



State Tax Policy
8350 E. Crescent Parkway
Suite 200
Greenwood Village, Colorado 80111

March 7, 2012

The Honorable Les Donovan
Chairman, Senate Committee on Assessment & Taxation
State Capitol
Topeka, Kansas 66612

RE: SB 376

Dear Chairman Donovan:

As an employer, capital investor and taxpayer in Kansas, Verizon has considerable interest in the review and possible reform of the tax laws governing the State. We understand there are several bills presently under consideration and offer the following comments with sincere respect to the challenges that the members of your Committee and the other Senators and Representatives are facing.

Verizon shares the view of those who prefer lower tax rates, be they individual or corporate, and minimizing what some label as "loopholes," that benefit only a few. On the other hand, tax policy may be strategically targeted in a manner to encourage investment in certain key areas, which may be of substantial benefit to the State of Kansas. Furthermore, a transition toward taxation of services may deserve serious consideration as part of enlightened tax policy for the 21st century; but only after careful analysis and significant input has been measured. SB 376, now before your Committee, would constitute major change in a number of important areas. We would like to provide specific comments on a couple of the provisions that are of particular concern to us.

The proposal to tax digital products is something that Verizon opposes at this time. In short, this change will disadvantage in-state businesses who would be obligated to collect and remit sales tax while at the same time attempts to impose the same obligation to out-of-state companies would likely result in costly and wasteful litigation. We believe that prior to enacting a tax on digital products or services, Congressional action should be taken to ensure consistent and non-discriminatory treatment among the states. Without a national framework, more than one state could claim the right to tax the same transaction because digital commerce does not recognize traditional jurisdictional boundaries. Furthermore, consumers will be confused and administration will be inconsistent and burdensome.

So that you know the extent of our interest in this vital component of good tax policy, Verizon is working on this very type of federal tax framework, by supporting legislation* in Congress that would simplify, clarify and eventually authorize the collection and remittance of state taxes on digital goods and services. It would keep the key decision – whether to tax or not – in your hands as Kansas

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policymakers. But, before that significant milestone is reached, we ask that you refrain from extending state sales and consumption taxes to digital goods and services.

Another concerning provision in SB 376 is the broadening of telecommunications service by including several more refined services that are currently not part of the definition, including *'any telecommunication service to a provider of telecommunication services which will be used to render telecommunications services, including carrier access services'*. Removing the existing exemption for telecommunication services that are sold to other providers and then resold to consumers, results in double taxation and is counterproductive to the national and state goals of expanding access and adoption of advanced telecommunications services. Furthermore, taxing both the direct business inputs and the service output is not generally recognized as good tax policy and is not consistent with the goal of keeping Kansas competitive with other states. Removing the existing sale-for-resale exemption for telecommunications services will increase the cost for carriers to do business in Kansas, and therefore will reduce the dollars available to invest in the infrastructure necessary to bring advanced telecommunications service to the residents and businesses of the State.

Thank you very much for the opportunity to provide these remarks and we appreciate your consideration to remove the provisions discussed above from SB 376.

Sincerely,

Nancy Riedel
Director, State Tax Policy
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* The Digital Goods and Services Tax Fairness Act of 2011 was introduced last May and is seeking to establish a national framework for how digital goods and services should be taxed for state and local transaction tax purposes to preclude the imposition of multiple and discriminatory taxes.