

GOOD MORNING CHAIRMAN BARNHART AND MEMBERS OF THE REVENUE COMMITTEE THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. MY NAME IS MIKE KOCZKO; I AM THE VICE PRESIDENT OF STATE TAX OPERATIONS AT CBS CORPORATION.

I AM HERE ALSO TO TESTIFY IN SUPPORT OF HOUSE BILL 4138 AND EXPLAIN WHY IT IS IMPORTANT TO CBS AND OTHER INTERSTATE BROADCASTERS.

THE PROPOSED AMENDMENT MODERNIZES THE METHOD BY WHICH WE APPORTION OUR EARNINGS TO OREGON AS THE FACTS OF OUR BUSINESS MODEL ARE VERY DIFFERENT THAN THEY WERE 25 PLUS YEARS AGO WHEN THE STATUTE WAS ENACTED.

THE AMENDMENT APPLIES THE EXISTING OREGON COMMERCIAL DOMICILE CONCEPT TO THIS INDUSTRY AND PROVIDES CERTAINTY BY DEFINING WHO THE INTERSTATE BROADCASTER'S CUSTOMER IS. .

THIS METHOD MOST ACCURATELY REFLECTS A BROADCASTER'S OREGON SALES BECAUSE IT REPRESENTS

THE LOCATION WHERE THE CUSTOMER'S MANAGEMENT MAKES DECISIONS TO ENTER INTO ADVERTISING AND PROGRAMMING DISTRIBUTION AGREEMENTS. THIS BILL WILL NOT AFFECT OREGON CUSTOMERS' TAX LIABILITY AS IT ONLY MEASURES AND TAXES THE REVENUE OF THE BROADCASTER WHOSE CUSTOMER IS IN OREGON.

I THINK IT IS IMPORTANT IF WE SPEND A MINUTE ON THE CHART IN FRONT OF YOU, WHICH SHOWS THE VAST PROGRESION OF VIEWING CONTENT FROM THE PAST TO THE PRESENT AND KNOWING IT WILL ONLY GET MORE COMPLICATED IN THE FUTURE.

THE FIRST PAGE IS THE EARLY PHASE WHEN THERE WERE ONLY THE 3 FREE BROADCAST NETWORKS, WHO EARNED MONEY SELLING ADVERTISEMENTS. NETWORKS LIKE CBS, NBC AND ABC EARNED MONEY SELLING NIKE OR PRECISION CASTPARTS ADVERTISEMENTS. THE METHOD OF TAXATION FROM 25+ YEARS AGO IS BASED ON THE VIEWING AUDIENCE AND WAS A SIMPLE PROXY FOR TAXING OUR INDUSTRY.

WE ARE LOOKING TO HAVE OUR TAX BE REFLECTIVE OF HOW OUR REVENUE IS GENERATED BY OUR CUSTOMERS. SIMPLY, IF WE HAVE CUSTOMERS IN OREGON THEN OUR NETWORKS AS TAXPAYERS REPORT OUR INCOME BASED ON HOW MUCH WE ARE PAID BY OREGON CUSTOMERS LIKE NIKE AND OTHER ADVERTISERS OR LICENSING TO LOCAL STATIONS FOR SYNDICATED PROGRAMMING, RERUNS, MIDDAY PROGRAMMING ... TALK SHOWS.

WE MERELY WANT TO BE TAXED LIKE THE REST OF THE BUSINESS COMMUNITY IS TAXED, WHICH IS HOW MUCH DID YOUR CUSTOMERS PAY YOU... THAT IS WHAT GETS ATTRIBUTED TO THE NUMERATOR OF YOUR OREGON INCOME APPORTIONMENT FORMULA FOR SALES.

IN SLIDE 2 YOU WILL SEE AN EXAMPLE OF CBS' AND THE OTHER INTERSTATE BROADCASTERS' BUSINESS MODELS. AS YOU CAN SEE, OUR CUSTOMERS ARE THOSE WHO PAY US TO LICENSE PROGRAMMING OR BUY ADVERTISING TIME. VIEWERS ARE OUR CUSTOMERS' CUSTOMER. MOREOVER, NO ONE KNOWS WHERE ANY PARTICULAR VIEWER IS WATCHING PROGRAMMING AT ANY

PARTICULAR TIME. I CAN WATCH ALL MY SHOWS ON MY IPAD HERE IN SALEM. AM I A NEW YORK VIEWER OR AN OREGON VIEWER? NO ONE SITTING AT HOME OR ELSEWHERE SENDS A CHECK TO CBS FOR WATCHING THE GOOD WIFE.

WE CONTINUE TO STRIVE TO MAKE SURE CONSUMERS CAN ACCESS CONTENT ANY TIME, ANYWHERE AND BY ANY MEANS.

WITH THE PROLIFERATION OF ACCESS TO CONTENT WE NEVER KNOW WHERE THE VIEWER IS. WE WILL ALWAYS KNOW WHERE OUR CUSTOMERS ARE. THAT IS EASY TO AUDIT AND ADMINISTER BY THE STATE AND IS NOT ABLE TO BE MANIPULATED.

A GOOD ANALOGY WOULD BE A MANUFACTURER OF COMPUTER COMPONENTS BEING SENT TO APPLE TO BE INCLUDED IN THEIR COMPUTER, THE DESTINATION OF THE COMPUTER COMPONENTS WOULD BE APPLE NOT THE INDIVIDUAL PEOPLE WHO BOUGHT THE COMPUTER. INSTEAD OF SELLING THEM COMPUTER PIECES WE ARE SELLING THEM CONTENT, THEN THEY ARE PACKAGING IT

FOR AMAZON PRIME OR NETFLIX TO THEIR CUSTOMERS  
AND SELLING IT.

THANK YOU FOR YOUR TIME AND I WILL BE HAPPY TO  
ANSWER ANY QUESTIONS.