

EXHIBIT 10
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TALKING POINTS IN OPPOSITION TO STATE TAX ON ADVERTISING

An advertising tax is not a new idea, just a bad one. Arizona, Iowa and Florida each passed advertising taxes. Each state later repealed the tax because it hurt their local economy and was impossible to administer.

An advertising tax is bad for the economy. Advertising is the most economically efficient means of marketing a product to consumers. By providing information in a cost-effective manner, it helps the economy function and helps lower prices.

An advertising tax would slow economic growth. Studies by the Wharton Econometrics Forecasting Associates show that a tax on advertising reduces local employment and personal income by substantial amounts. When the cost of advertising goes up, there is less advertising, which leads to less consumer demand. This slows the economy in general, reducing its usefulness to the government as a source of revenue.

An advertising tax is too complex and expensive to administer. An advertising tax would create a huge collection and administration burden for both businesses and state governments. Advertising is a very complex field, involving millions of ads placed with television, radio, magazines, and newspapers. State governments and businesses would both need an army of accountants and lawyers to administer the rules. During Florida's six-month ad tax experiment, its department of revenue processed 12 million magazine advertising transactions, the administrative cost of which exceeded tax collections.

Advertising supports public access to news and entertainment. A tax on advertising would reduce the amount of information and entertainment available to the public. Advertising is vital to the dissemination of most of the news, information and entertainment in our society at little or no cost in newspapers, magazines and broadcast programming. Free circulation newspapers and magazines that depend solely on advertising for revenue will be harmed and placed at an immediate disadvantage with media that benefit from other sources of revenue.

An advertising tax is an anti-business signal. A tax on advertising would send a very strong anti-business signal to firms which are considering locating their operations in the state. Advertising dollars that are currently spent in the state would be shifted to media outlets outside the state.

An advertising tax would also hurt small businesses in Montana. Many engage in cooperative advertising, where national manufacturers and local retailers share advertising costs. For many businesses, from drug stores to supermarkets and franchise restaurants to automobile dealers, cooperative advertising is a cornerstone of their marketing efforts. A state sales tax on advertising could seriously threaten these cooperative agreements. National firms, in an attempt to use their limited cooperative advertising budgets in the most effective manner, would likely shift these dollars to states that do not diminish their selling impact through advertising taxes.