



**Policy Committees Joint Roundtable  
Senate of Pennsylvania  
Senate Bill 76 and School Property Tax Reform  
December 2013**

*This legislation would impose the state sales and use tax at the rate of 7% by designating numerous goods and services that are now exempt from the sales tax as subject to the "expanded sales and uses" tax, imposing the tax on newspaper sales, production, and advertising. No other state taxes advertising. Most states do not charge the sales tax when consumers buy a daily or weekly newspaper, nor do they tax newspapers on their circulation revenue. The PA NewsMedia Association believes that such taxes are bad for business and bad for democracy.*

**The cost of administering and collecting a tax on newspapers would be high, for a limited return.** The tax would create an administrative hardship on thousands of newspaper carriers, including retirees who deliver newspapers to supplement their income, and boys and girls ages 11 through 18. As independent contractors for their local papers, they purchase papers at wholesale for delivery and sale to customers. These contractors would doubtless lose customers if forced to collect a new tax, and face the choice of absorbing the tax or serving as a tax collector for the state.

Many daily newspapers derive much of their circulation revenue from news rack sales. It would be impossible to adjust coin boxes to collect the sales tax, particularly with local tax options in place. This would force newspapers to raise prices or absorb the cost of the tax. Declining sales and revenue would be the result here as well.

**Retailers lose a vital resource when newspaper circulation declines.** Adding 7% or more to the cost of a newspaper, regardless of whether it is sold in a store, from a news rack or by subscription, would reduce circulation. In a chain reaction, it would reduce the distribution of advertising by retail merchants who rely on newspapers to reach local customers, reduce sales, and harm local economies.

**Since 1987, advertising taxes have been considered in 39 states and rejected in all of them.** None of the states bordering Pennsylvania impose a tax on advertising, and nearly all of Pennsylvania's major dailies (50,000 + circulation) compete for advertising with newspapers based in other states. If Pennsylvania were to impose an advertising tax, advertising dollars would flow out of Pennsylvania to our neighbors, as

national firms would place ads with untaxed out-of-state media that would reach Pennsylvania consumers at a lower cost.

Florida tried to tax advertising in 1999 and repealed it less than one year later, after discovering it to be a regulatory nightmare. The adverse impact would affect all sectors of our economy, as analyzed in the enclosures attached for your review.

Singling out newspapers for a sales tax without imposing that tax on other information media – radio, television, direct mail, and Internet-only publications - would be inappropriate and unfair. Newspapers already pay their fair share of taxes, including property tax, corporate net income tax, capital stock and franchise tax, and other taxes imposed on business throughout our state.

***The Pennsylvania NewsMedia Association (PNA) is a non-profit, dues-supported association with 310 newspaper and affiliate members who employ nearly 15,000 people in the Commonwealth. Its mission is to protect freedom of the press and promote members' business interests and professional development. Our members believe that their role as participants in the free-market economy and as advocates for our Constitutional protections both complement and support each other.***

***Newspapers report on government activity and events of state and national interest in their communities and around the world. In recognition of the time-honored status of our free press as the only form of business specifically identified in the United States Constitution, PNA believes that a tax on newspapers and the advertising we disseminate would be a counterproductive measure that would harm our industry and damage the state's economy. We consider any tax imposed on the sale of newspapers to be a tax on the free flow of information in our society, and contrary to the public interest, and we therefore oppose Senate Bill 76, Printer's No. 673. We appreciate your interest in our concerns, and hope you will contact us if you need further information.***

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Enclosures

# ADvertising

## Generates Sales and Jobs in Pennsylvania

**Advertising expenditures account for \$218 billion in economic output in Pennsylvania – that is 18.9% of the \$1.2 trillion in total economic output in the state. Advertising driven sales of products and services help support 813,700 jobs, or 14.3%, of the 5.7 million jobs in Pennsylvania. Every dollar of ad spending generates just under \$20 of economic output, and every million dollars of ad spending supports 69 American jobs.**

A landmark study by the world-recognized economic consulting firm IHS Global Insight highlights the sales activity and the jobs created in the U. S. economy that are stimulated by advertising. Each form of advertising, ranging from direct mail to print to broadcast to Internet, helps businesses build brand awareness and communicate the benefits of their products and services to target audiences. In turn, this triggers a cascade of economic activity and stimulates job creation and retention throughout the U.S. economy.

