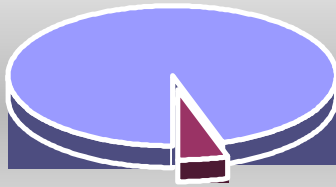


## **A SALES TAX ON ADVERTISING WOULD DECREASE SALES IN IOWA BY \$3.56 BILLION RESULTING IN A LOSS OF 13,300 JOBS**

The Iowa Newspaper Association asked the world-recognized economic consulting firm Global Insight 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 Iowa 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 Iowa. Imposing a tax on advertising would have an adverse impact on the advertising industry itself, but also Iowa businesses that use advertising, and a range of industries that obtain business from advertisers and their suppliers.

### **Advertising-Related Sales in Iowa Total \$51 Billion**



\$3.56 Billion Projected Lost Sales or  
7% of Ad Related Sales in the State

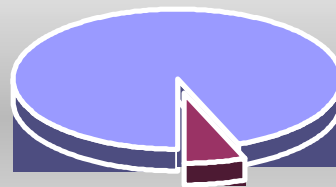
Global Insight found that applying the 6% Iowa tax to sales of advertising would increase the cost of advertising and cause a decrease in ad spending. In fact, for every 1% increase in added tax costs on advertising, Global Insight estimates that advertisers would reduce their spending on advertising by 1.2%. But this is just the tip of the iceberg.

The lower spending would have a negative impact that would ripple through the economy. The higher costs would result in fewer ads - that means fewer people would see the advertised products and services. This would cause a decrease in sales for those businesses that advertise as well as reduced sales for suppliers to those advertisers. It also would 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 in 2010 were \$51 billion. Global Insight projects that the added cost to business of a 6% sales tax on advertising would lower sales in the state by 7%, or a total reduction of \$3.56 billion.

The Global Insight study also estimates total advertising-related jobs in the state at 220,250 for 2010. They project that as a result of lost sales and economic activity 13,300 Iowa 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 Iowa is 220,250**

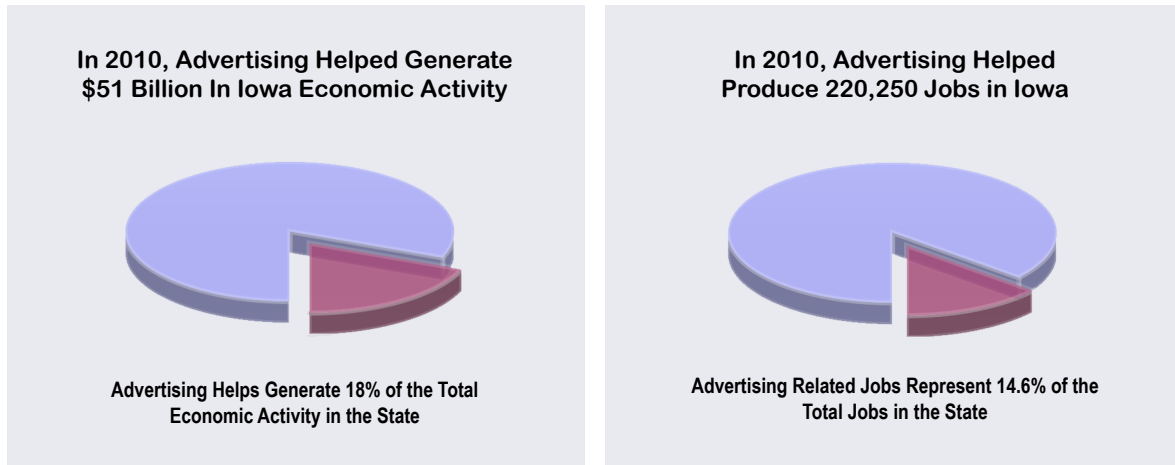


13,300 Projected Jobs Lost From Sales Tax  
on Advertising or 6% of Ad Related Jobs

## ADVERTISING HELPS GENERATE ECONOMIC ACTIVITY AND JOBS IN IOWA

Advertising is an economic force that helped generate total economic activity in Iowa of \$51 billion in 2010 - that is 18% of the \$295 billion in total economic activity in the state. Sales of products and services that are generated by advertising help support 220,250 jobs, and that represents 14.6% of the 1.57 million jobs in the state.

A landmark study by the world recognized economic consulting firm IHS Global Insight Inc. highlights the sales activity and the jobs created in the state's economy that are stimulated by advertising.



The economic model developed by Global Insight estimates and predicts the impact of advertising on sales and jobs as distinguished from the impacts of other market factors such as consumer buying power, life stage buying behaviors, technological advances, and simply the need to replace obsolete or depleted items. The sales and jobs that are stimulated by advertising occur at three levels in the economy:

**Retail and Manufacturing** – The first and broadest includes sales of products and services by manufacturers, retailers and their sales people and employees. This first tier of economic activity also includes the preparation of advertising that businesses use to communicate with consumers. It includes the work of advertising agencies as well as the purchase of advertising time and space on radio and television stations, cable operators and networks, in newspapers, magazines, and other outlets.

**Suppliers to Retail and Manufacturing** – As the advertising generates sales, it sets off chain reactions throughout the economy that create additional jobs and sales as a second tier of vendors and wholesalers provide supplies and support to the first tier manufacturers, retailers, and service businesses. When advertising encourages consumers to purchase automobiles or trucks, for example, those retail and manufacturing level sales generate demand from suppliers of steel, electrical wiring, semiconductors, fabric and leather for upholstery, plastic, rubber for tires and parts, radio and GPS receivers and other products and services that are used to make the advertised product.

**Interindustry Activity** – Finally, advertising helps drive a substantial amount of sales and create jobs at a third level (called the interindustry level). In the automobile industry example, the manufacturing, retail and supplier level sales help generate economic activity and create jobs in a host of related industries such as rail and truck transportation, gasoline and oil, insurance, and after market sales of automobile products. Without the initial consumer purchases of the cars and trucks, there would be no demand for these third tier products and services and no added sales and jobs at the interindustry tier.

The combination of these sales and jobs at all three levels of impact illustrates the powerful energy that advertising injects into the Iowa economy.

*The Advertising Coalition*

