

# KALEIDOSCOPE

Exploring the Many Facets of Public Relations

Spring 1996



## Practicing What We Preach

by Anne Scea Klein, Fellow, PRSA

When New Jersey's Division of Taxation arbitrarily decided that Anne Klein & Associates was an advertising agency performing advertising services, we had a potential crisis looming. The crisis was the possibility of a huge sales tax bill, plus interest and penalties, on our professional service fees. (See *Spotlight on an Issue*, third page)

After 11 months, our accountants had made no progress with the Division. The accountants suggested we step in ourselves and do what we could. We had about six weeks to make a difference.

Just as we counsel our clients, we had to counsel ourselves. We had to practice what we preach. We asked ourselves: What is the situation? What resources can we tap for information? What are our objectives? Who is our audience? Who are the other interested parties? What do we want them to do? What are our key messages? What strategies should we adopt? What tactics should we pursue?

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## Awards

### Klein and Kauders To Be Honored by Women in Communications Inc.

Anne Klein will be among the first group of women honored as part of "Hale's Legacy" by the Philadelphia chapter of Women in Communications Inc. (WICI). The honor is in recognition of Anne's contributions to the field of public relations, her achievement of professional excellence, her support of the advancement of women in the workplace, and her service to the community.

AKA senior counselor Sylvia Kauders will also be honored. Sylvia will receive WICI's *Lifetime Achievement Award* for her outstanding contributions to women and the communications industry.

The awards will be part of WICI's annual Sarah Awards ceremony on April 18, recognizing Philadelphia's finest in the categories of Print Media, Broadcasting, Education, Advertising, Public Relations, Film/Photography, and Lifetime Achievement.

The Sarah Awards and Hale's Legacy are named for Sarah Josepha Hale, a pioneer in the Philadelphia publishing community and a champion of women's issues in the 1800s.

#### Farwell Added to Honor Roll of Women

See story on second page.

## Technology

### AKA Web Site Gets Great Reviews

The Anne Klein & Associates site on the World Wide Web was named one of the "Top Ten Business Internet Sites in New Jersey," by *Business News New Jersey*. The publication's Nov. 29 issue placed the AKA site (<http://www.akinpr.com>) on a list that also included the David Sarnoff Research Center (formerly RCA Research Labs), Princeton University, Bell Atlantic, AT&T, and Peterson's Education Service (i.e., Peterson's College Guide).

In February, the AKA site was listed as one of "The Best of the Delaware Valley" by Emedia Corp., a regional

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## Farwell Added to Honor Roll of Women

The Pennsylvania Commission for Women named AKA senior vice president Nancy Farwell to the *Pennsylvania Honor Roll of Women*, a list of women who have distinguished themselves in their communities and their fields of endeavor, and who have exemplified the characteristics of an outstanding role model for other women. Nancy's name was added to the *Honor Roll of Women* on March 11, during the Women's History Month Celebration at The State Museum of Pennsylvania in Harrisburg, the state capital.



Nancy Farwell

## Cook and Loehrig Named VPs

Account managers Jo Elynn Cook and Kathy Loehrig have been promoted to vice president. According to firm president Anne Klein, "Jo Elynn and Kathy have successfully led account teams in serving our clients' needs. In their new positions, they will assume additional responsibilities to contribute to

our firm's strategic direction and continued growth."

Jo Elynn has been with the firm since 1988. Her accounts include clients in manufacturing, the chemical and pharmaceutical industries, health care and public utilities. In addition, she is director of the firm's technology department, and she coordinates our marketing and new business efforts.

Kathy joined the firm in 1991. She handles client work in higher education, finance, public utilities, transportation, the pharmaceutical industry, health care and business. In addition, she manages the development of the firm's newsletter, *Kaleidoscope*.



Jo Elynn Cook



Kathy Loehrig

## Anne Speaks to Health Group...

Anne Klein was one of two featured speakers at the Delaware Valley Health Public Relations & Marketing Association's program on crisis management in December. Anne spoke about the importance of developing an organization's philosophy and key messages for crisis preparedness and media communications. The other speaker was the director of media relations for Baylor Medical Center in Dallas. She explained how the hospital dealt with the media spotlight during Mickey Mantle's final illness.

## ... and to PR Students

Continuing her more than two decade commitment to student education, Anne spoke to members of the Rowan College chapter of the Public Relations Student Society of America (PRSSA) in November. Although the chapter's flyer titled the seminar, *How to Survive a Job Interview with Anne Klein*, the students did not find her nearly as threatening as the ominous title made her sound. Anne provided valuable instruction on topics ranging from resumes and the all-important cover letter to interviewing, the importance of appearance and a firm handshake, and the obligatory follow-up thank you note.

## AKA Website Gets Great Reviews

Internet marketing and Web development company, on its Local & Global Resource website.

In March, the AKA site was noted in the Public Relations Society of America's monthly tabloid, *PR Tactics*, in a special section on the World Wide Web. The page one feature article discussed "Who are the pioneers among public relations agencies on the Web? How do you find them? And what are they doing there?" The article also mentioned the Pinnacle Worldwide website (<http://www.pinnacleww.com>) which, like the AKA website, was created and is maintained by AKA executive VP Jerry Klein.

## AKA Supports Art on the Internet

During January and February, the Carnegie Museum of Art in Pittsburgh displayed some of its most prominent works of art on the Internet. The exhibition of 19th century American art was featured on the *19th Century American Women Writers World Wide Web* page (<http://clever.net/19cwww>), which is a site devoted to the study and appreciation of 19th century American women writers and 19th century American culture. The exhibition was made possible through monetary, service, and time donations from several organizations, including Encyclopedia Britannica and Anne Klein & Associates. AKA provided publicity

support for the exhibition, using both traditional methods as well today's new electronic channels.

