

## **Testimony for HB448 Proposal**

Good afternoon, my name is Roger Gray. I am the Chairman/CEO of Gray, Kirk/VanSant Advertising.

I have owned and operated my company in Maryland for twenty-five years. I am proud that we have grown our company to be one of the largest advertising agencies in the State. But being one of its largest is not what it used to be. I believe I am accurate in saying that there are no advertising agencies in Maryland today that employ over 100 employees. The Advertising Industry in Maryland is shrinking. In the past five years, two local industry icons – Doner and Eisner, who had both been in business in Maryland for over thirty-five years, closed their doors.

What is causing this contraction is that our revenues and profit margins are being squeezed. This is not a situation isolated solely to Maryland's Advertising Community. It is a fact of life across the entire U.S. Advertising Industry.

To help offset these revenue and profit reductions, advertising agencies have diversified and expanded into other marketing services like public relations and direct marketing. These services are becoming a larger and larger piece of our business mix every year.

The public relations and direct marketing clients that advertising agencies tend to attract have smaller budgets. For my agency, they are likely to be clients with budgets of less than \$100,000 per year. They are extremely cost sensitive. Any increase in the cost of the services we provide will likely cause them to reconsider their relationship with us.

If the proposed creative tax under HB448 is enacted, we will be increasing their cost of doing business with us. I fear this could lead to our clients looking to have their accounts handled by firms in neighboring cities like Philadelphia or Washington, D.C. where a sales tax on marketing services does not exist.

If that occurs, we all lose. Less revenue for us, less people employed, and less taxes for Maryland.

Thank you for your time and consideration.