



**American Advertising Federation
Virtual Day at the
Texas Capitol**

TALKING POINTS

March 2, 2022

American Advertising Federation

Impact of Advertising and Related Businesses on the Texas Economy

- Advertising helps generate 17.7% of economic activity in Texas.
 - Advertising helps produce 2.25 million - or 18% - of all jobs in Texas.
 - Every direct advertising job also supports 50 other jobs across all industries.
 - One in six jobs in Texas is related to Advertising. Think television, radio stations, print shops, film makers, recording and editing houses, actors, photographers, illustrators, retouchers, developers, UX designers, set builders, fabricators, makeup artists, stylists, and of course — advertising agencies.
- Study by IHS Markit. Methodologies developed by Lawrence Klein - 1980 Nobel Prize for Economics

Our Mission: To protect and promote the well-being of advertising. We accomplish this through a unique, nationally coordinated grassroots network of advertisers, agencies, media companies, local advertising clubs and college chapters.

Our Goals:

- Bring members together to deliver creative business solutions
- Keep members abreast of the latest trends in technology, creativity and marketing
- Promote diversity and inclusion in advertising
- Honor and celebrate advertising excellence
- Develop the industry's future leaders
- Protect and promote advertising at all levels of government through grassroots activities
- Offer engaging programs to encourage local association volunteer leadership
- Utilize industry expertise to address community issues
- Provide opportunities for professionals to build supportive relationships with others in the advertising industry

State and Federal Issues that Affect our Industry:

Advertising Sales Tax / Deductibility of Advertising Expenses / Privacy Laws
Film Incentive Programs / USPS Health and Reform

Get Involved: For more information, visit AAF/National Government Affairs at aaf.org.

AAF Tenth District

District 10 Texas chapters

AAF Amarillo / AAF Austin / AAF Corpus Christi / AAF Dallas / AAF East Texas
AAF Fort Worth / AAF Houston / AAF Lubbock / AAF Rio Grande Valley / AAF San Antonio
Ad2 Amarillo / Ad2 Austin / Ad2 Dallas / Ad2 Houston

American Advertising Federation

Proposal of a sales tax on advertising services

An advertising tax would cost Texas businesses and consumers at a time when their finances are already precarious. Many businesses simply cannot absorb substantial new taxes without passing along some of those costs to consumers.

Taxes on advertising do not work. Where they have been tried, they have failed — and their effects are sobering. Arizona, Iowa and Florida each passed broad advertising taxes years ago; each state later repealed its tax. Florida's experience is instructive. Advertising there fell rapidly, by 12 percent, and the tax was extremely difficult to administer. The tax was repealed in a special session five months after it took effect. Since 1987, when Florida repealed its advertising sales tax, 40 states have considered and wisely rejected the idea.

Advertising benefits consumers by fostering competition which encourages innovation and helps lower prices. A sales tax on advertising would slow economic growth. When the cost of advertising goes up, businesses spend less on advertising. When there is less advertising, consumer demand drops. Lower consumer demand reduces revenue, creates fewer jobs, slows the economy and reduces the tax's usefulness as a revenue source.

What are the implications?

- An ad tax would lead to less content and/or more paywalls, making them inaccessible to many lower-income Texans.
- An ad tax would hurt consumers and businesses and slow our state's economic growth.

Businesses rely on advertising to inform consumers about their goods and services. The tax would force them to reduce their advertising at a time when they need to reach customers more than ever — even if it's just to assure the public they're still open.

Deductibility of Advertising Expenses

The ability to deduct advertising expenses is a federal issue that is important to the health of our industry. When businesses consider hiring Advertising agencies and design firms, the ability to deduct those expenses factor into that decision. Limiting the deductibility of advertising increases the cost of advertising leading to less work for agencies, less revenue for the media and ultimately less competition and sales.

American Advertising Federation

Privacy

AAF supports privacy protections for consumers through both the DAA, which gives consumers control over whether they receive targeted advertising, and Privacy for America in which we advocate for a national privacy law.

AAF is a founding member of the Digital Advertising Alliance, which supports privacy, but also recognizes the desire of consumers to have access to free internet content. Organizations that provide digital content will face an extreme burden if they are required to follow a patchwork of 50 different laws.

The most pressing privacy initiatives on marketers' minds today:

- The California Consumer Privacy Act as well as other state laws that have been enacted.
- The prospects for a pre-emptive federal privacy law—with voices of support from both sides of the aisle.
- A review of political ad transparency initiatives, namely the DAA About Political Ads program

Film Industry Incentive Programs

Texas Motion Picture Alliance (TXMPA) supports the Texas Moving Image Industry Incentive Program (TMIIP), which creates jobs and brings economic stimulus to Texas.

- Results in \$5.11 for every \$1 granted
- A 511% return on investment for the state

USPS health and reform

US Postal Service reform is a federal issue that is important to our industry. As marketers, we rely on direct mail as an important component in our advertising campaigns. Additionally, this service is vital to our printing companies. The mailing industry includes 7.3 million people and generates over a trillion dollars in economic activity. This is comparable to the Auto, Oil & Gas and Airline industries.

We strongly support legislation that will reform the USPS cost model and legislation that will remove outdated and unnecessary costs for those in the mailing industry, including the requirement to annually prepay future retirement health benefits.