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**House Taxation Committee
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Proponent on HB 2499**

Chairman Smith and members of the committee, thank you for the opportunity to submit testimony on HB 2499. Verizon appreciates this opportunity to express support for this important economic development legislation.

This bill would provide a refund of state sales taxes paid on network equipment deployed by telecommunications providers to maintain and upgrade their networks. Currently, Kansas is one of the 29 states that impose sales taxes on equipment purchased and used by telecommunications providers for their networks. These sales taxes increase the cost of investment and divert investment from equipment to state government coffers, thus reducing overall investment in broadband networks: arguably the state's most important infrastructure for the 21st Century information economy.

In the new economy, investment in high-speed broadband networks has become every much as important as investments in railroads and the Interstate highway system were in the past. For example, wireless carriers are currently racing to deploy fifth generation ("5G") wireless networks across the country. Businesses, governments, and consumers increasingly need the high capacity and fast speeds that these networks provide in order to take full advantage of all the new wireless tools available to boost productivity. Logistics and fleet management, remote sensing and monitoring, irrigation and crop management, remote education, on-line education and other government services – all these and many more productivity enhancements can only be used to their full potential when high speed networks are broadly deployed.

This legislation, by eliminating the taxation of network investments, would result in faster deployment of networks in two ways. First, the roughly \$40 million in revenues that would no longer flow to the state of Kansas could instead be spent on network equipment deployed in Kansas. Second, refunding the sales tax paid on Kansas investments would improve the rate of return calculation for projects in Kansas as compared to other states that impose the sales tax on investment. This would attract new capital to Kansas that is currently being deployed in other states.

Currently, like most states, Kansas exempts machinery and equipment purchased by manufacturers from sales taxes. This longstanding policy recognizes that sales taxes should be imposed on final consumption, in order to avoid the pyramiding of taxes. The manufacturing exemption helps the state compete for investment by manufacturers by ensuring that they do not have a built-in price disadvantage if they locate in Kansas.

Telecommunications network investments are critical to state economies in the information economy. This is investment that does not cost state or local governments a penny. However, states can either encourage or inhibit investment based on their tax policies. This legislation is a common sense way to signal to the industry that Kansas welcomes and encourages private sector investment in broadband networks.