

CONGRESS SHOULD MAINTAIN THE CURRENT TAX TREATMENT FOR ADVERTISING COSTS

BACKGROUND:

In the last Congress, a discussion draft on corporate tax reform was developed by then-chairmen of the congressional tax committees (Rep. Camp / Sen. Baucus). This draft included a provision that would require businesses to spread out over 5 (Senate) or 10 (House) years the deduction for 50% of the cost of their advertising. The Tax Code, since its inception 100 years ago, has allowed businesses to deduct these costs in the year they are incurred. The proposal was included in the draft as a revenue source for offsetting a reduction in the corporate tax rate from 35 to 25 percent. The Alliance supports congressional efforts to reform the corporate tax structure, but is adamantly opposed to changing the tax treatment for advertising costs as it will undermine the engine that drives the US economy.

TALKING POINTS:

- Almost every business in the U.S. advertises, and all of them have been allowed to deduct the cost of their advertising for 100 years. Like other expenses, such as rent and office supplies, it is an “ordinary and necessary” business expense that is fully deductible in the year it is incurred.
- Advertising continues to be the most important revenue stream to support newspaper journalism in local communities. Newspapers and other media would face serious challenges if the tax treatment for advertising costs were reduced or eliminated.
- Advertising is a driving force in the U.S. economy. Advertising advertising helps produce 20 million (14 percent) of all U.S. jobs and generates \$5.8 trillion (16 percent) of all U.S. economic activity.
- The amortization of advertising costs will make advertising more expensive, and will result in a reduction of advertising. This proposed tax on advertising would place at risk approximately \$353 billion in total sales over five years and would threaten 1.1 million jobs.
- The deduction for advertising costs is the correct tax policy. If this proposal surfaces in tax reform discussions, we urge you to do whatever you can to support maintaining the current tax treatment for advertising costs.