AMERICAN ADVERTISING FEDERATION

Government Report

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Advertising Deductibility Update

House Ways and Means Committee Chairman Dave Camp, R-Mich., has announced that he will not run for reelection and will retire from Congress at the end of his current term. In February, Chairman Camp released a discussion draft of comprehensive tax reform legislation that includes a provision limiting the federal tax deduction for advertising expenses to 50% in the first year, with the remaining 50% amortized over the following ten years.

Camp's announcement means that both the House and Senate authors of tax reform proposals that would limit advertising deductibility have left, or will soon leave Congress. Shortly after releasing his tax reform proposals last year, Senate Finance Committee Chairman Max Baucus, D-Mont., resigned to become U.S. Ambassador to China. Senator Baucus' proposal was similar to Chairman Camp's draft in regards to advertising, although the amortization period was five years.

Most observers feel that the chances of Congress passing comprehensive tax reform this year are very slim. With the two leading proponents gone (or soon to be gone) from Congress, the odds would seem to be even longer. Even if Chairman Camp were to stay in Congress, 2014 would have been his last year as Chairman of Ways and Means because of House term limit rules.

The advertising deduction may still receive some attention by Congress this year, as Chairman Camp has said he conduct a series of hearings on his tax reform proposal. The advertising deduction was just one small provision of a very large reform plan so it is unknown if Chairman Camp will invite witnesses to testify on that issue.

Even if tax reform does not pass, short-term and long-term threats remain to advertising deductibility. In the short-term, both Chairman Camp and new Senate Finance Committee Chairman Ron Wyden, D-Ore., have indicated that they intend to move legislation dealing with so-called "tax extenders." These are tax provisions, such as subsidies for wind power, auto racing and film production, which Congress has extended temporarily. Chairman Wyden has said he would consider another set of temporary extensions, while Chairman Camp believes Congress should determine which provision should be made permanent and end the others.

Advertising could be at risk under either scenario as the cost of an extended provision – be it temporary or permanent – must be offset by additional revenue in order to keep the measure revenue neutral.

The long-term threat to advertising stems from the fact that sitting Chairmen of the Senate and House tax writing committees have included limitations to deductibility in serious tax reform proposals. Even with new Chairmen in place, limiting the full business tax deduction for advertising expenses has been put on the table, and is included in proposals that may well be the starting point for negotiations when tax reform is seriously considered.

AAF will continue to work with our corporate and local grassroots members to educate members of the House and Senate tax-writing committees, as well as other members of Congress, of the importance of maintaining advertising's status as a normal and necessary business expense fully deductible in the year incurred.

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Advertising Day on the Hill set for March 12

On March 12, 50 advertising professionals representing half the states and every AAF District gathered in Washington, DC for AAF's Advocacy and Action: Advertising Day on the Hill. The attendees heard an impressive array of speakers from experts on deductibility and privacy issues to representatives of the Federal Trade Commission and current and former members of Congress. After being briefed on the issues, the attendees headed to Capitol Hill to meet with their Senators and Representatives and their staffs. The Day on the Hill took place only two weeks after Chairman Camp released his tax reform discussion draft, so the event was particularly timely.

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