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House Taxation Committee
Chairman Adam Smith
HB 2106
Proponent Testimony – Written Only
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Chairman Smith and Members of the Committee:

Thank you for the opportunity to present written testimony supporting HB 2106. Verizon appreciates efforts to improve, expand, and enhance broadband service within Kansas. Verizon looks forward to working with policymakers and industry stakeholders to expand broadband investments throughout Kansas.

Put simply, HB2106 would reduce the cost of Verizon’s network investments in Kansas. Under current law, an average of 8.6% of all the money Verizon invests in network equipment in Kansas ends up going to the state and local government coffers. If enacted into law, HB2106 would ensure that every dollar Verizon and other broadband providers invest in Kansas is actually being used to expand network quality and coverage.

A principal element of sound tax policy is parity: equitable tax treatment for all business machinery and equipment. As you likely know, Kansas has codified a machinery and equipment sales tax exemption for equipment used as an essential part of a manufacturing process. Likewise, the agricultural industry benefits from a similar sales tax exemption for farming machinery and equipment. Although Kansas has embraced this tax policy principle (exempting inputs to production) for these two industry categories, policymakers have not extended that same tax treatment to the telecommunications industry to promote additional broadband deployment. We believe that good tax policy dictates that sales tax should not be imposed on essential machinery and equipment purchases (production inputs). HB 2106 is therefore critical to achieving tax parity.

Verizon is investing in technology to meet exploding consumer demand for faster data transmission to drive innovation, create new jobs, and fuel new services and capabilities such as smart communities, connected cars, smart farming, and the “Internet of Things.” Verizon is also greatly

expanding broadband coverage, giving millions of adults, students and business owners across the country more Internet service choices.

Powered by 5G Ultra-Wideband, 5G Home Internet and 5G Business Internet offer fast, reliable, fixed wireless internet service to homes and businesses of all sizes. Verizon's 5G also uses low-band spectrum to provide coverage throughout the state. To date these investments have been made without subsidies from the KUSF or the IKE Broadband Acceleration Grant Program or Federal Grant Programs awarded to Kansas.

Please also note that Verizon is spending to densify its wireless network in order to meet customers' ever-increasing data demands. Capital spending has increased to build 5G networks that frequently require permission from cities and other local agencies that impose franchise fees for use of public rights-of-way. Nevertheless, Verizon continues to build partnerships with cities and is making investments to meet consumers' greater wireless broadband demand, and to drive innovation that improves customers' lives within Kansas.

The state can play a significant role in helping our industry expand capacity to existing wireless networks and improve broadband infrastructure by reforming Kansas sales tax policy. HB 2106 accomplishes that objective.

Thank you for the opportunity to present our views on increasing broadband investments across the state. We respectfully urge your support for HB 2106.