

**Introduced by Senator Murray**

January 24, 2001

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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 121, as introduced, 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 year beginning on or after January 1, 2001, and before January 1, 2007, to any taxpayer who is an Internet service provider and provides, without charge, Internet access and a personal computer to a low-income household. The amount of the credit for any taxable year would be \$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 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:

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

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

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

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

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

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

21 (g) It is the intent of the Legislature to encourage California  
22 public schools and libraries to maximize the use of e-rate funds  
23 available from the United States Department of Commerce in  
24 order to further reduce the digital divide.

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

27 17053.97. (a) (1) For each taxable year beginning on or after  
28 January 1, 2001, and before January 1, 2007, there shall be allowed  
29 a credit against the “net tax,” as defined in Section 17039, to a  
30 taxpayer who is an Internet service provider and provides to a  
31 low-income household, without charge, Internet access, a  
32 minimum of one year of unlimited use of that Internet access, and  
33 a personal computer. The amount of the credit for any taxable year  
34 shall be equal to two hundred dollars (\$200) multiplied by the  
35 number of low-income households that were first provided  
36 unlimited use of Internet access and a personal computer during  
37 the taxable year.

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



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

3 (1) The household meets the current low-income standards for  
4 lifeline telephone service, as defined in the Moore Universal  
5 Telephone Service Act (Article 8 (commencing with Section 871)  
6 of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code).

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

9 (c) For purposes of this section, “Internet access” means the  
10 providing of the storage, computer processing, and transmission  
11 of information that enables a user to make use of the resources  
12 found by way of the Internet. “Internet access” does not include  
13 telephone service or telecommunications services to the extent that  
14 the amount paid for those services are determined by the Internal  
15 Revenue Service to be subject to tax under Section 4251 of Title  
16 26 of the United States Code.

17 (d) For purposes of this section, “Personal computer” means  
18 a fully operational multimedia computer that, at a minimum, is  
19 equipped with all the following performance standards, software,  
20 and other features or their equivalent:

21 (1) A 56k internal modem.

22 (2) A 380mhz processor.

23 (3) Sixty-four megabytes of RAM.

24 (4) A 4 gigabyte hard drive.

25 (5) A 32 speed CD-ROM.

26 (6) A word processing program copyrighted 2000 or later.

27 (7) The same level of technical assistance provided to any other  
28 purchaser of the computer or Internet access during the normal  
29 course of business.

30 (e) The taxpayer shall maintain adequate records to  
31 substantiate the number of low-income households to which  
32 Internet access is provided that entitles the taxpayer to claim the  
33 credit allowed pursuant to this section.

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

38 (g) The Franchise Tax Board shall report, upon request of a  
39 committee appointed by either the Assembly or the Senate of the  
40 Legislature, or both, the total amount of tax credit claimed under



1 this section, and the number, type, and income level of taxpayers  
2 claiming the credits.

3 (h) This section shall remain in effect only until December 1,  
4 2007, and as of that date is repealed.

5 SEC. 3. Section 23697 is added to the Revenue and Taxation  
6 Code, to read:

7 23697. (a) (1) For each taxable year beginning on or after  
8 January 1, 2001, and before January 1, 2007, there shall be allowed  
9 a credit against the “tax,” as defined in Section 23036, to a  
10 taxpayer who is an Internet service provider and provides to a  
11 low-income household, without charge, Internet access, a  
12 minimum of one year of unlimited use of that Internet access, and  
13 a personal computer. The amount of the credit for any taxable year  
14 shall be equal to two hundred dollars (\$200) multiplied by the  
15 number of low-income households that were first provided  
16 unlimited use of the Internet access and a personal computer  
17 during the taxable year.

18 (2) The credit shall be allowed to the taxpayer only for the first  
19 taxable year that unlimited use of the Internet access and the  
20 personal computer are provided without charge to a low-income  
21 household.

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

24 (1) The household meets the current low-income standards for  
25 lifeline telephone service, as defined in the Moore Universal  
26 Telephone Service Act (Article 8 (commencing with Section 871)  
27 of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code).

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

30 (c) For purposes of this section, “Internet access” means the  
31 providing of the storage, computer processing, and transmission  
32 of information that enables a user to make use of the resources  
33 found by way of the Internet. “Internet access” does not include  
34 telephone service or telecommunications services to the extent that  
35 the amount paid for those services are determined by the Internal  
36 Revenue Service to be subject to tax under Section 4251 of Title  
37 26 of the United States Code.

38 (d) For purposes of this section, “personal computer” means  
39 a fully operational multimedia computer that, at a minimum, is



1 equipped with all the following performance standards, software,  
2 and other features of 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 2000 or later.
- 9 (7) The same level of technical assistance provided to any other  
10 purchaser of the computer or Internet access during the normal  
11 course of business.

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

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

20 (g) The Franchise Tax Board shall report, upon request of a  
21 committee appointed by either the Assembly or the Senate of the  
22 Legislature, or both, the total amount of tax credit claimed under  
23 this section, and the number, type, and income level of taxpayers  
24 claiming the credits.

25 (h) The Franchise Tax Board shall also report the industry  
26 classifications of corporate taxpayers claiming the credits. This  
27 section shall remain in effect only until December 1, 2007, and as  
28 of that date is repealed.

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

