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**VIA ELECTRONIC MAIL (Business@finance.senate.gov)**

April 15, 2015

The Honorable John Thune
Co-Chairman
Business Income Tax
Tax Reform Working Group
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510-6200

The Honorable Ben Cardin
Co-Chairman
Business Income Tax
Tax Reform Working Group
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510-6200

Dear Chairman Thune and Chairman Cardin:

T-Mobile US, Inc. ("T-Mobile") greatly appreciates the opportunity to comment to the Senate Committee on Finance Business Income Tax Reform Working Group. T-Mobile, the "UnCarrier," is the fastest growing national provider of mobile communications services with an advanced 4G LTE network with more than 55 million customers throughout the United States and Puerto Rico. Based in Bellevue, Washington, the company employs some 46,000 people in the United States and generates approximately $29.5 billion in revenue in 2014.[1]

T-Mobile fully supports Congressional efforts to reform the Internal Revenue Code (the "Code"), which the company believes is essential to enhancing the competiveness and economic growth of the United States. T-Mobile is a member of the Reforming America's Taxes Equitably ("RATE") Coalition, whose mission is to "reform the tax code, making it fairer and simpler and improving the prospects of growth and jobs in the U.S. economy by reducing the corporate income tax rate to make it more competitive with our nation's major trading partners." T-Mobile's commitment to tax reform is grounded in the recognition that all aspects of the Code must be under consideration for evaluation. In this regard, T-Mobile recognizes that any meaningful reduction in the corporate tax rate will need to be financed through other changes to the Code.

The end result of tax reform should be a Code that is competitive with the rest of the world with particular focus on fostering high-paying jobs and investment in the United States. In implementing changes to the Code, however, Congress should thoughtfully and carefully consider making changes that that do not harm critical infrastructure industries, such as the mobile telecommunications industry, that have been leaders in investing in the United States and growing well-paying jobs. T-Mobile believes that while lowering the overall corporate tax rate is vitally important, Congress should be similarly concerned with making the Code simple and fair while also thoughtfully broadening the base and carefully addressing tax expenditures.

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[1] Since the beginning of 2013, T-Mobile has organically grown its employment base by some eight thousand employees and gross revenues by more than four and one-half billion dollars.

Congress should not limit ordinary and necessary business deductions to simply lower the rate to some pre-determined level that has little or no rational business basis.

## General Discussion

Mobile telecommunications is a critical component of the nation's economic infrastructure. A key characteristic of the United States economy and its place in the world economy is the interconnectedness between people and business through the movement of data which fosters the purchase, sale and sharing of services, goods, money and information. Mobile telecommunications operates as the circulatory system of the economy which makes all this possible. The promise of new industries and resulting economic benefits to the country through expansion of telemedicine, distance learning and development of the national public safety network rely the continued fostering of high speed telecommunications and broadband infrastructure. In order for T-Mobile and the mobile telecommunications industry generally to deliver an infrastructure that delivers on this promise, tax reform should not make disproportionate changes to the Code that adversely impact the industry's ability to raise necessary capital at affordable rates.

As a company with capital intensive operations in a highly competitive business, T-Mobile has a unique perspective on how changes to ordinary and necessary expense items, such as interest, depreciation and advertising, can impact its ability to invest in its wireless broadband market. Accordingly, T-Mobile offers commentary and suggestions regarding changes to such expenses.

## Discussion of Ordinary and Necessary Expenses

As a practical matter, effective tax reform – reduction in the tax rate and broadening the tax base – should target tax loopholes. This should not include changes to expenses that historically have been treated as ordinary and necessary type expenses such as interest, depreciation/ amortization of assets, and advertising.[2] In the various tax reform proposals that have been discussed to date, these three expense categories have been prominently featured as items to which changes should be considered. For a capital intensive mobile telecommunications company with a high consumer profile such as T-Mobile, limitations on the deduction of these expenses that are not based on sound tax policy, but rather are targeted as "revenue raisers," can have a disproportionate impact on a mobile telecommunications carrier's tax position and its ability to raise the necessary investment capital to create jobs and deploy critical leading edge broadband infrastructure.

