



**Testimony on HB 2106
PROPONENT**

House Taxation Committee

Tuesday, January 31, 2023

Chairman Smith and Members of the Committee:

I'm Jim Jamison, President of AT&T Kansas.

Thank you for allowing the state's communications providers to work with the Revisor's office to draft this legislation and thank you for allowing me to stand before you to share our thoughts on this legislation. This bill reflects the input and collaboration of many of the state's communications companies.

AT&T supports HB2106.

This measure will allow communications companies in Kansas to connect more Kansans to high-speed Internet by exempting the equipment used to expand and improve broadband networks from sales taxes. This will increase the number of Kansas homes and business connected to high-speed fiber as well as expanding wireless 5G networks.

Twenty-four other states already have created such an exemption or provide a rebate of the sales taxes paid, including Missouri, Oklahoma, and Colorado.

Kansas already has similar policies in place that exempt or refund state sales and use taxes on inputs to production of agriculture and manufacturing goods. This bill would afford the same tax benefit to the communications industry.

At AT&T, we are committed to doing our part to close the digital divide. Over the last five years, AT&T has invested more than \$1.1 billion expanding and upgrading our networks in Kansas. We now provide AT&T Fiber to more than a quarter-million Kansas homes and businesses.

AT&T is working in new and innovative ways in our efforts to connect Kansans. That effort includes working with the Kansas Office of Broadband Development. Earlier this month, the State announced a round of grants to deploy broadband and AT&T was proud – like other providers in this room today – to be named a recipient of one of those grants.



It's worth noting that absent this legislation, all of these providers will be forced to give a portion of that grant money back to the State in the form of sales taxes on the equipment, machinery and other material we purchase and use to build these much needed networks. Recipients of similar grants in Missouri and Oklahoma will be able to devote 100% of their grants to connecting citizens.

Put simply, every dollar paid in taxes is a dollar that cannot be invested in the expansion of Kansas' broadband networks.

Another round of grants will be coming to Kansas next year through the Broadband, Equity, Access and Deployment Program – which you'll hear referred to as "BEAD." Kansas is expected to receive more than \$300 million from the BEAD program. That money can connect many more Kansans if you choose not to tax communications equipment.

Members, I'd like to call your attention to a several documents you've been provided.

First is a map showing the states that either exempt or provide a refund of the sales tax on communications equipment. As you can see, several of Kansas' neighbors are among the states making it easier to expand broadband.

Next, are two documents that address the fiscal impact of this proposed legislation. The first is a memo from Scott Mackey of Leonine Public Affairs. Mr. Mackey is a nationally recognized expert in tax policy and former Chief Economist for the National Conference of State Legislatures. Mr. Mackey examined a 2019 study performed by Dr. Raul Katz. Dr. Katz holds PhDs from the Massachusetts Institute of Technology in Management Science and Political Science and is Director of the Columbia Institute for Tele-Information.

Mr. Mackey built on Dr. Katz' work using specific investment information obtained under nondisclosure agreements for many of the communication providers in Kansas, including AT&T. Mackey extrapolated the capital investment for the entire industry and estimated the portion of the investment subject to sales tax. By Mr. Mackey's calculations, exempting communications equipment from taxes would result in \$16.8 million less in tax revenue for the state.

As a point of comparison to Mr. Mackey's projections, we also obtained the fiscal note for Kansas House Bill 2255 from the 2013 legislative session. That bill, which would have



provided a refund of the sales tax on telecommunications machinery and equipment, had a first-year fiscal note of \$16.5 million had it been enacted.

HB 2106 is sound tax policy that will ensure maximum effectiveness of investment and to keep Kansas competitive among its neighboring states. We look forward to continued investments and furthering our mission of bridging the digital divide.

Thank you for your consideration.

Respectfully submitted,

Jim Jamison
President
AT&T Kansas