

The ADvertising Coalition

January 29, 2020

The Honorable Guy Guzzone
Chair
Committee on Taxation & Budget
Maryland State Senate
Miller Senate Office Building, 3 West Wing
Annapolis, Maryland 21401

The Honorable James C. Rosapepe
Vice-Chair
Committee on Taxation & Budget
Maryland State Senate
Miller Senate Office Building, 3 West Wing
Annapolis, Maryland 21401

Dear Senator Guzzone and Senator Rosapepe:

We write you—as leaders of the Committee on Budget & Taxation of the Maryland Senate—to urge you and your fellow Committee members to oppose and reject Senate Bill 2, *Digital Advertising Gross Revenues—Taxation*, which would impose a gross revenues tax on digital advertising revenues in the State – revenues that represent a large and growing segment of all advertising. This proposal could lead to the creation of an anti-business environment in the State of Maryland that is reminiscent of the 1987 effort by Florida to tax advertising in its state.

Advertising, including the rapidly growing segment of digital advertising, is a powerful engine that helps to drive the economy of Maryland. In order to assess the impact of advertising on Maryland’s economic growth and job creation, The ADvertising Coalition of stakeholders in the media and advertising industries worked with a global economic consulting firm to produce the following economic profile using a model of the U.S. economy developed by 1980 Nobel Economist Dr. Lawrence R. Klein.

- Advertising expenditures account for **\$101.5 billion** of economic output or sales in Maryland – that is **14.6 percent** of the \$693.1 billion in total economic output in the state.
- Sales of products and services that are driven by advertising help support **393,667 jobs**, representing **14.9 percent** of the 2.6 million jobs in Maryland.
- Advertising drives the creation of jobs through the State of Maryland. Every one million dollars spent on advertising in Maryland supports **82 jobs** across industries throughout the State. Every direct advertising job also supports **33 other jobs** across all industries.
- For virtually every medium, from print media and radio and television to the Internet, advertising is essential to helping businesses effectively communicate the benefits of their products and services to target audiences.

Senate Bill 2 embraces several examples of bad tax policy and would create a regulatory nightmare for digital advertising businesses that would discourage spending digital advertising dollars in the state. To identify the range of affected businesses, the bill employs an ambiguous definition of its scope that has virtually no limits and would capture anyone “who is known or reasonably suspected to be using [a] . . . [digital device with an IP address] in the State. This leaves to conjecture the critical question of how broad the user impact of this advertising would be in Maryland, as well as how many Maryland dollars would be drained by this tax and diverted from the promotion of sales of products and services.

Maryland is a vibrant state in which all advertising, including digital advertising, helps create jobs and stimulate economic growth. Maryland businesses that advertise need your support to expand their growth and their creation of new jobs. The proposed gross receipts tax on digital advertising would represent a step backward with a serious potential to slow or reverse the growth of economic activity in the State.

We urge you to reject Senate Bill 2.

The ADvertising Coalition

Respectfully,

American Advertising Federation

American Association of Advertising Agencies

Association of National Advertisers

MPA –The Association of Magazine Media

National Association of Broadcasters

NCTA –The Internet & Television Association

News Media Alliance

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