



Testimony on SB 376
Wednesday, March 7, 2012
Senate Assessment and Taxation Committee
Kent Cornish – President/Executive Director

Good Morning Mr. Chairman and members of the Committee. The Kansas Association of Broadcasters represents nearly 285 radio and television stations across the state. There are three areas of this proposal that directly impacts broadcasters through the elimination of exemptions. They are advertising – unless sold business to business, machinery and equipment, and advertising services. Here are just a few brief reasons we oppose SB 376.

ADVERTISING (“a”, page 14)

As we interpret this bill, anyone purchasing advertising that is not a corporation, limited partnership, etc. (lines 37-40, Page 14) will have to pay sales tax. That includes candidates for public office, or perhaps individuals who purchase advertising for fundraising events. All advertising (broadcast and print) is exempt from sales tax because it helps businesses build brand awareness and communicates the benefits of products, events and services to targeted audiences. Our fear is that if you start eliminating certain classes from those exemptions, it won't be long before the rest of the exemption is gone. Advertising driven sales of products and services help support 187,790 jobs – or 13.4% of the 1.4 million jobs in the state (IHS Global Insight study). **For most Kansas broadcasters, advertising makes up 95% -100% of total annual revenue.**

MACHINERY AND EQUIPMENT (“zz”, page 38)

In 1998, the Kansas legislature granted a sales tax exemption to free over the air broadcasters on machinery and equipment and electricity essential to produce a broadcast signal. This addressed an inequity that existed in sales tax law. Newspapers, who are primary competitors for advertising revenue, have always received the exemption on their machinery and equipment which created a competitive advantage.

As stated above, advertising is nearly the sole source of revenue for Kansas broadcasters and **to pay a tax that a competitor doesn't is certainly not fair or good tax policy.**

ADVERTISING SERVICES (“nn”, page 34)

Stations generally offer the production of a commercial for a reduced – or no cost - when an advertiser purchases air time on the station. However, even a reduced cost for television can end up being \$1000 or more. In SB 376, this would impact all advertisers – including business to business – who use a station or ad agency to produce the commercial.

We oppose SB 376 because it singles out broadcasters to begin paying sales tax on machinery and equipment, as well as electricity when competitors and most other Kansas businesses are exempt, and it makes an individual pay more than a company for advertising. Thank you for your time and consideration.

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Attachment # 24