



Ohio Association of Broadcasters
Testimony before the House Ways and Means Committee
House Bill 64 – State Biennial Operating Budget Tax Provisions
March 11, 2015

Chairman McClain, Vice Chair Scherer, Ranking Member Cera, and members of the House Ways and Means Committee, thank you for the opportunity to testify today.

My name is Richard Dyer and I am President & General Manager of WLWT-TV in Cincinnati. I am here today as Vice Chair of the Board of Directors of the Ohio Association of Broadcasters. Ohio is home to nearly 340 commercial radio and television stations in large and small communities across the state. These stations employ approximately 7,000 Ohioans with a payroll of more than \$400 million.

Ohioans rely on local radio and TV stations every day. They get traffic updates during their morning drive. They check local news and weather throughout the day. They listen to music in the car, watch political debates, and tune in to hear local high school football games. And, during an emergency, Ohioans depend on local radio and TV stations for round-the-clock, real-time public safety information.

This commitment to free, local radio and TV service is expensive. Programming, news teams, satellite trucks, on-site radio broadcasts, and weather radars—they all cost money. Our business model is based on selling advertising, which accounts for more than 90 percent of revenue for local TV and radio stations. Many of these ads are purchased by businesses in our communities—including car dealers, restaurants, grocery stores, local furniture stores, and other local retailers.

We commend Governor Kasich and this Ohio General Assembly for your commitment to strengthening Ohio's economy and budgeting state money responsibly. We do, however, have

concerns with several of the business tax provisions contained in House Bill 64 that will increase the cost of producing and providing local programming to your constituents.

First, the new tax on professional services includes “market research and public opinion polling services.” This would significantly impact many of our members. Radio and TV stations invest in market research, focus groups, and other polling and ratings services to better serve their audiences and better connect with their advertisers. Market research and polling give TV stations feedback on their programs, their on-air talent, and the preferences of their audiences. Radio stations use research and focus groups to test new music and new formats. And, ratings services for both radio and TV estimate the size and make-up of audiences—an important tool for advertisers. This research is expensive—often it is a station’s 2nd or 3rd highest expense. The impact of a new tax on these services could range from \$5,000-\$10,000 in smaller markets to \$150,000 in large markets.

Second, taxing “management consulting, public relations and lobbying” services would also increase costs for our members. Broadcasters regularly rely upon these services to manage their operations, ensure compliance with FCC regulations, and plan investment in new technology. We also fear that the tax on these services could be interpreted to extend to legal and accounting services and independent sales representatives. Many radio and TV stations rely on independent sales reps to sell advertising, and these reps can generate up to one-third of advertising revenue for television stations in larger markets.

Additionally, we have concerns about how the sales tax will be applied when companies centralize management services—like payroll, accounting and other back office operations—across multiple stations in different states. It is not clear whether the tax would be assessed where the services occur or where the benefit is received.

Third, we are concerned that the broad definition of these services could be applied to advertising services—the lifeblood of radio and television station revenues.

Finally, the increase in the Commercial Activity Tax (CAT) rate will increase costs for most Ohio radio and TV stations. While a few of our members will benefit from the small business tax changes, the new tax on services would outweigh those benefits in most cases.

For stations above the \$2 million threshold, the CAT rate increase would be in addition to the taxes on services.

The CAT rate increase and new taxes would also increase expenses for many of our advertising clients. If our clients pay more in taxes, they may be forced to reduce their advertising buys, which would have real and immediate consequences for radio & TV stations. And, this reduction in advertising would also impact our economy. Every one dollar in advertising generates 22 dollars in the economy, so less advertising results in lower consumer awareness and less economic activity.

Broadcasters work every day to stay ahead in an ever-changing media landscape. We connect with our audiences over-the-air, as well as through mobile devices and multiple social media platforms. These technologies require significant investments. But they are investments that allow our audiences—and your constituents—to stay in touch with what is happening in our local communities. That commitment to public service remains a core value of local radio and TV stations.

As you press on with the difficult task of striking the right balance in the state budget, we appreciate your consideration of the real-world impact that these tax proposals will have on our stations—and on our clients—in your local communities.

Thank you for the opportunity to testify today. I would be happy to answer any questions you may have.