



An Ad Tax Is a Bad Tax!

1) An ad tax is a bad tax.

An advertising tax is not a new idea, just a bad one. Over the years, Iowa, Arizona and Florida each implemented an advertising tax. All three states went on to repeal the tax because it hurt their local economies and was impossible for their tax collectors to administer. Nebraska considered an ad tax in 2024 but rejected it. No state in the nation imposes a direct sales tax on advertising. All 40-plus states that have considered an ad tax in the last 25 years have rejected it. The South Dakota Legislature has resoundingly voted against every ad tax proposal that has ever come before it (and there have been many attempts over the years).

2) An ad tax would gut-punch our economy and be self-defeating.

An advertising tax would be harmful to South Dakota's economy. A tax on advertising would create inflationary hurdles and slow-downs for our state's economy at a time when we can least afford it. Advertising drives sales. Businesses depend on advertising and marketing to promote their products and services. Imposing a new tax on South Dakota businesses would result in less promotion, less sales, and ultimately less sales tax revenues for state and local governments. A 2021 economic impact study by the consulting firm IHS Markit found that advertising helped generate \$14.3 billion in economic activity in South Dakota and helped support more than 84,500 jobs in our state.

3) South Dakota's small businesses would suffer the most, not Facebook and Google.

An ad tax would create an unfair and unlevel playing field for Main Street and South Dakota's small businesses. This would be a new tax on anyone who advertises -- Main Street businesses such as hardware stores, grocery stores, auto dealers, auctioneers, non-profits and much more. Assessing and collecting a sales tax for online, digital advertising flowing into our state from across the nation and around the globe would be inordinately burdensome and costly to administer. Online and social media advertisers may avoid this sales tax because of the complexity of how digital advertising works today.

4) Double taxation for South Dakota's newspapers.

South Dakota's newspapers already collect and remit sales tax for every mail subscription sold and for every copy sold over the counter or online. South Dakota's newspaper publishers are required to track and remit sales tax based on the tax rate where each subscriber lives and receives the newspaper. It involves incredibly time-consuming and burdensome bookkeeping. Requiring newspapers to collect and remit a sales tax on advertising would impose a heavy burden on an industry that already faces immense economic vulnerabilities in the news media marketplace. We need our community newspapers to survive and not be burdened by new taxes in South Dakota.

5) Define advertising.

Then there is the problem of deciding what to tax. What is advertising? Should tax be collected on business cards? Promotional items like key chains and drink tumblers? What about digital advertising that crosses all traditional forms of media such as broadcast and print but also includes mobile phones, email, banner ads, text messages, Instagram, Tik-Tok, Facebook, Google searches and much more? Google and Facebook account for two-thirds of all digital advertising sold globally.

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