

The Effects of the Sales and Use Tax Exemption For Qualifying Broadband Service Providers

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the staff of the
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and edited by
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Fourth Edition

**Exemption Effective: 2019
W.S. 39-15-105(a)(viii)(U) and W.S. 39-16-105(a)(viii)(K)**

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Table of Contents

Overview.....	2
Specific Reporting Requirements by Statute	2
Findings.....	3
Exemption Cost.....	3
Employment.....	3
Wages.....	4
Benefits	5
Turnover.....	5
Survey Process and Costs	6
REMI Analysis: Economic Impacts.....	7
Appendices.....	10

Overview

Original House Bill No. HB0097 (Enrolled Act No. 59) was signed into law by Governor Gordon into law on February 26, 2019. This act relates to taxation and revenue and provides for a sales and use tax exemption for the purchases of equipment used to provide broadband internet services in unserved areas. The act provides for a reporting requirement and an effective date of July 1, 2019. The broadband internet services equipment purchases exemption is located within the “economic incentive” group of sales and use tax exemptions in the Wyoming statutes [W.S. 39-15-105(a)(viii) and W.S. 39-16-105(a)(viii)]. This exemption has a sunset date of July 1, 2024.

The exemption is provided to broadband internet service providers and is for the purchase of equipment used to provide broadband internet services in unserved areas. “Unserved areas” is defined in W.S. 9-12-1501(e) as “an area in which there exists no fixed terrestrial broadband service, or in which the maximum fixed terrestrial broadband speed available:

- (i) To residential customers is at speeds less than twenty-five (25) megabits per second download and three (3) megabits per second upload;
- (ii) To a business corridor within a municipality:
 - (A) With a population of less than two thousand (2,000), is twenty-five (25) megabits per second download and three (3) megabits per second upload;
 - (B) With a population of two thousand (2,000) or more, is fifty (50) megabits per second download and five (5) megabits per second upload.
- (iii) To a business corridor in an unincorporated area of a county, is twenty-five (25) megabits per second download and three (3) megabits per second upload.”

Specific Reporting Requirements by Statute

Wyo. Stat. Ann. § 39-15-105(b)

“The Wyoming business council, the department of workforce services and the department of revenue shall jointly report to the joint revenue interim committee on or before December 1 of each year that the exemption is in effect. If requested by the department of revenue, any person utilizing the exemption shall report to the department the amount of sales tax exempted, and the number of jobs created or impacted by the utilization of the exemption.”

This report is to evaluate the cumulative effects of the exemption from initiation of the exemption and shall include:

- (i) A history of employment in terms of the numbers of employees, full-time and part time employees, and rate of turnover classified by the 2007 edition, as amended, of the North American Industry Classification System (NAICS) code manufacturing section 31 -33 from information collected by the Department of Employment;
- (ii) A history of wages and benefit disaggregated by gender for each job category; and
- (iii) A comprehensive history of taxes paid to the state of Wyoming.

Findings

This year represents the fourth report in a series of annual reports on the effects of this sales and use tax exemption. References to data contained in this report will be referred to as FY23 and will cover the period of July 1, 2022 through June 30, 2023.

The FY23 report is based on 12 surveys mailed on July 19, 2022 to a list of businesses obtained from the Wyoming Business Council that were identified as providers of broadband internet services. A cover letter sent with the survey informed the businesses that once completed, the response could be either mailed, submitted electronically or faxed to the Excise Tax Division for data processing. The Department attempted to contact internet providers who had not responded. The Department of Revenue received six (6) responses, of the six responses received, four of those respondents reported exempt purchases of broadband equipment and two of the respondents did not report any exempt purchases of broadband equipment. The response rate to this survey was 50%.

Exemption Cost

Based on survey responses for FY23, there were \$7,833,563.30 in exempt purchases made by the businesses surveyed. Applying the statewide sales and use tax rate average of 5.36%, this amounts to \$419,878.99 in unrealized sales and use tax revenue by the State of Wyoming as a result of this exemption.

Employment

Figure 1 Illustrates the total reported employment.

	<i>FY20</i>	<i>FY21</i>	<i>FY22</i>	<i>FY23</i>
<i>Supervisor/Manager</i>	194	145	168	193
<i>Administrative Svcs</i>	130	146	130	120
<i>Customer Service</i>	582	500	318	267
<i>Skilled Labor</i>	104	161	358	119
<i>Unskilled Labor</i>	173	162	144	325
<i>Total</i>	1,183	1,114	1,118	1,024

Figure 1: Number of Employees by Occupational Classification

Figure 2 Illustrates the number of men and women as segments of the total workforce.

