

**Testimony in Support of HB 2719
March 2, 2022
House Committee on Taxation**

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Chairman Smith, Ranking Member Gartner, and Members of the Committee:

Thank you for the opportunity to speak to you today about HB 2719 and our broadband work across the state. My name is Daniel Friesen Chief Innovation Officer at IdeaTek

The bill before you today stems from challenges our company has encountered regarding our annual public utility property rendition filing, specifically the tax-exempt status of assets not yet placed into service. K.S.A. 79-224 exempts telecommunications machinery and equipment from property taxation but does not explicitly declare this to include assets not yet placed into service, such as work-in-progress equipment or equipment held as inventory. Once these assets are placed into service, they are considered fully exempt.

IdeaTek was established after the exempt provisions in K.S.A. 79-224 were implemented, yet we have been assessed property tax on assets generally exempt by 79-224 because the Department of Revenue uses utility assessment methods for typically large telecommunications carriers with large non-exempt taxable property. These methods tend to over allocate tax assessments that we believe should already be exempt by the statute's original intent.

The effect of this bill is to return K.S.A. 79-224 to the original intent by clarifying exempt telecommunications machinery and equipment to include pending or in-progress investments which will eliminate any room for misinterpretation. Any savings our company realizes from the passage of this bill will be reinvested in providing underserved Kansas communities with fiber-connected broadband services.

As this committee is aware, IdeaTek is preparing to rapidly build out fiber connections across the state, a direct result of investments the federal government has made to ensure connectivity is no longer a convenience but available to all Kansans, border to border.

For example, in 2020, federal CARES Act funding was allocated for broadband telecommunications in rural, underserved areas. We took on several projects — and with only four months to complete them. This was a monumental lift for IdeaTek. We reached out to serve 17 counties. Nearly 20 communities received fiber for the first time. In the end, the project involved 115,000 man-hours, over 350 new miles of fiber, and new services available to almost 13,000 homes and businesses. It was one of the most rewarding and challenging projects we've ever done.

This committee recently also heard testimony on HB 2499. I recognize we're not here today to work that bill, but I do want to take a couple of moments to add some perspective on that important legislation. IdeaTek fully supports HB 2499 and submitted written testimony for it. You'll recall this is the bill that would provide a refund of sales and compensating use taxes paid on sales of property used in video, internet access, and telecommunications services — not to exceed \$40 million annually.

The cost of broadband services continues to rise with inflationary pressures and covid-related supply chain issues. While Kansas is set to receive significant dollars for broadband investments, it is not going to stretch as far as the dollars stretched when we completed the CARES projects. That's why HB 2499 is so important, though I understand your concerns about this being a "giveaway." However, I'd like to present another perspective.

IdeaTek fully intends to reinvest those dollars in continuing our broadband builds in less densely populated regions that don't have fiber access. Sales tax exemptions on broadband equipment will stretch the broadband grant money even further. I recognize some would like to narrowly tailor the bill to mirror Oklahoma's similar statute. While we're open to those ideas, the oversight components appear to be onerous such as injecting the department of revenue in the ongoing subjectivity of determining definitions of underserved broadband. If such a narrow focus were needed, focusing on providers classified as small business would be a more prudent approach.

I appreciate the solution applied in HB 2499 and hope we can continue to dialogue about an appropriate pathway to advance that idea in a way that satisfies providers like IdeaTek and those of you in this room. It does have merit and deserves more discussion as we scale up our broadband expansion projects.

With that, I'll pivot back to what brought us here today - HB 2719 - and ask for your support.

Thank you, and I'll stand for questions at the appropriate time.

Respectfully submitted,



Daniel Friesen
Managing Partner/CIO