

# Prevent Harmful Changes to Advertising Tax Treatment

## ISSUE SUMMARY

Congress should not pass legislation that hurts free, local broadcasting by modifying the tax laws to make advertising more expensive for businesses. Advertising is currently 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 fully deduct the expense in the year it was incurred. Some in Congress have suggested changing the tax treatment of advertising for specific types of products, such as pharmaceuticals. This change would have a devastating impact on listeners and viewers of local radio and television stations that rely on advertising revenue to survive, raises significant First Amendment concerns and ignores the important consumer benefits that advertising provides.

### Here's why:

- The economic impact of advertising is significant. An estimated \$992 billion in U.S. economic output and 1.36 million jobs are attributable to the stimulating effects of advertising on local television and radio alone.<sup>1</sup>
- Advertising revenue enables broadcast stations to reinvest in their newsrooms and local communities. Decreased advertising revenues would impede the ability of stations to offer the high-quality news, information and entertainment on which the public relies.
- Any proposal to change the tax treatment of advertisements for a specific industry constitutes a troubling restriction on commercial speech and raises significant First Amendment concerns.
- Restrictions on pharmaceutical advertisements would decrease consumer awareness about certain medical conditions and treatment options and may impede patients from taking action.<sup>2</sup>

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

<sup>1</sup> Source: Woods and Poole Economics, "An Analysis of the Importance of Commercial Local Radio and Television Broadcasting to the United States Economy: 2017"

<sup>2</sup> Source: FDA, Patient and Physician Attitudes and Behaviors Associated with DTC Promotion of Prescription Drugs - Summary of FDA Survey Research Results (Nov. 19, 2004) at 2, available