

A Performance Tax Threatens Local Jobs

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The issue:

Congress should not mandate a performance tax on free, local radio stations that would jeopardize local jobs, prevent new artists from breaking into the recording business and harm the 270 million Americans who rely on local radio.

Broadcasters urge legislators to stand up for their local radio listeners by supporting the Local Radio Freedom Act, which opposes a performance tax.

Here's why:

For nearly a century, record labels and performers have thrived from airplay – which is essentially free advertising – from local radio stations. But as the big record labels struggle to keep profit margins high, they are urging Congress to impose a tax on these local radio stations that are, ironically, their greatest promotional tool.

This Congress, as in previous Congresses, legislation backed by the record labels has been introduced that would impose a new fee on local radio stations simply for airing music on the radio. Both the so-called Fair Play Fair Pay Act and the PROMOTE Act could financially cripple local radio stations, harming the millions of listeners who rely on local radio for news, emergency information, weather updates and entertainment every day.

Radio's free promotion is worth more than \$2.4 billion annually in music sales, concert tickets and merchandise to record labels. Here's how:

- Local radio continues to be the top source for listeners seeking new music, far surpassing other sources.
- Free radio airplay provides the recording industry increased popularity, visibility and sales for both established and new artists.
- Promotion by local radio goes beyond the music to include concert and festival promotion, on-air interviews and social media marketing.

Recognizing the promotional value of free radio airplay, Congress has repeatedly rejected the record labels' attempts to impose a harmful performance tax on local radio stations.

The Local Radio Freedom Act, which opposes any new tax, fee or royalty on local radio stations, enjoys strong bipartisan support in both chambers. This strong support for local radio was made clear in the recent enactment of the Music Modernization Act, consensus legislation that benefitted all stakeholders – and did not contain a performance tax.

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Broadcasters have consistently demonstrated good faith in working with the record labels to try to resolve the performance tax issue through private discussions. In the past few years, numerous radio companies and record labels have negotiated private deals of their own that compensate copyright owners and performers, demonstrating the ability of the marketplace to best address the issue.

The bottom line:

Broadcasters are firmly opposed to a government-imposed performance tax, but stand ready to work with Congress and the music industry on a balanced music licensing proposal that promotes innovation and recognizes the benefit to artists and listeners of radio's free, locally-focused platform.