Prevent Harmful Changes to Advertising Tax Treatment

The issue:
Congress should not pass legislation that hurts free, local broadcasting by modifying 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 modification would have a devastating impact on local radio and television stations that rely on advertising revenue to survive and the communities they serve. It also 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 $988 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.¹

• Advertising revenue enables broadcast stations to reinvest in their newsrooms and local communities. Decreased advertising revenues would impede stations’ ability to offer the high-quality news, emergency information, sports and entertainment on which the public relies.

• Any proposal to change the tax treatment of advertising for a specific industry constitutes a troubling restriction on commercial speech and raises significant First Amendment concerns.

For these reasons, all types of advertising should remain fully deductible as ordinary and necessary business expenses in the year they are incurred. Congress should not enact legislation that discourages advertising as it would hurt consumers and small businesses, impact jobs and harm broadcasters’ ability to serve their local communities.