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Proponent Testimony on House Bill 2388

Kansas Corporation NOL Carryforward

**Testimony by CenturyLink
John Idoux, Kansas Governmental Affairs Director
Before the House Committee of Taxation
March 18, 2019**

Thank you Chairman Johnson and members of the Committee. My name is John Idoux and I am CenturyLink's Director of Governmental Affairs for Kansas. I appreciate this opportunity to express CenturyLink's support of House Bill 2388 with a proposed change.

CenturyLink Introduction

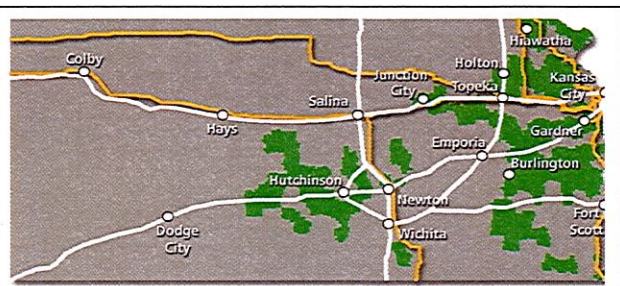
CenturyLink is the second largest U.S. communications provider to global enterprise customers. With customers in more than 60 countries and an intense focus on the customer experience, CenturyLink strives to be the world's best networking company by solving customers' increased demand for reliable and secure connections. The company also serves as its customers' trusted partner, helping them manage increased network and IT complexity and providing managed network and cyber security solutions that help protect their business.

CenturyLink In Kansas

CenturyLink has provided communications services in Kansas under various names since 1909 and today serves rural Kansans in 119 communities including Junction City, Fort Riley, Gardner, and 111 communities with fewer than 1000 residents. CenturyLink maintains a significant workforce in Kansas with nearly 1250 employees and has nearly \$650 million in Kansas investment. CenturyLink also has more than 1500 route miles of long-haul fiber optics throughout Kansas, including three east-west routes, two north-south routes and fiber rings in metro areas.

Kansas Statistical Profile

- Employees** **1250**
- 2015 Annual Payroll** **\$100 million**
- Total KS Investment** **\$630 million**
- Access Lines** **65,000**
- Communities Served** **119**
- Density (Houses/Sq mi)** **10.5**



HB 2388 Better Alignment of Investment and Tax Policy

CenturyLink strongly supports the concept of HB 2388 as it proposes an improved alignment of Kansas tax policy with investment management strategies for companies and industries with high capital infrastructure requirements. CenturyLink also proposes an amendment to address previously made investments and their corresponding financial losses which continue to provide benefits but are arbitrarily capped under current Kansas law.

For CenturyLink and other companies that are involved in capital intensive industries, capital investment deployment strategies are often not consistent year over year. Fiber optic infrastructure has an anticipated useful life measured in decades, while many of the electronic components needed to light up the fiber last only a few years. As such, certain years may include massive upfront capital investments which are designed to establish a company for the years ahead, while other years may not. Consequently, a company with uneven capital deployments can expect uneven financial results with a combination of profitability and, at times, losses as the investment impacts are realized. Under current law, profits are fully taxed while losses are capped with a 10-year carryover. However, many of the investments CenturyLink is making to be a successful network communications company are investments that will last much longer than 10 years.

CenturyLink Proposed Change

CenturyLink supports efforts with extending the net operating loss provisions as proposed by HB 2388; however, CenturyLink suggests the bill primarily benefits companies with post-2017 net operating losses. For 2388 to be most beneficial, CenturyLink submits the following change:

Page 3, Line 19-21: except that such net operating loss may only be carried forward to each of the ~~10~~ **20** taxable years following the taxable year of the net operating loss.

Conclusion

CenturyLink urges your support of HB 2388 and favorable consideration of the proposed changes.