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Congress of the United States

JOINT COMMITTEE ON TAXATION
1625 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
(202) 225-3621
<http://www.jct.gov>

MAY 15 2013

Honorable Tom Coburn
United States Senate
SR-172
Washington, D.C. 20510

Dear Senator Coburn:

This letter is in response to your request of January 23, 2013, for a revenue estimate of a draft bill entitled the "PRO Sports Act," which repeals tax-exempt status for certain professional sports leagues, effective for taxable years beginning after December 31, 2013.

Under present law, professional football leagues and many other professional sports leagues are exempt from tax under Internal Revenue Code section 501(c)(6). The PRO Sports Act: (1) removes from section 501(c)(6) the specific language providing tax exemption for professional football leagues; and (2) provides that no organization or entity may be exempt from tax under section 501(c)(6) if it (a) is a professional sports league, organization, or association, a substantial activity of which is to foster national or international professional sports competitions (including by managing league business affairs, officiating or providing referees, coordinating schedules, managing sponsorships or broadcast sales, operating loan programs for competition facilities, or overseeing player conduct), and (b) has annual gross receipts in excess of \$10 million.

Professional sports leagues tend to have profits for some years and losses for other years. Repealing their tax-exempt status would result in tax paid on profits, to the extent that they cannot be offset by carry-backs and carry-forwards. Leagues may attempt to shift revenues and expenses to reduce their tax bill for a given year. To the extent that leagues avoid tax by paying larger amounts to employees or by charging less in membership dues to athletes or teams, these individuals or teams would pay more tax. This effect is included in the estimate below.

The estimated change in Federal fiscal year budget receipts for your bill is provided below. We have assumed that the date of enactment is July 1, 2013.

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Fiscal Years
[Millions of Dollars]

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2014-18</u>	<u>2014-23</u>
5	9	10	10	11	11	12	13	13	14	45	109

NOTE: Details may not add to totals due to rounding.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,



Thomas A. Barthold