



April 11, 2016

The Honorable Jeff McClain
Chairman, House Ways & Means Committee
Ohio House of Representatives
77 South High Street
Columbus, Ohio 43215

Dear Chairman McClain:

I am writing to you on behalf of the Ohio Association of Broadcasters (OAB) to express our strong support of House Bill 466, sponsored by Rep. Ryan Smith, which clarifies that digital advertising services are exempted from the state sales tax.

The OAB represents the over-the-air television and radio stations in the state. There are nearly 300 commercial radio stations and 40 commercial television stations operating in communities across Ohio. Combined, these stations employ about 7,000 Ohioans with a payroll of approximately \$400 million. Advertising represents the overwhelming majority of revenue for all of these stations.

In late 2015, the Ohio Department of Taxation (ODT) issued an information release indicating that certain types of digital inventory advertising may be considered an "Electronic Information Service," and therefore subject to the state sales tax. As you may know, advertising services have never been subject to the state sales tax. This directive from ODT has the potential to set a dangerous precedent for a tax on advertising.

A sales tax on advertising services would be devastating for local radio and television stations. Moreover, a tax on advertising would have a negative impact on Ohio's economy. Businesses use advertising to expand their brand recognition and to increase sales. A recent study by the economic firm, IHS Global Insight, estimates that every dollar spent on advertising in Ohio generates \$22 of economic output. Applying the sales tax to advertising would effectively reduce the amount of advertising purchased, which would result in fewer sales, reduced economic output and lost jobs.

H.B. 466 specifies that digital advertising services are included in the current list of professional services already exempted from the definition of an "Electronic Information Service." This clarification ensures that all advertising, regardless of platform or method of delivery, is treated consistently for tax purposes.

Thank you for your consideration.

Respectfully,

Christine H. Merritt
President

c: Rep. Ryan Smith
Members of House Ways & Means Committee