The *AD*vertising Coalition

The *AD*vertising Coalition urges Congress to Reject Digital Ad Tax

The *AD*vertising Coalition has learned that Members of Congress who are working to secure funding for infrastructure legislation have discussed the inclusion of a tax on digital advertising as a potential source of funding in the bipartisan initial bill on infrastructure.

Before these discussions progress further, it is very important for members of The *AD*vertising Coalition to reach out to Senators and Representatives who are participating in those discussions and to urge them to reject any revenue proposal that would impose a tax on advertising. A list of members of The *AD*vertising Coalition is attached.

During the past year, State Legislators in a number of states directed their revenue raising efforts toward adoption of taxes on digital advertising. The rhetoric followed similar themes, with the contention that major internet companies spend large amounts of money on advertising, and with little or no further rationale argued that state governments should tax that revenue. This argument appears to have resonated with some Members of Congress.

The rationale for enacting a national tax on digital advertising offers a familiar reminder of the adage, "Don't tax you, don't tax me, tax the person behind that tree!"

The Nation is just emerging from one of the most serious economic setbacks in our history. Businesses are marshalling existing funds to use advertising in the promotion of sales and investments in productive, business-generating, job-creating activities. Those activities will stimulate sales throughout the country, and along with it, creation of new jobs in every state.

The Congress for generations has wisely rejected the adoption of national sales tax or related taxes on business activity because of the economic harm they create. The national tax we have used for more than a century that has the greatest capacity to generate needed government revenues is a broad-based tax on net business income – not on the mechanisms for generating new business income. Nothing underscores this more than the assessment by IHSMarkit of the vital stimulus that advertising – all advertising – provides to our national economy.

In 2014, the U.S. economy posted $36.7 trillion in sales activity. Of that, IHS Markit estimated that $2.4 trillion in direct sales were stimulated as a result of the $297 billion that companies spent on advertising their products and services. Approximately 6.5 percent of U.S. sales activity is *directly* stimulated by advertising. Fulfilling direct sales also initiates a "multiplier effect" throughout our economy driving an additional $1.4 trillion in *indirect* sales. The companies that advertise and their suppliers hire and pay employees who spend their money on goods and services. This induced consumer effect amounted to $1.7 trillion in 2014. Thus, the initial $297 billion in ad spending drove an additional $5.5 trillion in sales. The combined $5.8 trillion (ad spend + stimulated sales activity) means 16 percent of $36.7 trillion in total sales generated was attributable to advertising expenditures in 2014.

There is one message in these powerful numbers – Congress should reject any proposal that would tax, and therefore reduce, the job creating stimulus provided by advertising.