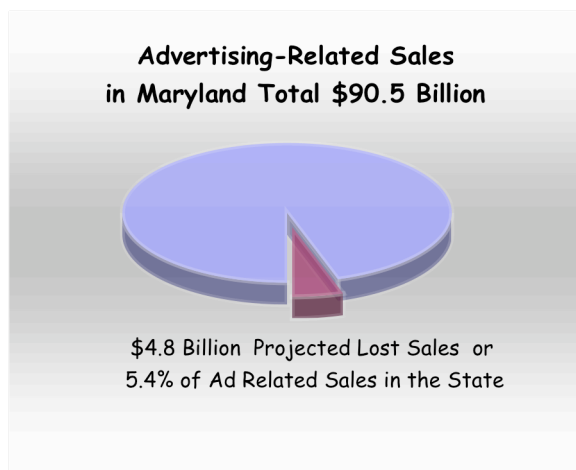


## **A SALES TAX ON ADVERTISING WOULD DECREASE SALES IN MARYLAND BY \$4.8 BILLION RESULTING IN A LOSS OF 22,140 JOBS**

The world recognized economic consulting firm Global Insight has prepared a study to estimate the adverse effects on the state that would result from imposing the state sales tax on the sale of advertising. The results of the Global Insight study are based on an economic model that can track the total amount of economic activity in Maryland that is linked to advertising, the total number of jobs that are related to that activity, and the comprehensive impact of imposing a sales tax on advertising expenditures.

Advertising stimulates demand for products and services in each industry in Maryland. Imposing a tax on advertising will have an adverse impact on the advertising industry itself, but also Maryland businesses that use advertising, and a range of industries that obtain business from advertisers and their suppliers.



Global Insight found that applying the 5% Maryland tax to sales of advertising would increase the cost of advertising and cause a decrease in ad spending. In fact, for every 1% increase in added tax costs on advertising, Global Insight estimates that advertisers will reduce their spending on advertising by 1.38%. But this is just the tip of the iceberg.

The lower spending will have negative impact that will ripple through the economy. The higher costs will result in fewer ads – that means fewer people will see the advertised products and services. This will cause a decrease in sales for those businesses that advertise as well as reduced sales for suppliers to those advertisers. It also will lead to lower sales and related employment in a range of industries that obtain business from advertisers and their suppliers.

Total advertising-related sales in the state are estimated to be \$90.5 billion in 2006. Global Insight projects that the added cost to business of a 5% sales tax on advertising would lower sales in the state by 5.4%, or a total reduction of \$4.8 billion.

The Global Insight study also estimates that total advertising-related jobs in the state at 369,874 for 2006. They project that as a result of lost sales and economic activity 22,140 Maryland workers would be out of jobs as a result of the tax, or a 6% decline in advertising-dependent employment. A very small percentage of the lost jobs are actually involved in advertising activities of businesses that advertise. More than 95% of the lost jobs would be in production processes and support functions through all industries in the economy.

### **Total Advertising-Dependent Employment in Maryland is 369,874**