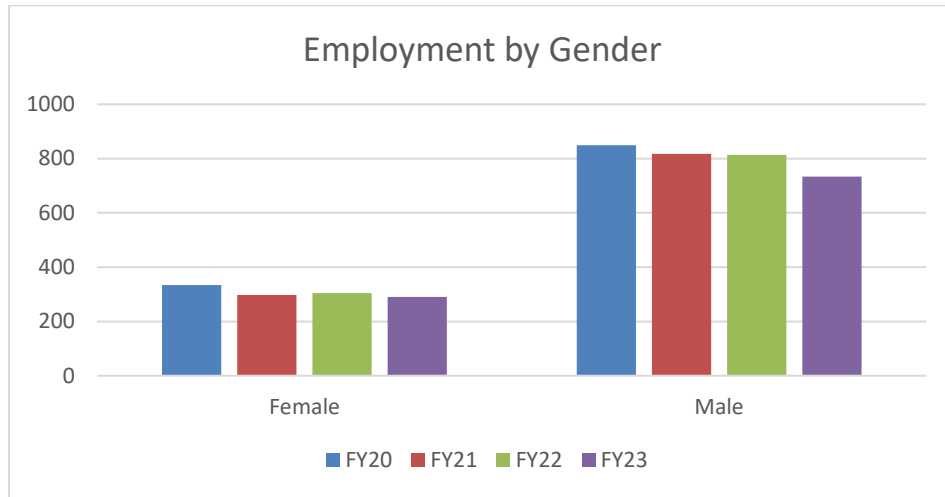


Figure 2: Employment by Gender

Wages

Figure 3 details the average wage per occupational classification.

	FY20	FY21	FY22	FY23
<i>Supervisor/Manager</i>	\$ 43.32	\$ 42.92	\$ 39.56	\$ 50.06
<i>Administrative Svcs</i>	\$ 24.63	\$ 30.96	\$ 27.29	\$ 29.63
<i>Customer Service</i>	\$ 19.91	\$ 18.67	\$ 19.68	\$ 19.43
<i>Skilled Labor</i>	\$ 29.72	\$ 40.75	\$ 26.31	\$ 36.69
<i>Unskilled Labor</i>	\$ 21.47	\$ 26.19	\$ 26.74	\$ 23.39
<i>Average</i>	\$ 25.36	\$ 27.72	\$ 26.58	\$ 29.66

Figure 3: Average Wage by Occupational Classification

Figure 4, Illustrates the average annual wage per occupation classification per year.

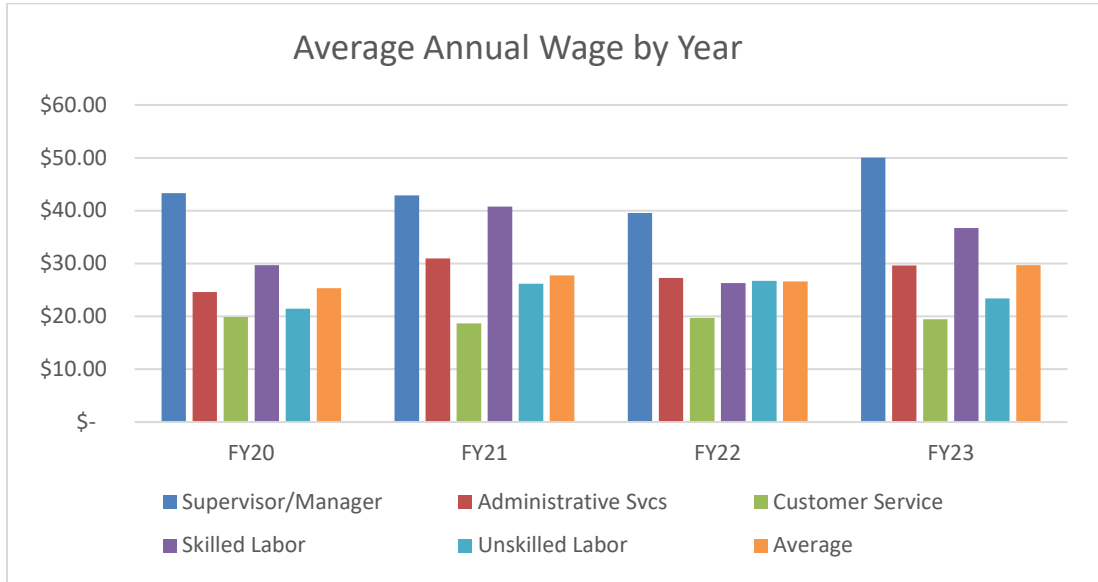


Figure 4: Average Wage by Year

Benefits

Of the respondents with full-time employees residing in Wyoming, 71% offer medical insurance, 71% offer dental insurance, 71% offer vision insurance, 71% offer Prescription coverage and 71% offer a 401K program. Two of the seven respondents offered 401K program benefits to part-time employees.

