



Legislative Briefing

Tax Reform—Do Not Tax Advertising!

Updated September 12, 2017

Background:

In a matter of days, key Congressional leaders will announce their consensus for a sweeping revision of the federal tax code. The tax law has not seen major revision since 1986. A tax on advertising is on the table.

There is no federal sales tax. An “ad tax” would be crafted by reducing the ability of a business to deduct its total advertising expenses each year. By requiring advertising to be amortized over a period of years—the way a car or building purchase is treated—the Treasury Department would eliminate some of the write-off advertisers are now able to claim. The result would be less advertising spending, and negative impacts upon the economy.

The Trump administration and both House and Senate leadership want to reduce corporate income taxes from a top rate of 35% to as low as 15-20%. To do so, they would either have to massively add to the federal deficit and debt or find other ways to collect tax revenues. Such ideas as eliminating the deduction for state and local income tax, reducing the write-offs for home mortgage interest and trimming charitable contribution deductions have been on the table. Among the ideas is to allow businesses less room for deduction of ordinary and necessary expenses in the year the money was spent. That would create an “ad tax.”

Legislative Action:

House and Senate leadership are preparing a massive and important bill. They need to hear NOW from every member of Congress that a tax on advertising is a tax on economic growth.

NNA Vigorously Opposes Any Form of Advertising Tax

- ***Advertising generates 22 million jobs in America and produces more than \$37 trillion in economic activity.***
- ***A study by leading economic analyst IHS Economics and Country Risk Solutions indicates that every dollar spent on advertising leads to \$19 in sales activity. Reducing that activity would diminish the economies in every American town and lead to a loss of the sales tax revenue needed to support police, schools and parks.***
- ***IHS also says every \$1 million spent on advertising supports 67 jobs. And each advertising job supports 34 other jobs across other economic sectors.***
- ***For local newspapers dependent upon advertising to support coverage of local politics, schools, youth sports, churches and civic activities, a reduction in advertising income would mean a loss of news coverage.***