

NOVEMBER 2016

The issue:

Congress should not pass legislation that would restrict advertising and impose undue burdens on advertiser-supported, free, local broadcasting.

Ads on local television and radio stations are treated as an ordinary and necessary business expense – just like salaries, rent and utilities – under the U.S. Tax Code. This means a business can deduct the expense in the year it was incurred.

Some in Congress have suggested changing the tax treatment of advertising, which would ultimately make advertising more expensive for local businesses and have a devastating impact on radio and television stations that rely on ad revenue to survive.

Here's why:

- For many local retailers, local television and radio are the best ways to reach their customers and grow their businesses. Making advertising more expensive would hamper the growth of these businesses and their ability to provide jobs in the community.
- The stimulating effect of advertising on local commercial broadcasts is significant. An estimated \$1 trillion in U.S. economic output and 1.38 million jobs are attributable to the stimulating effects of advertising on local television and radio.¹
- Advertising revenue enables stations to reinvest in their newsrooms and local communities. Making it more expensive for businesses to advertise would impede the ability of stations to offer the high-quality news, information and entertainment on which the public relies.
- The local broadcast radio and television industry contributes \$1.19 trillion of gross domestic product and 2.49 million jobs to the American economy annually.²
- By 2019, advertising is projected to support 23.2 million U.S. jobs and \$7.4 trillion in U.S. output.³

For these reasons, advertising should remain fully deductible as an ordinary and necessary business expense in the year the expense is incurred. Any legislation that discourages advertising would hurt small businesses, impact jobs and harm broadcasters' ability to serve their local communities.

¹ Source: Woods and Poole Economics, "Local Broadcasting: An Engine for Economic Growth, 2015"

² Source: Woods and Poole Economics, "Local Broadcasting: An Engine for Economic Growth, 2015"

³ Source: IHS Economics and Country Risk, "The Economic Impact of Advertising in the United States: March 2015"