<u>RAISED BILL NO. 6350—AN ACT ELIMINATING EXEMPTIONS FROM THE SALES AND USE TAX</u>

<u>Public Hearing, February 9, 2009</u>

Written Testimony of Anthony Waggoner
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Chairman Daily, Chairman Staples, members of the committee. ESPN opposes passage of Section 26 of Raised Bill No. 6350 as currently written.

ESPN has its world headquarters in Bristol, Connecticut and has approximately 3,400 employees in the state. ESPN is the leading multinational, multimedia sports entertainment company featuring the broadest portfolio of multimedia sports assets with over 50 business entities. Sports media assets include ESPN on ABC, six domestic cable television networks (ESPN, launched in 1979; ESPN2; ESPN Classic; ESPNEWS; ESPN Deportes; ESPNU), ESPN HD, ESPN2 HD, ESPNEWS HD and ESPNU HD (high-definition simulcast services of ESPN, ESPN2, ESPNEWS and ESPNU, respectively), ESPN Regional Television, ESPN International (45 international networks and syndication), ESPN Radio, ESPN.com, ESPN The Magazine, ESPN Enterprises, ESPN PPV, ESPN Zone restaurant, and other growing new businesses, including ESPN360.com (Broadband), ESPN Mobile Properties (wireless), ESPN On Demand and ESPN Interactive.

These operations require the expenditure of very large sums every year on technical broadcasting equipment, programming rights and other materials used in creating ESPN's television networks. Producing television networks and other content is perfectly analogous to manufacturing physical products. ESPN is not a retailer; its production is ultimately distributed by retailers, *e.g.*, cable television companies such as Comcast, Cox and Cablevision and satellite television operators such as DIRECTV and Dish Network, to consumers, who pay both sales taxes and gross earning tax on their subscriptions, just as the retail customers of physical products do.

Under Connecticut's current sales and use tax law, ESPN's and other broadcasters' purchase of materials, equipment, recording media, and programming used to create their transmissions are exempted from sales and use tax pursuant to Conn. Gen. Stat. § 12-412(44), an 'exemption' established to place broadcasters on the same footing as newspapers and traditional manufacturers. This is consistent with the state's economic policy of assessing sales and use taxes on ultimate consumption and not on the manufacturing and distribution process that leads to that consumption. Indeed, though it seems the intent of R.B. No. 6350 is to **not** change this sensible policy, the wholesale elimination of all exemptions would lead to multiple levels of business-to-business taxation that would ultimately fall on the consumer in addition to the tax at the true retail level. Unfortunately, the consequence of the proposed repeal of § 12-412 would be to sweep away years of well-considered legislative recognition of this policy enacted to counter literalistic court and administrative decisions inappropriately classifying purchases in the manufacturing process as taxable.

Thank you, ladies and gentlemen, for your generous attention.