

2) Professional sports loophole – (Taxes) \$91 million

The National Football League (NFL), the National Hockey League (NHL), and the Professional Golfers' Association (PGA) classify themselves as non-profit organizations to exempt themselves from federal income taxes on earnings. Smaller sports leagues, such as the National Lacrosse League, are also using the tax status. Taxpayers may be losing at least \$91 million subsidizing these tax loopholes for professional sports leagues that generate billions of dollars annually in profits.²⁸ Taxpayers should not be asked to subsidize sports organizations already benefiting widely from willing fans and turning a profit, while claiming to be non-profit organizations.



Touchdown! Grass is always greener when a sports league can score with loopholes to avoid paying taxes.

In 2010, the registered NFL nonprofit alone received \$184 million from its 32 member teams.²⁹ It holds over \$1 billion in assets.³⁰ Together with its subsidiaries and teams – many of which are for-profit, taxed entities – the NFL generates an estimated \$9 billion annually.³¹ Each of its teams are among the top 50 most expensive sports teams in the world, ranking alongside the world's famous soccer teams. Almost half of professional football teams are valued at over \$1 billion.³²

The PGA generated over \$900 million in revenue, mostly through television rights, tournament earnings and sponsorships, and royalties.³³ In 2009, the NHL received nearly \$76 million from its member teams.³⁴

League commissioners and officials benefit from the nonprofit status of their organizations. Roger Goodell, commissioner of the NFL, reported \$11.6 million in salary and perks in 2010 alone.³⁵ Goodell's salary will reportedly reach \$20 million in 2019.³⁶ Steve Bornstein, the executive vice president of media, made \$12.2 million in 2010.³⁷ Former NFL commissioner Paul Tagliabue earned \$8.5 million from the league in 2010.³⁸ The league paid five other officials a total of \$19.2 million in just one year.³⁹ In comparison, the next highest salary of a traditional nonprofit CEO is \$3.4 million.⁴⁰

Tim Finchem, commissioner of the PGA Tour, earned \$5.2 million in 2010.⁴¹ The NHL's commissioner, Gary Bettman, received \$4.3 million in 2009.⁴²

These organizations are taking advantage of the provision of the tax code that allows industry and trade groups, such as the U.S. Chamber of Commerce or the Natural Resources Defense Council, to qualify as non-profit and tax-exempt. None of these groups can promote a specific brand within an industry but each may promote an industry as a whole. Qualifying organizations pay taxes on few types of income and expenditures, including lobbying. State and local governments usually exempt these organizations from state income and sales tax as well, a boon worth an estimated \$10 billion to the nonprofit sector.⁴³

Seeing the advantage in operating largely tax-free, the NFL, NHL, and PGA are registered with the Internal Revenue Service (IRS) as nonprofit organizations. These leagues assert they help the professional sport in each of their leagues. For example, on its 2010 tax return, the NFL described itself as a "trade association promoting interests of its 32 member clubs."⁴⁴ The NHL said its mission is "to perpetuate professional hockey in the US and Canada."⁴⁵ These benign statements aside, major professional sports leagues are hardly in the business of simply promoting the hockey, football, or golf industry. They are in fact businesses – designed to make money.

The history of the NFL's tax exemption status stems from the 1966 merger of the then-American Football League and NFL. Congress passed a law granting specific antitrust exemptions to the new NFL.⁴⁶ At that time, it also added "professional football leagues" to the list of entities eligible for nonprofit status.⁴⁷ According to the IRS, "Section 501(c)(6) of the Internal Revenue Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade and *professional football leagues*, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual" (emphasis added).⁴⁸

One major sports league – Major League Baseball – filed as a nonprofit for years, but chose to become a for-profit limited liability corporation in 2007. At least partly motivating the change was an opposition to the IRS’ new salary transparency rules for nonprofits, which require releasing information on salaries above \$150,000.⁴⁹ The NFL lobbied strenuously in Washington against an expansion of the disclosure reporting, but found little support.

