



Maryland | Delaware | DC Press Association

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To: House Ways & Means Committee

From: Rebecca Snyder, Executive Director, MDDC Press Association

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Re: SB571 - OPPOSE

The Maryland-Delaware-District of Columbia Press Association represents a diverse membership of newspaper publications, from large metro dailies such as the Washington Post and the Baltimore Sun, to hometown newspapers such as the Star Democrat and Maryland Independent, to publications such as The Daily Record, Baltimore Jewish Times, and online-only publications such as the Baltimore Banner, MoCo 360, Maryland Matters and Baltimore Brew.

The Press Association strongly opposes the inclusion of advertising and printing services in HB 1515 and requests that these services be exempted from the legislation. We oppose including advertising and printing in the sales and use tax for three reasons: one, this bill will choke advertising revenues; two, the bill as written is vague and impractical to comply with; and three, we believe it violates the First Amendment.

Advertising taxes choke economic growth.

Other states have attempted a broad advertising tax. **They have failed.** Arizona, Iowa and Florida each passed broad advertising taxes years ago and each state later repealed the tax. Since 1987, when Florida repealed its advertising sales tax, 40 states have considered and rejected the idea. Florida's experience is instructive. Advertising fell 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 The tax was repealed in a special session five months after it took effect. **A sales tax on advertising would slow economic growth.** When the cost of advertising goes up, there is less advertising, which leads to less consumer demand. Lower consumer demand reduces revenue, creates fewer jobs, slows the economy and reduces its usefulness as a revenue source. The members of MDDC Press Association connect many local small businesses to advertising in a variety of forms, both digital and print, and many act as agencies to secure the best value for clients' marketing dollars. Our members rely on advertising revenues to be able to cover their local markets and any diminishment of that revenue could prove catastrophic.



We believe a strong news media is central to a strong and open society.

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Many of our members are fighting tooth and nail for economic survival, as declining print circulation and loss of print subscription revenue forces the newspaper industry to look to advertising revenue to try to make up the shortfall.

Vague language and complex administration create confusion.

The bill would be difficult for our members to comply with, and would create an undue burden. The sales and use tax is a consumption tax imposed on an end product, not on an intermediate step such as advertising. Advertising is a communications process that helps produce the final sale of a product, which is most like already subject to the sales tax, thus layering tax upon tax. Ironically, less advertising leading to fewer sales could actually lead to reduced tax revenue.

On a practical level, the term advertising may encompass many services, including not only the ads one sees within a browser or app, but also targeting technology, website creation, email marketing search engine optimization, branded content and others. The field is rapidly changing and new services are being developed all the time. **How will Maryland manage the complex administration required to ensure that the tax is being reported properly?** Is this tax for advertising placed only in Maryland, or will it be levied on all advertising services purchased from agencies within the Maryland state lines?

Further, we believe our members and the vibrant advertising agency community in the area would be disadvantaged when bidding on marketing and advertising contracts from out of area advertisers. **Will Maryland be as attractive to those advertisers when their marketing dollar does not go as far? We believe the answer is no.**

Taxing advertising speech is a violation of the First Amendment.

This bill would tax speech itself (the advertising) rather than the underlying economic or business transactions. For example, the Maryland Court of Appeals has held that municipal taxes on advertising media were unconstitutional for singling out for taxation newspapers and radio and television stations entitled to first amendment immunities. (*City of Baltimore v. A.S. Abell Co.*, 218 Md. 273, 145 A.2d 111 (1958)). **The same constitutional concerns that the court found in that case apply here.**

The members of Press Association are opposed to the inclusion of advertising and printing services in HB1515 and ask that those services are struck from the bill. Barring that change, we urge an unfavorable report.