Turnover

Respondents reported varying degrees of turnover. Figure 5, illustrates the turnover rate per occupational classification as well as the average turnover rate for the year for the combined occupational classifications.

	FY20	FY21	FY22	FY23
<i>Supervisor/Manager</i>	3.80%	7.53%	5.22%	9.22%
<i>Administrative Svcs</i>	5.57%	21.57%	12.10%	30.70%
<i>Customer Service</i>	18.76%	21.94%	33.57%	63.20%
<i>Skilled Labor</i>	3.94%	9.50%	17.76%	10.88%
<i>Unskilled Labor</i>	11.14%	37.51%	22.06%	14.31%
Average	8.64%	19.61%	18.14%	25.66%

Figure 5: Turnover Rate per Occupational Classification

Survey Process and Costs

All surveys were sent in the mail. The primary expense associated with this report is the time spent following up with the respondents, reviewing and analyzing the data received, as well as the preparation of this report. The Department estimates office personnel expended 40 to 50 hours over the course of several weeks on this specific exemption survey.

REMI Analysis: Economic Impacts

The analyses of the economic impacts of the sales and use tax exemptions for (1) purchases of machinery and machine tools used directly and predominantly in manufacturing, for (2) purchases and rentals of qualifying computer equipment necessary for the operation of a data processing center, and for (3) purchases of equipment by a telecommunications service provider, video programming service provider, or provider of internet access used to provide broadband internet service were prepared using the Regional Economic Models, Inc. (REMI) Tax-PI model. REMI Tax-PI is the next generation Policy Insight model built exclusively for Wyoming. It is an integrated model that combines the best features of the input-output, general equilibrium, econometric, and economic geography methodologies. Tax-PI is also a dynamic rather than a static model allowing for year-by-year analysis of the total regional effects of any specific policy.

Table 3: Economic Impact of Sales & Use Tax Exemption Removal for Broadband Internet Providers

Category <i>(Change from Baseline)</i>	2023	2024	2025	2026	2027	Average 2023-2030
Total Employment - Jobs	-1	-1	-2	-2	-2	-2
Population - Individuals	-1	-1	-1	-2	-2	-2
Wages and Salaries	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.1
Personal Income	-\$0.1	-\$0.1	-\$0.1	-\$0.2	-\$0.2	-\$0.2
Disposable Personal Income	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.2	-\$0.1
Gross Domestic Product	-\$0.1	-\$0.2	-\$0.2	-\$0.3	-\$0.3	-\$0.3
Output	-\$0.3	-\$0.4	-\$0.4	-\$0.5	-\$0.5	-\$0.5
Sales & Use Tax Revenue	-\$0.004	-\$0.004	-\$0.006	-\$0.006	-\$0.006	-\$0.005
Property Tax Revenue	-\$0.002	-\$0.002	-\$0.002	-\$0.002	-\$0.002	-\$0.002
<i>Note: All dollar amounts are expressed as millions of fixed (2022) dollars.</i>						

The economic impact of the **removal of the sales tax exemption** for purchases of equipment by a telecommunications service provider, video programming service provider, or provider of internet access used to provide broadband internet service was modeled in REMI as an increase in the production costs for the telecommunications industry of \$0.5 million per year beginning in 2022. This exemption removal would result in an average annual loss of 2 jobs and a decrease in GDP of \$0.3 million per year over the period of 2023 to 2030 when compared to the baseline scenario (see Table 3).

Key Definitions

Total Employment comprises estimates of the number of non-farm jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Includes direct, indirect, and induced jobs.

Population reflects mid-year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

Wages and Salaries are the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; voluntary employee contributions to certain deferred compensation plans, such as 401(k) plans; and receipts in kind that represent income. Wages and salaries disbursements are affected by changes in Wage Rate and Employment.

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

Disposable Personal Income equals personal income minus personal taxes.

Gross Domestic Product or **GDP** is the market value of goods and services produced by labor and property. It is often referred to as "value added" and is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

Output is the amount of production, including all intermediate goods purchased as well as value-added (compensation and profit). Output can also be thought of as sales or supply or simply price multiplied by quantity ($P \times Q$).

Sales & Use Tax Revenue includes the state imposed 4% tax rate and local optional taxes. The tax rate of 5.3% applied in the estimation is a population weighted county average.

Property Tax Revenue includes taxes from residential, commercial, industrial, and agricultural properties. The tax rate of 65 mills applied in the estimation is the statewide average.

