NORTH CAROLINA
ASSOCIATION of BROADCASTERS

QUICK FACTS – TAX DEDUCTIBILITY OF ADVERTISING

As Congress considers possible tax reform, it should reject any proposed legislation that would limit or eliminate the ability of businesses to deduct the full cost of advertising in the year it is purchased. The impact of any such proposal would make advertising more expensive for local businesses and could slow the economy and job growth, and it would also harm the ability of advertiser-supported, North Carolina broadcasters to deliver high-quality local news, weather, sports, emergency, and public affairs programming to local communities throughout the State.

What is the Current Tax Treatment of Advertising?

- For almost 100 years, businesses have been able to deduct the cost of advertising in the year it is incurred as an "ordinary and necessary" business expense under the same longstanding fundamental tax principles that apply to other ordinary and necessary business expenses, such as wages, rent, utilities, and business supplies.

How Does the Sale Of Advertising Grow the Economy and Create Jobs?

- Advertising helps generate 15.6% of economic activity in North Carolina and more than 500,000 jobs. In 2014, each million dollars of ad spending supported 62 jobs in North Carolina, and 12% of North Carolina's employment was attributable to advertising activities and related sales.[1]

- Every dollar spent on advertising generates approximately $19 in economic activity through a ripple effect that includes (i) direct sales of advertised goods and services, (ii) indirect sales as dollars are spent to manufacture and supply those goods and services, and (iii) additional consumer spending as employees of the companies and suppliers that produce the advertised goods and services spend their wages.[2]

How Would Changing or Eliminating the Advertising Deduction Impact North Carolina Radio and Television Stations?

- A 2015 economic study reports that North Carolina stations produce a direct economic impact of approximately $1.49 billion of gross domestic product and 9,000 jobs.[3] Advertising accounts for approximately 90 percent of radio and TV station revenues, and stations reinvest this money to fund programming of interest to their local communities. Any change to the deductibility of advertising costs making advertising more expensive would cripple small, local businesses and, ultimately, hurt the broadcasters who rely on those advertising dollars.

What is the Status of Tax Reform in this Congress?

- Some in Congress are considering changing the tax treatment of advertising in order to help "pay for," or offset, tax cuts as part of broad-based tax reform. Broadcasters must remain vigilant in opposing such a change, as the elimination or a reduction in the advertising deduction is a very real threat to the industry.

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[1] The Economic Impact of Advertising in the United States, Ad Coalition Model Update (March 2015), prepared by IHS Global Insight, at Appendix A.
[2] The Economic Impact of Advertising in the United States, Ad Coalition Model Update (March 2015), prepared by IHS Global Insight, at 3-5.
[3] Woods and Poole Economics, "Local Broadcasting: An Engine for Economic Growth, 2015."

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- Sens. John Boozman (R-Ark.) and Tammy Baldwin (D-Wis.) are spearheading a letter to Senate leadership opposing any changes to the current deductibility of advertising. That follows a similar letter to the House Speaker and Minority Leader signed in May by a bipartisan group of 124 Members of the House—including **Congressmen Richard Hudson, G.K. Butterfield, David Rouzer, Ted Budd, and Congresswoman Alma Adams**.