

Texas ADvertising Coalition

October 12, 2017

The Honorable Kevin Brady
United States House of Representatives
200 River Point, Suite 304
Conroe, Texas 77304

Dear Mr. Chairman:

As Houston-area advertising and media executives, we are keenly aware of the challenges that you face as you address the reform of the federal Tax Code. We have observed your commitment to a reform of the code with great respect and admiration. However, on behalf of our media and advertising businesses, we urge you to reject any proposal that would limit the section 162(a) treatment of the cost of advertising as an ordinary and necessary business expense.

The ability of a business to deduct all of its advertising costs as an ordinary and necessary business expense has been part of the Tax Code and approved by the Internal Revenue Service as an accepted business practice for more than 100 years. Notwithstanding that history, the bill introduced as H.R. 1 in the 113th Congress by former Chairman Dave Camp would have required advertisers to amortize half of their advertising costs over a decade.

The explanation of the advertising provision, prepared by the staffs of the Joint Committee on Taxation and the Committee on Ways and Means, provided no tax policy rationale for a change of this magnitude because the economic and tax policy arguments did not support this change. The cost of advertising is as essential to a business as the salaries paid to its employees, the rent for buildings and equipment, and all of the other regular costs of doing business – all of which are currently deductible as ordinary and necessary. Nor has this cost ever been classified as tax expenditure, or a departure from sound tax policy.

Advertising is an essential component to the health and growth of our economy. In Texas alone, advertising expenditures account for \$531.5 billion in our state's economic output. It also helps support 1.7 million Texas jobs, or 14.6 percent of the 11.9 million jobs in our state. While we would be pleased to have the opportunity to meet with you in person at a time convenient to your schedule, we understand the demands on you as you work on tax reform.

However, we urge you in the strongest terms to reject a proposal to alter in any way the section 162(a) treatment of advertising as an ordinary and necessary business expense.

Respectfully,



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