About the REMI PI+ Model

The REMI PI+ model incorporates aspects of four major modeling approaches: **Input-Output**, **General Equilibrium**, **Econometric**, and **Economic Geography**. Each of these methodologies has distinct advantages as well as limitations when used alone. The REMI integrated modeling approach builds on the strengths of each of these approaches.

The REMI model at its core has the inter-industry relationships found in **Input-Output models**. As a result, the industry structure of a particular region is captured within the model, as well as transactions between industries. Changes that affect industry sectors that are highly interconnected to the rest of the economy will often have a greater economic impact than those for industries that are not closely linked to the regional economy.

General Equilibrium is reached when supply and demand are balanced. This tends to occur in the long run, as prices, production, consumption, imports, exports, and other changes occur to stabilize the economic system. For example, if real wages in a region rise relative to the U.S., this will tend to attract economic migrants to the region until relative real wage rates equalize. The general equilibrium properties are necessary to evaluate changes such as tax policies that may have an effect on regional prices and competitiveness.

REMI is sometimes called an “**Econometric model**,” as the underlying equations and responses are estimated using advanced statistical techniques. The estimates are used to quantify the structural relationships in the model. The speed of economic responses is also estimated, since different adjustment periods will result in different policy recommendations and even different economic outcomes.


The **New Economic Geography** features represent the spatial dimension of the economy. Transportation costs and accessibility are important economic determinants of interregional trade and the productivity benefits that occur due to industry clustering and labor market access. Firms benefit having access to a large, specialized labor pool and from having access to specialized intermediate inputs from supplying firms. The productivity and competitiveness benefits of labor and industry concentrations are called agglomeration economies, and are modeled in the economic geography equations.

The primary national, state, and county data source for REMI PI+ is the Bureau of Economic Analysis (BEA) State Personal Income (SPI) and Local Area Personal Income (LAPI) series (which also include employment and total population at both the state and county level). REMI also relies on numerous other data sources including the Bureau of Labor Statistics, Energy Information Administration, Center for Disease Control and Prevention, National Center for Health Statistics, and the Department of Defense. *Source: remi.com.*



Appendices

Appendix A: Broadband Exemption Survey



Wyoming Department of Revenue
Excise Tax Division
 Herschler Bldg East
 122 West 25th Street, STE E301
 Cheyenne, WY 82002-0110

SALES/USE TAX RETURN
FOR BROADBAND INTERNET PROVIDERS
 Per Wyoming Statutes Title 39-15-105 and Title 39-16-105

THIS FORM MUST BE COMPLETED AND FILED BY AUGUST 18, 2023

I. Company Information

Company Name			
Address			
City	State	Zip	
Reporting Period:	From July 1, 2022	to June 30, 2023	

II. Exempt Purchases
 Tangible personal property purchased to provide broadband internet services in unserved areas as outlined in W.S. 39-15-105 and W.S. 39-16-105.

Amount of exempt purchases for the period of July 1, 2022 through June 30, 2023 If zero, please enter \$0.00	\$ _____ .
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III. Economic Impact Information

Category Name ¹ (such as supervisor, laborer, etc.)	Full Time or Part Time?	Number of Workers		Average Wage (per hour)		Average Rate of Turnover
		Male	Female	Male	Female	

Categories:
Owner/officer – Owners, Officers, Sole Proprietors, Corporate Officers, Self Employed, etc.
Supervisor/Manager – Upper/Middle/Lower Managers, Foremen, Supervisors, etc.
Administrative Staff – Clerical, Office, Accounting, Bookkeeping, Purchasing, Shipping & Receiving, etc.
Customer-Support Services – Customer Service, Sales, Delivery, etc.
Skilled Laborers – Professionals, Engineers, Tradesmen, Machinists, R&D, Design, Quality Control, etc.
Unskilled Laborers – Technicians, Operatives, Maintenance, Production, Laborers, etc.

Please indicate the number of employees residing in Wyoming. _____

IV. Benefits Impact Information

Which, if any, of the following benefits do you offer to your employees? Check each applicable box

<i>Employee Type</i>	<i>None</i>	<i>Health</i>	<i>Dental</i>	<i>Vision</i>	<i>Prescription</i>	<i>401(k)</i>
<i>Full-time Employees</i>						
<i>Part-time Employees</i>						

V. Affidavit and Signature

I _____, (authorized agent for company) hereby certify under penalty of perjury that the company named on this form is entitled to the sales and use tax exemption on purchases of tangible personal property to provide broadband internet services in unserved areas, as per W.S. Title 39-15-105 and Title 39-16-105. I further certify that the Company Information and Economic Impact Information provided above is true and accurate to the best of my knowledge.

Signature _____ Title _____ Date _____