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Testimony of Patrick Fucik on behalf of Sprint Corporation
In Support of SB 430 – HPIP Extension
Before the Kansas House Taxation Committee
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Good afternoon Chairman Johnson and members of the committee. My name is Patrick Fucik and I am the National Director of State Legislative Affairs for Sprint. Thank you for the opportunity to provide comments on behalf of Sprint and our 5,683 employees in Kansas in support of SB 430.

Let me start by describing what SB 430 actually does and then provide some additional background as to why the bill is necessary. SB 430 would provide an extension of investment tax credits awarded to any qualifying company through the High Performance Incentive Program (HPIP) administered by the Department of Commerce (DOC). This bill is similar to the one that Kansas Legislature passed in 2011 providing a six-year extension for HPIP recipients at that time. Currently, these credits can be carried forward for 16 years.

Starting on or after 1/1/18, SB 430 would require HPIP recipients that are in the 16th year (last qualifying year) to take a 50% reduction in their HPIP credits and carry forward 50% of those credits for nine more years - bringing the total time a qualifying company could carry the credits forward to 25 years. The bill provides that no more than 10% of those remaining carry forward credits could be used in any one year and the company must continue to certify that it meets the investment requirements of the program. The bill also provides that no tax credit that expired prior to 1/1/18 can be revived under the provisions of this amended language. Lastly, future HPIP recipients will continue to have 16 years to utilize their credits and only HPIP recipients that earned initial credits prior to 1/1/18 will receive the 9 year extension.

HPIP Credit Background

HPIP provides for a 10% investment tax credit on qualified capital investment of an eligible company in Kansas. For certain Kansas counties (which includes Johnson county), the minimum annual investment threshold to qualify for credit is \$1M. The credit is awarded to companies that operate an eligible business, pay above average wages and invest in employee training.

Sprint's Situation

In 2002, Sprint built our world headquarters campus in Overland Park and Sprint generated \$108M of HPIP credit. Sprint has struggled with losses for many years since then except for the last few years when we have actually had taxable income and utilized roughly \$8M of the credit carryforward. Since the credit only has a 16 year carryforward, an estimated \$100M of credit is set to expire at the end of Sprint's fiscal year which would be on 3/31/18.

Sprint makes a very large economic contribution to the State of Kansas with 5,683 employees on our campus of which 4,228 are Kansas residents. An economic analysis estimates that Sprint's headquarters supports more than 9,500 jobs throughout Kansas. That estimate is based on a multiplier of 1.6x, for

every 10 Sprint employees, there were an additional six employees supported elsewhere throughout the State as a result of indirect and induced economic activity. Sprint's 5,683 headquarters employees make up 65% of that total job impact. Including indirect and induced economic activity, Sprint's headquarters generates \$600 million of income for Kansas employees (by work location).

Sprint's employees earn an average of \$85,000 in total compensation and have a direct impact of nearly \$500M from its campus employees alone (not including indirect impact). Finally, Sprint's headquarters supports an estimated \$39 million of state taxes and \$28 million of local taxes throughout Kansas paid by businesses and households (\$67 million combined).

The Request for Legislative Relief

Knowing that our HPIP credits were due to expire on 3/31/18, Sprint reached out to the DOC last summer to engage in a conversation about what options were available. Sprint has been in constant contact with the DOC since that initial meeting and also worked with the Department of Revenue (DOR) to review and draft legislation that would provide for an extension of HPIP credits. Both the DOC and the DOR are supportive of an incentive to retain capital investment in Kansas and provide some relief from expiring HPIP credits.

The result of those conversations is what you have before you in the form of SB 430. The bill allows Sprint, and any other company that qualifies, to eliminate a portion of the HPIP credit liability from its books in the 16th year, if unused, while retaining an incentive to keep businesses in the state. In order for the reduced HPIP credit to be utilized, the taxpayer must still be HPIP certified each year, which ensures the business is paying above average wages and training its employees. This retained business operations and headcount in the State provides for a direct and indirect large economic benefit to Kansas.

As I mentioned earlier, SB 430 is similar to a bill that the Kansas Legislature passed in 2011 providing a six-year extension for HPIP recipients at that time. I appreciate your time this afternoon, would respectfully urge you to support SB 430 and would be happy to answer any questions.

Thank you.