January 28, 2014

Dear Colleague,

Many of us will join with friends and neighbors to watch the Super Bowl and the start of the PGA Tour season. Tax season is also upon us, and Americans will be calculating their bills to and refunds from Uncle Sam. But did you know several major professional sports leagues are exempt from this annual ritual? While average Americans are struggling to keep food on the table as the economy continues to waver, these multi-billion dollar businesses are scoring goals and hitting double eagles at the expense of taxpayers. We urge you to join with us in ending the federal income tax exemption for professional sports leagues by cosponsoring S. 1524, the Properly Reducing Overexemptions for Sports Act (PRO Sports Act). This loophole amounts to about $10 million in lost revenue annually, and $109 million over ten years.¹

The PGA Tour, National Football League (NFL), National Hockey League (NHL), ATP Tour and several other leagues all enjoy this special tax treatment. These leagues and/or their head offices are tax-exempt under Section 501(c)(6) of the tax code, a classification typically only used by trade associations like the Advanced Biofuels Association or National Association of Wheat Growers, not for businesses like the NFL. The IRS explicitly states that these tax-exempt business leagues “do not include a group composed of businesses that market a particular brand within an industry”² and that they are “not to engage in a regular business of a kind ordinarily carried on for profit.”³ Yet, without a doubt each of these leagues (and several others) exists to promote its specific brand and business. Arcane technicalities have allowed these leagues to rough the taxpayer.

¹ Letter to Sen. Tom Coburn from Thomas A. Barthold, Chief of Staff of the Joint Committee on Taxation, May 15, 2013.
²http://www.irs.gov/Charities-&-Non-Profits/Other-Non-Profits/Business-Leagues
³Rev. Rul. 68-265.
The PRO Sports Act would prohibit major professional sports leagues from qualifying for tax-exempt status. Leagues would still be able to operate separate charitable organizations, just as many currently do. They would have the option to partner with outside charities the same way all for-profit businesses do. The U.S. Olympic Committee – which supports our nation’s outstanding cadre of world-class athletes – would be unaffected.

History shows major leagues can lose their tax exemption without any business interruptions. For example, Major League Baseball voluntarily switched its status in 2007. We have no excuse for reducing vital services to the needy or benefits like veterans’ pensions when special handouts like this one are still on the books. If you would like to cosponsor the PRO Sports Act, please contact either Gabe Sudduth (Gabe_Sudduth@coburn.senate.gov) or Aisha Woodward (Aisha_Woodward@king.senate.gov).

Sincerely,

Tom A. Coburn, M.D.
U.S. Senator

Angus S. King, Jr.
U.S. Senator