Major professional sports leagues should no longer be eligible for general federal tax exemption. Removing them from federal nonprofit status may also benefit states and localities, which lose out on much needed revenue. For example, the NFL may have lived every taxpayer’s dream at this year’s Super Bowl in Indianapolis. According to the *Indianapolis Business Journal*, “Hotels and restaurants [did not tax] National Football League employees ... The NFL [used] its tax-exempt status as a 501(c)(6) to avoid paying taxes, in addition to fuel, auto rental and admissions taxes.”⁵⁰

Hardworking taxpayers should not be forced to provide funding to offset tax giveaways to lucrative major professional sports teams and leagues. Based on publicly available information about the NFL and NHL alone, barring major leagues from using the non-profit status may generate at least \$91 million of federal revenue every year.⁵¹

- ¹⁷ See appendix. “Browse Committees & Subcommittees with Legislative Action; The 112th Congress,” Congress.gov website, <http://www.congress.gov/billsumm/vwList.php?&lid=1#notes>, accessed August 22, 2012.
- ¹⁸ See appendix. Hearings held by congressional committees in 2012, as of August 20, 2012, provided by the Congressional Research Service and compiled by the ProQuest Congressional database.
- ¹⁹ See appendix. “Browse Committees & Subcommittees with Legislative Action; The 112th Congress,” Congress.gov website, <http://www.congress.gov/billsumm/vwList.php?&lid=1#notes>, accessed August 22, 2012.
- ²⁰ See appendix. Hearings held by congressional committees in 2012, as of August 20, 2012, provided by the Congressional Research Service and compiled by the ProQuest Congressional database.
- ²¹ See appendix. “Browse Committees & Subcommittees with Legislative Action; The 112th Congress,” Congress.gov website, <http://www.congress.gov/billsumm/vwList.php?&lid=1#notes>, accessed August 22, 2012.
- ²² See appendix. Hearings held by congressional committees in 2012, as of August 20, 2012, provided by the Congressional Research Service and compiled by the ProQuest Congressional database.
- ²³ See appendix. “Browse Committees & Subcommittees with Legislative Action; The 112th Congress,” Congress.gov website, <http://www.congress.gov/billsumm/vwList.php?&lid=1#notes>, accessed August 22, 2012.
- ²⁴ See appendix. Hearings held by congressional committees in 2012, as of August 20, 2012, provided by the Congressional Research Service and compiled by the ProQuest Congressional database.
- ²⁵ The Senate Special Committee on Aging was established in 1961 as a temporary committee and granted permanent status in 1977. While special committees have no legislative authority, they can study issues, conduct oversight of programs, and investigate reports of fraud and waste. Senate Special Committee on Aging website, <http://aging.senate.gov/about/index.cfm>, accessed August 30, 2012.
- ²⁶ See appendix. “Browse Committees & Subcommittees with Legislative Action; The 112th Congress,” Congress.gov website, <http://www.congress.gov/billsumm/vwList.php?&lid=1#notes>, accessed August 22, 2012.
- ²⁷ See appendix. Hearings held by congressional committees in 2012, as of August 20, 2012, provided by the Congressional Research Service and compiled by the ProQuest Congressional database.
- ²⁸ The NFL and NHL received about \$260 million in membership dues from their teams in 2010, the last year for which information is available. Applying the 35 percent corporate tax rate to these earnings would generate about \$91 million in tax revenue. Any amount of league revenue spent on lobbying is already taxed. It is unclear how other league revenue streams would be affected, including the PGA’s \$300-million-plus television earnings. Full financial information about each league is unavailable, making estimates difficult.
- ²⁹ 2010 IRS Form 990 filed by the National Football League.
- ³⁰ 2010 IRS Form 990 filed by the National Football League.
- ³¹ Daly, Dan. “Another Way to Look at the NFL’s \$9 Billion In Revenue,” *Washington Times* Daly OT Blog, February 24, 2011, <http://www.washingtontimes.com/blog/daly-ot/2011/feb/24/another-way-look-nfls-9-billion-revenue/>, accessed August 6, 2012.
- ³² Badenhausen, Kurt. “The World’s 50 Most Valuable Sports Teams,” *Forbes.com*, July 16, 2012, <http://www.forbes.com/sites/kurtbadenhausen/2012/07/16/manchester-united-tops-the-worlds-50-most-valuable-sports-teams/>, accessed September 10, 2012.
- ³³ 2010 IRS Form 990 filed by PGA Tour, Inc.
- ³⁴ 2009 IRS Form 990 filed by the National Hockey League.
- ³⁵ 2010 IRS Form 990 filed by the National Football League.