## Carroll Joins Chamber Web Committee

The Marketing Committee of the Southern New Jersey Chamber of Commerce recently established an Internet subcommittee to develop and maintain the Chamber's presence on the World Wide Web. AKA Associate Meg Carroll has joined the subcommittee and will meet with Chamber members monthly to strategize positioning of the Chamber's Web site as a resource for Southern New Jersey businesses and communities.

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# AKA Leads Fight Against DeFacto Expansion of Advertising Sales Tax to PR Services

It all started simply enough. Our firm was notified in January of 1995 that we were being audited by the Sales and Use Tax section of the New Jersey Division of Taxation. We didn't think this would be much of a problem, since public relations services are not subject to sales tax.

There is a 1970 statute that taxes all "advertising services." However, public relations is nowhere mentioned in the statute. So we assumed our only concern would be the use tax, which levies a tax equivalent to the state's six percent sales tax on items purchased out of state on which no tax was paid. Were we ever wrong!

With ever dwindling sources of revenue and ever increasing government expenditures, the Division of Taxation had apparently identified public relations firms as the next target group to audit. And the auditor had unilaterally decided, without knowing anything about our firm, that we were an advertising agency and, therefore, that we should have been charging a six percent sales tax on all of our professional fees for at least the past three years.

Our accountants and we spent 11 months answering inquiries, explaining invoices, and attempting to define our profession by showing the differences between advertising and public relations. Unfortunately, the text books and the summaries we submitted did not change the auditor's mind.

## Alerting the Profession

By early December, our accountants advised us that the Division had dug in: in its view, Anne Klein & Associates was



Business News New Jersey ran an article on AKA's tax battle on the cover of its Jan. 10 issue.

performing advertising services, even though it was unable to give us any definition of what constituted advertising services! We decided we had to take action, so we immediately wrote to the nearly 500 New Jersey PRSA members, alerting them to the serious consequences for all PR firms if our firm were ordered to pay a sales tax on our fees.

Our colleagues rallied. They wrote to their legislators, called the governor's office, and generally expressed their concern about this move by the Division of Taxation. We also alerted the press, the state's Office of the Ombudsman, the Chamber of Commerce, the New Jersey Business and Industry Association, the National Federation of Independent Business, and influential business leaders.

## The Outcome

By mid-January, just six weeks after we began our call-to-action campaign, the Division notified our accountants that it was dropping its attempt to tax our professional fees. It did levy use tax on our untaxed out-of-state purchases, but we had never contested that part of the case.

## What's Ahead?

Our CPAs advised us that all New Jersey-based PR firms should obtain a sales and use tax number and pay the use tax where it is applicable. If a firm has not self-assessed and remitted the use tax for purchases during the past three years, the Division could audit as far back as seven years, and assess unpaid taxes plus interest and penalties.

Next step: Our legislators have offered to introduce legislation that will clarify the tax on advertising services. Without clarifying legislation, we have been told to expect that the issue will surface again — with another PR firm falling victim to an investigation that is costly, and, more important, devastating in terms of lost time that could have been devoted to running and growing a business.

If you want to be part of the effort to change this "backdoor" taxation in New Jersey, please call Anne Klein at 609-988-6560. We will welcome all the assistance we can get as we work to get legislation introduced and passed.

More details on this issue can be found on the Anne Klein & Associates World Wide Web site at <http://www-akleinpr.com>. We will post updates there as developments warrant.

## Client News

Armstrong World Industries has retained Anne Klein & Associates to help the company strengthen its position within its various businesses. Armstrong's Business Products Unit is a 1996 winner of the prestigious Malcolm Baldrige Award that recognizes outstanding quality in business operations.

Armstrong's Flooring Unit was a runner-up in the Baldrige competition.

Anne Klein & Associates worked with American Water Works Company President and CEO George Johnstone and Vice President Glenn Pierce recently in their search for and selection of a new

Vice President for Corporate Communications. The company, which is the largest investor-owned water utility enterprise in the nation, chose James H. Moran, who was previously Group Director of Public Relations for Campbell Soup Co.

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## Client News

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AKA is coordinating an ongoing series of visits by a select group of national and trade media to the Newark, N.J., campus of **New Jersey Institute of Technology** (NJIT) to see manufacturing and environmental applied research in action. The first "Media Day on Campus," held on February 14, brought media such as *Modern Plastics* and *Plastics Technology* to see NJIT's Center for Processing of Plastic Packaging. Subsequent planned media visits include *Remediation Journal* and *Product Design and Development*. The "Media Days" have provided an opportunity to open a dialogue with national and trade media, including many who were unable to visit but requested additional information about NJIT.

AKA helped **Rhône-Poulenc Inc.** put together a ceremony announcing a trans-Atlantic alliance linking the research

capabilities of the French National Center of Scientific Research and Rhône-Poulenc S.A., in cooperation with Princeton University. Among the guests were France's Minister of State and New Jersey's Governor Christine Todd Whitman, along with RPI employees, customers, scientists, news media and others. The event, held at RPI's Cranbury, N.J., facility, was followed by tours of new laboratories devoted to the study of complex fluids — a field combining expertise in chemistry and physics.

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## Practicing What We Preach

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Knowing that Governor Whitman had proclaimed, "New Jersey is open for business," we were quite certain that an active legislative and administrative contact program would attract attention. Armed with our key messages and talking points, we asked New Jersey's PRSA members to call their legislators, write to the governor and high-ranking administration officials, and raise the issue to high visibility. We talked with the media, the Business & Industry Association, the Chamber of Commerce, and the National Federation of Independent Business. We and other business colleagues pulled out all the stops.

Within six weeks, the crisis had passed. All sales tax assessments against our firm were dropped.

We had practiced what we preach. And it worked. — **A.S.K.**



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