

Local News Outlets Could Reap \$1.7 Billion in Build Back Better Aid

A small paper like The Storm Lake Times in Iowa would receive a big tax credit. So would Gannett, the nation's largest news publisher.



By Marc Tracy

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For The Storm Lake Times, a family-run paper in northwestern Iowa, it could mean \$200,000 in federal subsidies the first year and nearly \$500,000 over the four years after that.

For EO Media, which publishes more than a dozen community newspapers in the Pacific Northwest, it could amount to \$1.2 million the first year and \$2.9 million over the next four.

And Gannett, the largest newspaper chain in the country, could receive \$37.5 million the first year and tens of millions after that.

The relief would come in the form of a payroll tax credit earmarked for local news organizations, a small part of the Build Back Better bill that the House passed on Nov. 19.

“It acknowledges democracy starts at home,” said Penelope Muse Abernathy, a visiting professor at Northwestern University’s Medill School who studies the decline of local journalism.

If the \$2.2 trillion social safety net and climate package makes it through the Senate, where it faces a stiff challenge, it will provide \$1.67 billion over the next five years for newspapers, websites, radio and TV stations, and other outlets that primarily

cover local news. If eligible, they could reap up to \$25,000 for each locally focused journalist they employ in the first year and \$15,000 in each of the next four.

News outlets across the country have struggled for decades, as the rise of digital media slowed their once-dependable streams of revenue — print ads and classifieds — to a trickle. With few exceptions, those publications have not made up the difference with digital advertising, an industry dominated by Google and Facebook.

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Media outlets funded by political action committees would not be eligible. The same holds true for news organizations that do not carry media liability insurance or fail to disclose their owners. News publishers with more than 1,500 employees at a single location also would not qualify, under the terms of the bill. The New York Times would be ineligible for the tax credit, a company spokeswoman said.

Large chains that include publications focused on local coverage would be eligible. One of them, Gannett, borrowed more than \$1 billion two years ago from the private equity firm Apollo Global Management as part of its merger with Gatehouse Media.

Other major chains with Wall Street ties could also benefit from the tax credit. Tribune Publishing and MediaNews Group, both owned by the hedge fund Alden Global Capital, appear to be eligible, as does McClatchy, which is owned by the hedge fund Chatham Asset Management.

Maribel Perez Wadsworth, the president of news at Gannett, defended the inclusion of her company, which publishes roughly 250 local newspapers, including The Arizona Republic, The Detroit Free Press and The Milwaukee Journal Sentinel (as well as USA Today). “Scale allows us to solve for some things,” she said, “but at the end of the day they’re local newsrooms with local reporters and photographers and editors, up against the same headwinds.”

McClatchy declined to comment. A representative for Alden did not respond to a request for comment.

There are now 200 U.S. counties without a newspaper, according to researchers at the University of North Carolina, and more than 2,100 papers have shut down since 2004. According to the Pew Research Center, the number of journalists at newspapers fell to 31,000 last year from 71,000 in 2008.

Supporters of the tax credit note the role that local news outlets play in bringing communities together. Without them, who will chronicle town meetings, hold local officials accountable and note births, deaths and weddings?

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“The business models of local news have collapsed in many communities, so it has now gone from being just some private companies’ woes to being a crisis for democracy,” said Steven Waldman, the president of Report for America, a service program that places journalists in understaffed newsrooms. Mr. Waldman consulted on the federal provision.

Gannett, the largest newspaper chain in the country, could receive \$37.5 million the first year and tens of millions after that. Valerie Plesch for The New York Times

Some conservatives have fiercely criticized the proposed tax credit. “Why do journalists deserve subsidies more than, say, nurses?” The Wall Street Journal asked in a recent editorial. The Journal went on to argue that the bill provision “calls on the American taxpayer to subsidize Democrats’ media allies.”

Representative Steve Scalise of Louisiana, the second-ranking House Republican, echoed that criticism on Twitter: “This is Biden and Dems in Congress helping pay the reporters’ salaries who cover for them.”

The tax credit would be an unusual instance of federal aid for news organizations, but it is not entirely new. Mr. Waldman noted that the Postal Act of 1792 gave many newspapers cheaper mail rates.

The Paycheck Protection Program, introduced during the coronavirus pandemic, was another example of the federal government's reaching out to news organizations, and it allayed the qualms of some news publishers about accepting federal help. Over the past two years, media outlets across the country have received millions of dollars in forgivable loans through the program.

"Now it feels like a very different conversation, where there's much greater willingness for there to be support," said Damian Radcliffe, a professor at the University of Oregon School of Journalism and Communication.

In a study, he found widespread opposition to the idea of government subsidies for journalism only a few years ago. "I don't think we'd be having this conversation if it were not for the impact of Covid and the role that played in accelerating challenges the sector has faced," Mr. Radcliffe said.

The tax credit for local news publishers made its first appearance, as one of three main items, in the Local Journalism Sustainability Act, which was put before Congress in 2020. The bipartisan bill was reintroduced this year by its co-authors, Representatives Ann Kirkpatrick, Democrat of Arizona, and Dan Newhouse, Republican of Washington.

After the Local Journalism Sustainability Act stalled, the tax provision was broken off and tucked into the \$2.2 trillion package. No House Republicans voted in favor of that legislation, a bill that Representative Lee Zeldin of New York, one of the Republicans who had supported the Local Journalism Sustainability Act, called a "monstrosity."

Abigail O'Brien, the chief of staff to Ms. Kirkpatrick, emphasized that the beneficiaries of the potential tax credit were smaller outlets — "not CNN or Fox News," she said.

"This is your local paper," she continued. "They're writing about your local news. That's generally really not partisan."

Art Cullen, the editor and a co-owner of The Storm Lake Times, which was the subject of a 2021 PBS documentary, "Storm Lake," said he would welcome the credit.

“We’d be walking in tall cotton,” he said.

He founded the paper with his brother in 1990. In 2017, it became one of the smallest publications to win a Pulitzer Prize. In keeping with industry trends, The Storm Lake Times has lost significant revenue in recent years, and it drew \$60,000 from the Paycheck Protection Program, Mr. Cullen said.

“I’ve been skeptical of things like local tax levies or direct federal subsidy,” he said. “But on the other hand, we need help and take it everywhere I can get it.”

Marc Tracy covers print and digital media. He previously covered college sports. @marcatracy