Testimony ESPN, Inc.
Finance, Revenue and Bonding Committee regarding
Raised Bill No. 5494, AN ACT CONCERNING THE SALES TAX ON SERVICES RENDERED BETWEEN CERTAIN PARENT COMPANIES AND SUBSIDIARIES
March 9, 2016

Senator Fonfara, Representative Berger, members of the Finance, Revenue and Bonding Committee, my name is Mike Soltys, Vice President, Corporate Communications, ESPN, Inc. and with me is Amy Klein, Principal Counsel, ESPN, Inc. and we appreciate the opportunity to submit testimony in strong support of Raised Bill No. 5494 AN ACT CONCERNING THE SALES TAX ON SERVICES RENDERED BETWEEN CERTAIN PARENT COMPANIES AND SUBSIDIARIES**.**

ESPN is a multinational, multimedia sports entertainment company with our world headquarters in Bristol, Connecticut. We have 4200 employees in Connecticut and more than one million square feet of offices, studios and production facilities in Bristol and Southington. ESPN is an indirect subsidiary of The Walt Disney Company, which has 80% ownership. The Hearst Corporation holds the remaining 20%.

ESPN is in support of Raised Bill No. 5494 because it rectifies a current inconsistency within the Connecticut tax system. For Connecticut corporate income tax purposes, entities are treated as a "unitary business" if a common owner directly or indirectly owns or controls **more than fifty per cent** of each member entity. However, for sales tax purposes, transactions between members of a "unitary business" are taxed essentially as third-party transactions, unless a common owner directly or indirectly owns or controls **one hundred per cent** of each member entity. Raised Bill No. 5494 harmonizes the ownership thresholds and allows businesses to be treated consistently and fairly across the Connecticut corporate income tax and sales tax regimes in accordance with the state's policy to tax members of a unitary business as a single entity.

One way global companies like ESPN achieve efficiencies in an increasingly competitive marketplace is by using related party services. Allowing our parent, The Walt Disney Company, and corporate affiliates to provide certain services to us (and allowing us to provide certain services to The Walt Disney Company and corporate affiliates) allows for specialization that will result in a stronger company. ESPN's situation is unique. It is our understanding that other large multinational corporations, including ESPN's competitors, are not subject to sales tax on related party services because their subsidiaries don't have minority shareholders. In today's global economy, growth for a company like ESPN can take place almost anywhere; however, ESPN likes being in Connecticut and supports an environment that will encourage us to grow our Connecticut-based operations through establishment of a level playing field and application of fair tax policies.

ESPN is a Connecticut success story. Throughout its nearly 37 years, ESPN has remained loyal to the State. Raised Bill No. 5494 is essential for ESPN to continue that success and strengthen its ability to compete globally.