Bond Case Briefs

Municipal Finance Law Since 1971

The Oakland Raiders Sack the Taxpayers.

It's time to stop stadium financiers from exploiting a tax-code loophole that lets them use municipal bonds.

It's official: The Oakland Raiders are moving to Las Vegas. Beginning in 2020 they will play in a shiny new 65,000-seat stadium, outfitted with a retractable roof, that's expected to cost $1.9 billion. If you're an American taxpayer, you'll help fund it—even if you live nowhere near Nevada. About $750 million for the project will be financed through municipal bonds, which are tax exempt. The federal tax break is projected to amount to some $120 million, according to the Brookings Institution.

Congress and President Trump should take the Raiders' bad example as impetus for reform. As they consider a $1 trillion plan to restore America's aging roads, airports, waterways, bridges and rails, lawmakers should ask why so many stadiums are following the Las Vegas model.

The alternative is what Oklahoma City did in 1993. Residents there passed a temporary 1% increase in the sales tax to fund—without incurring debt—a building spree called Metropolitan Area Projects, or MAPS. Over five years, the plan raised $350 million for nine projects, including a stadium now called the Chesapeake Energy Arena, home of basketball's Oklahoma City Thunder.

This pay-as-you-go approach may sound unremarkable, but it is nothing short of exceptional. Most professional sports stadiums these days are financed with municipal bonds. But this kind of debt wasn't intended for lavish football or basketball arenas.

Municipal bonds were supposed to give communities a way to build public projects—hospitals, schools, roads—without having to pay federal taxes on the debt's interest. The point was to ease the financial burden on cities and states that invest in expensive but essential infrastructure.

Over the past 30 years, however, stadium financiers have exploited a loophole in the tax code to qualify professional sports arenas for municipal bonds. Because federal taxes aren't incurred on the interest of this debt, stadiums essentially receive multimillion-dollar subsidies from Washington.

Last year a Brookings study examined 45 stadiums built or seriously renovated since 2000. Thirty-six were funded at least in part with municipal bonds, resulting in forgone federal tax revenue of $3.7 billion. That's enough money to employ 88,000 military staff sergeants or give each state a $74 million block grant. Or it could help reduce the national debt.

To solve this problem, I have introduced the No Tax Subsidies for Stadiums Act, which would prohibit arena financiers from using municipal bonds. Instead of building enormous, lavish sports facilities on the backs of unsuspecting taxpayers across the nation, financiers should ask communities to "buy in" to their vision. If residents want a stadium to be built, they will be willing to pay for it—as they did in Oklahoma City. Otherwise, sports franchises and leagues always have the option to finance construction privately.

Funding an upgrade to America’s core infrastructure shouldn’t require Congress to use budget gimmicks or run up the national debt. Closing loopholes, such as requiring stadium financiers to pay federal taxes on bond interest, would move lawmakers hundreds of millions of dollars closer to the $1 trillion goal post.

THE WALL STREET JOURNAL

By STEVE RUSSELL

March 29, 2017 7:02 p.m. ET

Mr. Russell, a Republican, represents Oklahoma’s Fifth Congressional District.