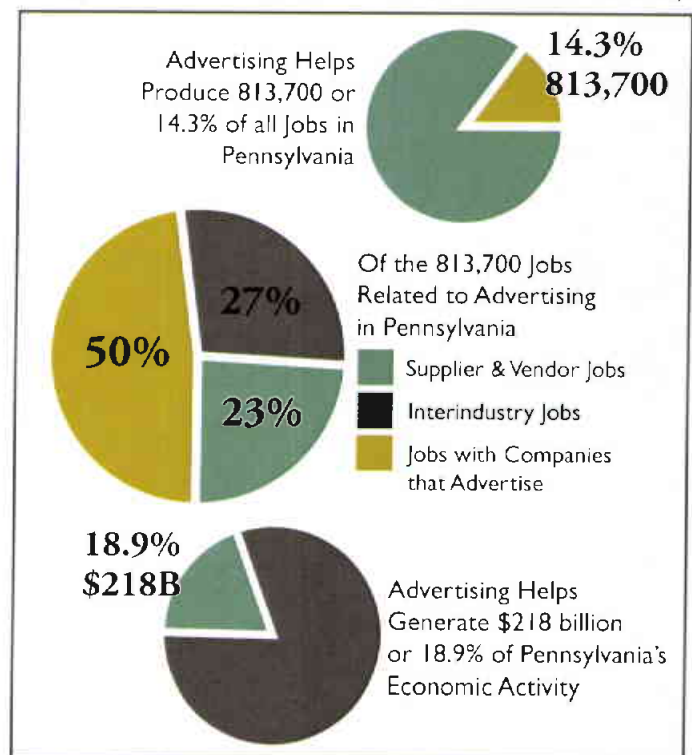
The economic model developed by IHS Global Insight and Dr. Lawrence R. Klein (recipient of the 1980 Nobel Prize in Economics) estimates and predicts the impact of advertising on sales and jobs as distinguished from the impacts of other market factors such as consumer buying power, life stage buying behaviors, technological advances, and simply the need to replace obsolete or depleted items. The sales and jobs that are stimulated by advertising occur at three levels in the economy:

**Retail and Manufacturing** – This tier includes sales of products and services by manufacturers, retailers and their sales people and employees. It includes the preparation of advertising that businesses use to communicate with consumers. It includes the work of advertising agencies as well as the purchase of advertising time and space on radio and television stations, cable operators and networks, in newspapers, magazines, and other outlets.

**Suppliers to Retail and Manufacturing** – Advertising generated sales set off chain reactions throughout the economy. They create additional jobs and sales as a second tier of vendors and wholesalers supply and support the first

tier manufacturers, retailers, and service businesses. When advertising encourages consumers to purchase automobiles or trucks, for example, those retail and manufacturing level sales generate demand from suppliers of steel, electrical wiring, semiconductors, fabric and leather for upholstery, plastic, rubber for tires and parts, radio and GPS receivers and other products and services that are used to produce the vehicle.

**Interindustry Activity** – Advertising helps drive sales and create a substantial number of jobs at the third interindustry level. In the automobile industry example, the manufacturing, retail and supplier level sales help generate economic activity and create jobs in a host of related industries such as rail and truck transportation, gasoline and oil, insurance, and after market sales of automobile products. Without the initial consumer purchases of the cars and trucks, there would be no demand for these third tier products and services and no added sales and jobs at the interindustry tier. The sales and jobs at all three levels of impact illustrate the powerful energy that advertising injects into Pennsylvania's economy.

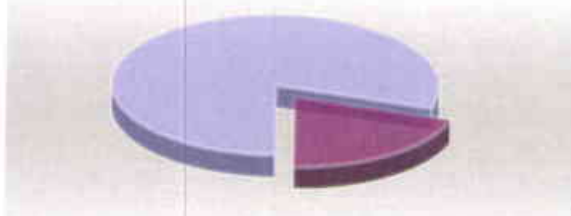


## ADVERTISING HELPS GENERATE ECONOMIC ACTIVITY AND JOBS IN PENNSYLVANIA

Advertising is an economic force that helps generate total economic activity in Pennsylvania of \$218 billion – that is 20% of the \$1.1 trillion in total economic activity in the state. Sales of products and services that are generated by advertising help support 888,702 jobs, and that represents 15% of the 5.9 million jobs in the state.

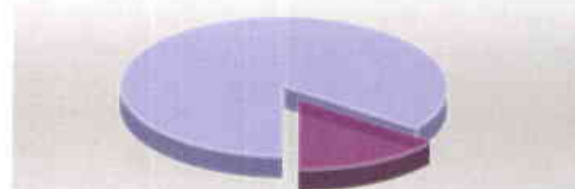
A landmark study by the world recognized economic consulting firm Global Insight highlights the sales activity and the jobs created in the state's economy that are stimulated by advertising. The study was completed under the direction of Dr. Lawrence R. Klein, who was awarded the Nobel Prize in Economics in 1980.