- ³⁶ Florio, Mike. "Goodell will get nearly \$20 million per year by end of decade," NBC Sports Pro Football Talk Blog, February 13, 2012, <http://profootballtalk.nbcsports.com/2012/02/13/goodell-will-get-nearly-20-million-per-year-by-end-of-decade/>, accessed August 6, 2012.
- ³⁷ 2010 IRS Form 990 filed by the National Football League.
- ³⁸ Yousuf, Hibah. "These nonprofit CEOs are getting raises," CNNMoney.com, September 29, 2009, http://money.cnn.com/2009/09/29/news/companies/nonprofit_salary/index.htm, accessed September 24, 2012.
- ³⁹ 2009 IRS Form 990 filed by the National Hockey League.
- ⁴⁰ Yousuf, Hibah. "These nonprofit CEOs are getting raises," CNNMoney.com, September 29, 2009, http://money.cnn.com/2009/09/29/news/companies/nonprofit_salary/index.htm, accessed September 24, 2012.
- ⁴¹ 2010 IRS Form 990 filed by PGA Tour, Inc.
- ⁴² 2009 IRS Form 990 filed by the National Hockey League.
- ⁴³ Sherlock, Molly, and Jane Gravelle. "An Overview of the Nonprofit and Charitable Sector," Congressional Research Service, R40919, November 17, 2009.
- ⁴⁴ 2010 IRS Form 990 filed by the National Football League.
- ⁴⁵ 2009 IRS Form 990 filed by the National Hockey League.
- ⁴⁶ Delaney, Andrew. "Tacking a Sack: The NFL and its Undeserved Tax-Exempt Status," *Social Sciences Research Network*, May 11, 2010. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1605281, accessed October 15, 2012.
- ⁴⁷ Delaney, Andrew. "Tacking a Sack: The NFL and its Undeserved Tax-Exempt Status," *Social Sciences Research Network*, May 11, 2010. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1605281, accessed October 15, 2012.
- ⁴⁸ "Business Leagues," Internal Revenue Service, <http://www.irs.gov/Charities-&-Non-Profits/Other-Non-Profits/Business-Leagues>, accessed October 11, 2012.
- ⁴⁹ Wilson, Duff. "N.F.L. Executives Hope to Keep Salaries Secret," *New York Times*, August 11, 2008. Available at <http://www.nytimes.com/2008/08/12/sports/football/12nfltax.html>, accessed August 6, 2012.
- ⁵⁰ Olson, Scott. "CIB expects to lose money during Super Bowl," *Indianapolis Business Journal*, January 16, 2012. Available at <http://www.ibj.com/cib-expects-to-lose-money-during-super-bowl/PARAMS/article/31969>, accessed August 6, 2012.
- ⁵¹ The NFL and NHL received about \$260 million in membership dues from their teams in 2010, the last year for which information is available. Applying the 35 percent corporate tax rate to these earnings would generate about \$91 million in tax revenue. Any amount of league revenue spent on lobbying is already taxed. It is unclear how other league revenue streams would be affected, including the PGA's \$300-million-plus television earnings. Full financial information about each league is unavailable, making estimates difficult.
- ⁵² Note: In July, all three states discontinued the bonus food stamp benefit for pot users at the direction of the USDA.
- ⁵³ Luke Rosiak, "Top secret: \$80B a year for food stamps, but feds won't reveal what's purchased," *The Washington Times*, June 24, 2012; <http://www.washingtontimes.com/news/2012/jun/24/top-secret-what-food-stamps-buy/?page=all>.
- ⁵⁴ "SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM: NUMBER OF PERSONS PARTICIPATING," U.S. Department of Agriculture website, data as of June 29, 2012, <http://www.fns.usda.gov/pd/29snapcurrpp.htm>, accessed September 24, 2012.
- ⁵⁵ "Agency Snapshot: Department of Agriculture," Performance.gov website, <http://finance.performance.gov/initiative/improper-payment/agency/USDA>, accessed July 18, 2012.