

## **Coburn Amendment 750 —To exclude major professional sports leagues from qualifying as tax-exempt organizations**

Organizations can register as 501(c)(6) tax-exempt organizations if they are industry or trade associations promoting the benefit of one or more lines of business, such as logging or realty.

Major professional sports leagues qualify by stating their purpose is to help their respective sports at large, though they devote most of their activities to promoting their specific brands.

Currently, a number of professional sports leagues have central offices registered as 501(c)(6) tax-exempt organizations. These include the PGA Tour, National Football League (NFL), National Hockey League (NHL), and Ladies Professional Golf Association (LPGA).

Several of these leagues channel their primary revenue through the tax-exempt organization, and almost all of this revenue is tax-free.

Other leagues manage their revenue through teams and subsidiaries, and the league office is essentially paid to manage league operations for teams and players.

No major professional sports league deserves to have a tax exemption.

**This amendment would prohibit these professional leagues from receiving tax exempt status.**

Specifically, the amendment would remove statutory language from the tax code allowing “professional football leagues” to enjoy the same tax-exempt status as industry trade associations.

Additionally, it would amend the tax code to prohibit any professional sports organization with annual revenues of over \$10 million and substantially involved in running league affairs from qualifying as a 501(c)(6) tax-exempt trade association, typically used by industry organizations or chambers of commerce.

**Q: Has this amendment been scored?**

**A:** The PRO Sports Act is currently being scored by the Joint Committee on Taxation. Simply taxing PGA Tour’s \$1.4 billion of revenue alone at the 35 percent corporate tax rate would yield an estimated \$300 million in

federal revenue. It is uncertain exactly how the leagues would change their structures were their exemption revoked. However, these leagues clearly do not need subsidies through this exemption, which amounts to a tax expenditure.

**Q: Which organizations will this bill affect?**

**A:** This bill will likely impact:

- PGA Tour
- National Football League (NFL)
- National Hockey League (NHL)
- Ladies Professional Golf Association (LPGA)
- Professional Golfers Association (PGA, distinct from PGA Tour)
- National Hot Rod Association (drag-racing)
- ATP Tour (professional tennis)
- WTA Tour (professional tennis)
- US Tennis Association
- Professional Rodeo Cowboys Association

**Q: Will the PRO Sports Act hurt the U.S. Olympic Committee (USOC)?**

**A:** No. The USOC is a charitable 501(c)(3) non-profit organization. This bill only focuses on professional sports leagues registered under 501(c)(6).

**Q: Has a league ever switched its tax status before?**

**A:** Yes. Major League Baseball was registered as a 501(c)(6) tax-exempt organization for years, but switched to a limited liability corporation in 2008. The league, which is organized similarly to the NFL and NHL, reported the move was tax-neutral.

**Q: Wouldn't the NFL be doubled taxed if it had to switch its tax status?**

**A: No.** Under the current revenue structure of the NFL, teams and certain NFL subsidiaries (like NFL Properties, which houses NFL intellectual property) collect revenue. Revenue is split among the teams, and the teams pay membership dues to the NFL league office.

Some may argue the league office should pay taxes on collected income because it is performing a service for the teams. Even if one does not

make that argument, membership dues paid by teams are likely already deducted from federal income taxes currently. If the league office were restructured as for-profit, teams would still likely deduct such expenses from their tax returns.

**Q: Why should pro sports leagues have to switch tax status when other trade organizations do not?**

**A:** The entire 501(c)(6) sector should be thoroughly examined to understand how businesses may be taking advantage of the tax code in ways unintended by Congress. Professional sports leagues are not traditional trade associations the same way the US Chamber of Commerce is. Leagues claim their main purpose is to promote their respective sports, but most of their activities are dedicated to specific brands that help a limited number of pro players.

**Q: Will this impact the teaching certification or charitable activities of a professional sports league?**

**A:** No. Most leagues already have their own 501(c)(3) charitable organizations through which they donate to communities. Leagues and associations will also be able to spin off any teaching certifications operations into separate 501(c)(6) organizations focused on these activities, since they are not related to fostering professional sports competitions.