level of technical assistance provided to
19 any other purchaser of the computer or Internet service
20 during the normal course of business.

21 (d) The taxpayer shall maintain adequate records to
22 justify the eligibility of all participants.

23 (e) In the case where the credit allowed by this section
24 exceeds the “tax,” the excess may be carried over to
25 reduce the “tax” in the following year, and succeeding
26 years if necessary, until the credit is exhausted.

27 (f) This section shall remain in effect only until
28 December 1, 2006, and as of that date is repealed.

29 SEC. 4. This act provides for a tax levy within the
30 meaning of Article IV of the Constitution and shall go into
31 immediate effect.

