

Advertising Deduction Wrongly Targeted in Chairman Camp's Proposed Tax Reform Legislation; Provision Would Stifle Economic Activity

If Enacted, Proposal Would Reduce Advertising Spending, Leading to Significant Job Loss, Reductions in Economic Output

February 26, 2014 Washington, DC — *Congressman Dave Camp (R-MI), chair of the U.S. House Ways and Means Committee, today released draft tax reform legislation which includes a provision that will, if enacted, severely impact the economy and lead to significant job loss. This provision, which would be phased-in for tax years beginning before 2018, would allow advertisers to deduct only 50 percent of all advertising expenses in the first year and amortize the remaining 50 percent over the next 10 years. Since the inception of the Tax Code in 1913, advertising has been treated as a fully tax deductible ordinary and necessary business expense. Following is a statement by Bob Liodice, President and CEO of the Association of National Advertisers, which represents more than 574 companies with more than 10,000 brands.*

“Chairman Camp’s draft proposal would severely weaken the deduction for advertising expenses and have very serious consequences for businesses that use advertising as a means to drive sales and to inform consumers. It would have a profound impact on the economy as a whole. Chairman Camp’s proposal is a major new tax liability for businesses that would increase the cost of advertising and cause a substantial disincentive for companies to spend additional advertising dollars.

“The ad deduction has never been a tax preference item, ‘loophole’ or special interest benefit. Rather, it provides an opportunity for every company in every industry throughout the U.S. to communicate efficiently with consumers about products and services. Advertising expenditures always have been fully deductible, treated no differently than any other ordinary and necessary business expense, like salaries, rent, utilities and office supplies; ad expenses should not be treated any differently today.

“Significantly altering the way advertising is treated would greatly affect sales and employment across all levels and sectors, and its impact would be felt in every congressional district across the country. Advertising is a vast driver of sales and jobs and significantly strengthens the U.S. economy. It serves to stimulate new economic activity that triggers a cascade of sales and fosters job creation throughout the U.S. marketplace. In 2012, advertising accounted for \$5.8 trillion of U.S. economic output and supported 21.7 million of the 136.2 million U.S. jobs.* If Chairman Camp’s proposed deduction is enacted, it has been estimated that more than 1.7 million jobs and \$456 billion in sales would be jeopardized.

“While the advertising industry supports the need for tax reform, true tax reform must not damage the healthy aspects of the existing tax system—like the deduction for advertising expenses—that are adding to the economy and creating jobs. The advertising industry calls on Congress to reject this misguided provision that only serves to harm the U.S. economy.”

**The data cited above comes from research conducted by IHS Global Insight, Inc. and is based on a model developed by Nobel Laureate in Economics Lawrence Klein. This study assesses advertising's economic impact across 52 industries, plus government, in every state and Washington, D.C., as well as in each of the 435 U.S. Congressional Districts.*

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About the ANA

Founded in 1910, the ANA (Association of National Advertisers) leads the marketing community by providing its members with insights, collaboration, and advocacy. The ANA includes more than 574 companies with 10,000 brands that collectively spend over \$250 billion in marketing communications and advertising. The ANA strives to communicate marketing best practices, lead industry initiatives, influence industry practices, manage industry affairs, and advance, promote, and protect all advertisers and marketers.