The ongoing expansion and improvement of T-Mobile's nationwide high speed broadband telecommunications network has required and continues to demand significant capital to purchase spectrum licenses and make other necessary technology and infrastructure investments. For example, from 2013 through calendar year 2015, T-Mobile has made or expects to make capital investments in property and spectrum in excess of $18B. This level of investment has been necessary as T-Mobile has upgraded its network from 2.5G to 3G, to 4G to LTE with 5G on the horizon. This upgrade has required buying additional spectrum,

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[2] T-Mobile understands that from a technical tax standpoint, depreciation or amortization may not be considered as an ordinary and necessary expense. However, from the practical standpoint of a business, timely recovery of capital investment is an expense that is every bit "ordinary and necessary" as that of advertising or interest.

obtaining new cell sites and purchasing equipment such as routers, switches, and antennas. In addition, this has also resulted in extensive hiring of new employees to install and operate the network, develop new products and manage the company. Hence, the level of investment that T-Mobile has made and is projected to make is significant.

**Interest Deductibility**

T-Mobile's ability to both issue equity and borrow funds to make such significant investments is directly impacted by key factors that impact our cost of capital and after-tax return on such investments. Proposals to arbitrarily "cap" or otherwise limit interest expense deductions without considering the specific facts and circumstances of capital intensive companies such as ours would have a material adverse impact on our business operations and pose significant detriment to the national economy should growth in this sector be limited by a rising cost of capital. Limitations on interest may be appropriate in circumstances where impermissible tax avoidance exists, but not in the case of companies such as T-Mobile that are fully invested and committed to the domestic United States economy. For T-Mobile, the ability to deduct interest expense on our debt is critical to our business operations.

**Depreciation**

In a related sense, certain proposals that suggest changing depreciable or amortizable lives purely to meet revenue considerations without evaluating the impact on capital intensive infrastructure companies like T-Mobile can and will result in a similar negative drag on the ability of T-Mobile and others to fund future capital investments and new job creation. More specifically, policy changes to depreciation or amortization rules that do not properly account for the rapid depreciation in the assets we utilize would have a materially adverse impact on T-Mobile's investment profile. In a broader sense, artificial limitations on interest deductibility and depreciation or amortization will harm business creation, overall economic growth and employee hiring.

**Advertising**

T-Mobile also has concerns with proposals that explore limitations on the timing of advertising deductions. Our company operates in a highly competitive business, where retention and expansion of its customer base is essential to its continued growth. The ability to advertise the company's mobile telecommunications services in a tax-efficient manner is essential to the company's success.

In 2013, T-Mobile, which is the smallest of the national wireless carriers, reoriented the company's business profile to become the UnCarrier committed to removing customer pain points in the delivery of wireless mobile services. As the UnCarrier, T-Mobile has developed a number of new customer friendly product innovations never seen in the industry including the roll out of no-contract service plans, slashing the price of international roaming and providing for no-interest purchase plans for acquiring handsets. In order to educate the market on T-Mobile's new consumer friendly offers, T-Mobile has increased its advertising spend significantly, and we rank as a Top 10 advertiser along with other major telecommunications companies. In the telecommunications industry, advertising is not a luxury, but a major cost of doing business as technology evolves quickly and new service offerings, handsets and promotions are engines that drive the growth for the industry and the economy. And the good news is that it's working - our new UnCarrier message has resonated with consumers as we are now the fastest growing wireless company having increased our customer base from 33 million consumers at the beginning of 2013 to approximately 55 million at the end of 2014.

Based on long standing tax rules, T-Mobile currently deducts its advertising expense as an ordinary and necessary business expense. Our ability to take such deductions has allowed the company to continue to fund further our advertising outreach to consumers. T-Mobile is concerned with any proposals that would limit the ability to currently deduct its advertising expenses as ordinary and necessary business expenses, as such a limitation would directly impact its ability to retain and expand its customer base.

**Conclusion**

T-Mobile appreciates the opportunity to comment to your working group and would be pleased to work with you to ensure that any tax reform proposals do not adversely impact the ability of companies like to T-Mobile to invest capital, grow their customer base and create jobs in the United States. If you have any further questions or need additional information, please feel free to contact me at your convenience.

Respectfully submitted,

Chris Miller

Chris Miller
Vice-President, Tax