

The ADvertising Coalition

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124 Members of Congress Oppose Tax on Advertising *Advertising Contributes to 20 million U.S. jobs and \$5.8 trillion in U.S. sales*

A bipartisan group of 124 Members in the U.S. House of Representatives has written to Speaker Paul Ryan and Minority Leader Nancy Pelosi asking them to preserve the stimulative impact of advertising on the economy and “maintain the current tax treatment of advertising as a fully and immediately deductible business expense.”

Led by Reps. Kevin Yoder (R-KS) and Eliot Engel (D-NY), the letter asserts, “The potential for strengthening our economy through tax reform would be jeopardized by any proposal that imposes an advertising tax on our nation’s manufacturing, retail and service industries.”

“Any measure that would tax advertising – and therefore would make it more expensive – cannot be justified as a matter of tax or economic policy.” The letter goes on to say, “Advertising has been accorded the same treatment as all other regularly occurring business expenses, such as employee wages, rent, utilities and office supplies, throughout the 114-year life of the tax code.”

The Engel –Yoder letter cites a study by the economic consulting firm IHS Economics and Country Risk that finds advertising supported 20 million U.S. jobs and \$5.8 trillion in U.S. sales in 2014. The study also demonstrates that every dollar of advertising spending generates \$19 of economic activity and that advertising contributes to 19 percent of the nation’s GDP.

The Members’ letter observes that a proposal to tax advertising – by limiting the ability of a business to currently deduct advertising costs in the year they are spent – would run counter to a major goal of tax reform agreed upon by virtually all policymakers: to simplify the tax code. For example, promoting a tax on advertising while pursuing full and immediate expensing of buildings and equipment furthers the irregularities and confusion present in our current tax system.”

A provision contained in a 2014 comprehensive tax reform bill introduced in the U.S. House of Representatives, would have levied a \$169 billion tax on advertising sold or purchased in the United States. Under that proposal, businesses would have been required to wait 10 years before they could fully deduct the cost of advertising purchased in the first year.

Members of The Advertising Coalition that represents media and advertising organizations offered expressions of gratitude to the 124 Members of the U.S. House of Representatives for demonstrating their support for advertising and the treatment of advertising as a business expense.

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“The National Association of Broadcasters thanks Representatives Yoder and Engel and the bipartisan group of 124 House members who have signaled strong opposition to a job-killing tax on advertising.” NAB President and CEO Gordon Smith said, “Across America, advertising is an engine for economic growth that creates and supports millions of high-paying jobs. Advertising on local radio and TV stations and broadcast networks supports popular entertainment and provides listeners and viewers with trusted sources of news. In order to sustain our nation’s economic recovery and growth. It is imperative that tax laws continue to allow advertising expenses to be fully and immediately deductible.”

David Chavern, President and CEO of the News Media Alliance, said, “Advertising remains an absolutely critical source of revenue for news organizations. Advertising provides the financial means by which most Americans receive information about their communities and the world. Advertising benefits all levels of business – from worldwide manufacturers to the local grocer – and it must remain a deductible business expense.”

Matthew Paxton IV, publisher of The News-Gazette in Lexington, VA, noted, “Advertising is the engine that drives local economies. Congress must take care as it seeks a pro-growth tax code to first do no harm.” Paxton, who is President of the National Newspaper Association, said “Taxes that diminish advertising spending would undercut the very goals that this Congress says it wants to achieve. Community newspapers need a thriving advertising marketplace to help their towns to protect jobs.”

Dan Jaffe, Senior Vice President for Government Relations at the Association of National Advertisers, observed that “Advertising’s immediate deductibility has been an important part of the tax code for more than 100 years, and it is even more relevant today given the fast pace of the marketplace. Advertising is a vital driver of our economy, and we urge Congress to not impose a burden on the selling process when they consider tax reform.”

Clark Rector, Executive Vice President-Government Affairs for the American Advertising Federation, said “The wide variety of states and markets represented by the Members of Congress who signed this letter is a confirmation of what AAF has always known – advertising is an important economic engine in every market, congressional district and state in the U.S. We are pleased that such a wide range of lawmakers have taken this important stand.”

“We are grateful that so many Representatives in Congress have joined in this letter to acknowledge the important role advertising performs in our marketplace today,” said Jim Davidson, Executive Director of The Advertising Coalition. “Advertising does so much more than sell goods and services. It keeps our radio stations, newspapers, websites, television and cable broadcasts running and provides open access to information.” The Advertising Coalition is a nonpartisan association of the media and advertising industries that is dedicated to protecting advertising from taxation or content restriction.