

January 16, 2014

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20501

Dear Chairman Baucus:

We are writing to inform you of our concerns about the devastating impact that a tax on advertising would have on our nation's economy and on millions of American businesses. We urge you to reconsider the proposal included in your Discussion Draft on Cost Recovery and Accounting Language that would change the current tax treatment of advertising expenses.

We represent daily and weekly newspapers across the United States. Our free press has been a model to other nations and is made possible because advertising underwrites much of the cost of bringing news, information and entertainment to all Americans.

We believe the proposal in the discussion draft would severely undercut the economic power of advertising to generate sales and support jobs. Every dollar of spending of advertising will generate, on average, almost \$22 of economic output or sales. The economic consulting firm IHS Global Insight estimates that advertising accounts for \$5.8 trillion of the \$33.8 trillion in U.S. economic output and supports 21.1 million of the 136.2 million U.S. jobs.

The proposed new section 177 represents a tax on advertising. It would require all advertisers to wait up to five years before they could fully deduct the cost of half of their advertising as a business expense.

The U. S. tax code permits a business to deduct the cost of advertising in the year it is purchased just as it permits the deduction of other ordinary business costs such as salaries, office rent, utilities and similar expenses. The advertising deduction proposal would be the most sweeping change to the tax treatment of advertising costs in the 100-year history of the tax code.

The U. S. economy is just beginning to show signs of life after the Great Recession. IHS Global Insight estimates it may be 2016 before we reach the pre-2008 levels of spending on advertising. The proposed tax on advertising would push our economy down at a time when businesses—including newspapers and other media that rely on advertising—are beginning to move forward in a positive direction.

We urge you to reconsider the inclusion of this tax on advertising as you and your colleagues on the Finance Committee pull together a tax reform package.

If you have questions, feel free to contact Kathy Mason, Vice President of Government Affairs, Newspaper Association of America, at kathy.mason@naa.org or 571-366-1152.

Respectfully,

Alabama Press Association
Allied Daily Newspapers of Washington
Arizona Newspapers Association
California Newspaper Publishers Association
Colorado Press Association
Connecticut Daily Newspaper Association
Florida Press Association
Georgia Press Association
Illinois Press Association
Iowa Newspaper Association
Kansas Press Association
Kentucky Press Association
Louisiana Press Association
Maine Press Association
Massachusetts Newspaper Publishers
Association
Maryland-Delaware-District of Columbia Press
Association
Minnesota Newspaper Association
Mississippi Press Association
Missouri Press Association
Montana Newspaper Association
National Newspaper Association
Nebraska Press Association
Nevada Press Association

New England Newspaper & Press Association
New Jersey Press Association
New Mexico Press Association
Newspaper Association of America
New York News Publishers Association
New York Press Association
North Carolina Press Association
North Dakota Newspaper Association
Ohio Newspaper Association
Oklahoma Press Association
Oregon Newspaper Publishers Association
Pacific Northwest Newspaper Association
Pennsylvania NewsMedia Association
South Dakota Newspaper Association
Southern Newspaper Publishers Association
Tennessee Press Association
Texas Press Association
Utah Press Association
Vermont Press Association
Virginia Press Association
Washington Newspaper Publishers Association
West Virginia Press Association
Wisconsin Newspaper Association
Wyoming Press Association

cc: Members, Senate Finance Committee