



## **Kansas State Senate Select Committee on Federal Tax Code Implementation**

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Chairwoman Wagle, Ranking Member Holland, and Members of the Committee:

Good morning. Thank you for giving me the opportunity to testify before your committee about state tax policy and the intersection of the federal tax code related to foreign earnings and implications for international companies based in Kansas.

My name is Damon Ward. I am the Director of Global Tax at Spirit AeroSystems with leadership responsibilities for corporate tax for our seven manufacturing and assembly sites. As many of you may know, Spirit's manufacturing operations span more than 15 million square feet. More than 12 million square feet of that manufacturing space is located in Wichita.

Spirit employs about 16,000 people worldwide designing and building complex aerostructures for both commercial and defense customers. More than 12,500 of those employees are located at our headquarters in Wichita. Additionally, we have U.S. manufacturing sites in Oklahoma and North Carolina with global operations in the U.K., France and Malaysia. The company's core products include fuselages, pylons, nacelles and wing components for the world's most recognizable airplanes.

To begin, I want to state our strong support for SB 22. The bill modernizes portions of the state's tax policy, taking into account important and fundamental changes to the federal tax code brought about by the Tax Cuts and Jobs Act of 2017. The intent of the TCJA was to transition the U.S. from a world-wide system of taxation to a territorial system. Kansas needs to take definitive actions to clearly define how its tax policy will account for changes to the federal tax code. And we must do it in a way that ensures we have a competitive tax environment for multi-national businesses based in Kansas.

It is in our state's best interest to modernize our tax code, specifically as it relates to the repatriation of foreign earnings. Excluding the deemed repatriation of foreign earnings, accumulated over decades often with little to no connectivity to Kansas, is the approach taken by SB 22, which we believe is consistent with Kansas' precedent of not taxing world-wide income. This is also consistent with the approach many other states have taken or are in process of taking as states realize that fair and equitable tax policy can provide a strategic advantage in attracting investment.

As previously mentioned, the Congress sold the Tax Cut and Jobs Act as transitioning the U.S. from a world-wide system of taxation to a territorial system of taxation. However, the GILTI provision provides for a minimum tax on all international income. We support the provision in SB 22 that would exclude from the Kansas tax base the Global Intangible Low-Taxed Income (GILTI). This approach is also consistent with Kansas precedent of not taxing income earned by a foreign corporation.

With unprecedented sustained growth in commercial aviation and defense spending, Spirit continues to grow its operations both domestically and internationally. After-tax returns on Spirit's investment is a key metric we measure when we choose where to grow. With our roots in Kansas for more than 90 years, our significant investment in capital and the Kansas workforce, we should not be penalized due to changes in the federal tax code that contradicts Kansas' long-standing position of not taxing foreign earnings.

We are encouraged your committee has held hearings on this complicated but important topic. As you pursue policies that support and encourage economic growth across the state, we hope you will modernize the state tax code in a way that continues to welcomes business with an international footprint to make their home in Kansas.

We look forward to working with you in the coming weeks to move these ideas forward in order to improve Kansas' value proposition for businesses seeking to grow operations and create jobs.

Again, thank you for giving me the opportunity to testify. I look forward to answering your questions.

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