### Advertising Helps Generate \$218 Billion in Pennsylvania Economic Activity



Advertising Helps Generate 20% of the  
Total Economic Activity in the State

### Advertising Helps Produce 888,702 Jobs in Pennsylvania



Advertising Related Jobs Represent 15%  
of the Total Jobs in the State

The economic model developed by Global Insight and Dr. Klein estimates and predicts the impact of advertising on sales and jobs as distinguished from the impacts of other market factors such as consumer buying power, life stage buying behaviors, technological advances, and simply the need to replace obsolete or depleted items. The sales and jobs that are stimulated by advertising occur at three levels in the economy:

**Retail and Manufacturing** – The first and broadest includes sales of products and services by manufacturers, retailers and their sales people and employees. This first tier of economic activity also includes the preparation of advertising that businesses use to communicate with consumers. It includes the work of advertising agencies as well as the purchase of advertising time and space on radio and television stations, cable operators and networks, in newspapers, magazines, and other outlets.

**Suppliers to Retail and Manufacturing** – As the advertising generates sales, it sets off chain reactions throughout the economy that create additional jobs and sales as a second tier of vendors and wholesalers provide supplies and support to the first tier manufacturers, retailers, and service businesses. When advertising encourages consumers to purchase automobiles or trucks, for example, those retail and manufacturing level sales generate demand from suppliers of steel, electrical wiring, semiconductors, fabric and leather for upholstery, plastic, rubber for tires and parts, radio and GPS receivers and other products and services that are used to make the advertised product.

**Interindustry Activity** – Finally, advertising helps drive a substantial amount of sales and create jobs at a third level (called the interindustry level). In the automobile industry example, the manufacturing, retail and supplier level sales help generate economic activity and create jobs in a host of related industries such as rail and truck transportation, gasoline and oil, insurance, and after market sales of automobile products. Without the initial consumer purchases of the cars and trucks, there would be no demand for these third tier products and services and no added sales and jobs at the interindustry tier.

The combination of these sales and jobs at all three levels of impact illustrates the powerful energy that advertising injects into the Pennsylvania economy.

### Of the 888,702 Jobs Related to Advertising in Pennsylvania

261,763 (29%) are  
Interindustry Jobs



198,235 (22%) are  
Supplier and Vendor  
Jobs

428,704 (50%) are Jobs with  
Companies that Advertise

## A SALES TAX ON ADVERTISING WOULD DECREASE SALES IN PENNSYLVANIA BY \$14.8 BILLION RESULTING IN A LOSS OF 64,040 JOBS

The Pennsylvania Newspaper Association asked the world recognized economic consulting firm Global Insight to estimate the adverse effects on the state that would result from imposing the state sales tax on the sale of advertising. The results of the Global Insight study are based on an economic model that can track the total amount of economic activity in Pennsylvania that is linked to advertising, the total number of jobs that are related to that activity, and the comprehensive impact of imposing a sales tax on advertising expenditures.

Advertising stimulates demand for products and services in each industry in Pennsylvania. Imposing a tax on advertising will have an adverse impact on the advertising industry itself, but also Pennsylvania businesses that use advertising, and a range of industries that obtain business from advertisers and their suppliers.

### Advertising-Related Sales in Pennsylvania Total \$225.5 Billion



\$14.8 Billion Projected Lost Sales or 6.5% of Ad Related Sales in the State

Global Insight found that applying the 6% Pennsylvania tax to sales of advertising would increase the cost of advertising and cause a decrease in ad spending. In fact, for every 1% increase in added tax costs on advertising, Global Insight estimates that advertisers will reduce their spending on advertising by 1.38%. But this is just the tip of the iceberg.

The lower spending will have negative impact that will ripple through the economy. The higher costs will result in fewer ads – that means fewer people will see the advertised products and services. This will cause a decrease in sales for those businesses that advertise as well as reduced sales for suppliers to those advertisers. It also will lead to lower sales and related employment in a range of industries that obtain business from advertisers and their suppliers.

Total advertising-related sales in the state are estimated to be \$225.5 billion in 2006. Global Insight projects that the added cost to business of a 6% sales tax on advertising would lower sales in the state by 6.5%, or a total reduction of \$14.8 billion.

The Global Insight study also estimates that total advertising-related jobs in the state at 885,922 for 2006. They project that as a result of lost sales and economic activity 64,040 Pennsylvania workers would be out of jobs as a result of the tax, or a 7% decline in advertising-dependent employment. A very small percentage of the lost jobs are actually involved in advertising activities of businesses that advertise. More than 95% of the lost jobs would be in production processes and support functions through all industries in the economy.

### Total Advertising-Dependent Employment in Pennsylvania is 885,922



64,040 Projected Jobs Lost From Sales Tax on Advertising or 7% of Ad Related Jobs