Bond Case Briefs

Municipal Finance Law Since 1971

Republican Tax Plan May Mean Slightly Less Grand Sports Stadiums.

(Reuters) – Some wealthy owners of U.S. major-league sports teams may have to put up more of their own money to fund stadium construction under a tax bill proposed by U.S. House of Representatives Republicans, but the overall impact could be slight, sports economists said.

The legislation unveiled on Thursday could mean just a modest scaling-back of grand plans for new stadiums, with one expert suggesting team owners could help offset any lost federal subsidies, for example, by pouring concrete flooring instead of terrazzo.

Outside some of the biggest cities, team owners may have enough leverage to compel local governments hungry for the prestige and perceived economic benefits of new stadiums to come up with alternative funding streams.

Various sports owners in the past have relocated teams to other cities because of stadium funding issues or used the threat of a move to extract concessions from local governments.

"I'm sure the teams will be in a lather but, based on experience, if the cities/counties/states want to subsidize the stadium they'll figure out some way," Rick Eckstein, a sociology professor at Pennsylvania's Villanova University, wrote in an email.

Andrew Zimbalist, an economics professor at Massachusetts's Smith College, said it may make future plans for billion-dollar stadiums "less elaborate," but added it was nothing that team owners and local governments could not take in their stride.

Under the Republican plan, local governments could no longer fund the building or renovating of professional sports stadiums by issuing tax-exempt public-purpose bonds, the sort of bonds typically used to fund things like schools, libraries and public transit.

U.S. President Donald Trump has called for an end to the subsidy, at least for the National Football League after some of its players angered the Republican president by kneeling during the national anthem to protest racial bias in the criminal justice system. His Democratic predecessor, Barack Obama, also proposed ending the tax break for stadiums in 2015.

A report last year by the Brookings Institution, the Washington-based social sciences research group, found that of the 45 major-league stadiums built or overhauled since 2000, 36 were at least partly funded by tax-exempt municipal bonds.

The total tax-exempt bond principal issued to fund those stadiums was about $13 billion and led to a federal tax revenue loss of about $3.7 billion, the study found. Republicans say they would expect to see only an additional $200 million in tax revenue over the ensuing decade if the plan becomes law.

Ted Gayer, one of the authors of the Brookings study, welcomed the proposal to end what he called an "egregious but small misuse of federal tax dollars."

“Will it substantially affect the lucrative business of professional sports teams? No,” he said. “Will it substantially impact the ability of sports teams to get subsidies? No, maybe at the margins, but probably not.”

By REUTERS

NOV. 2, 2017, 9:30 P.M. E.D.T.

(Reporting by Jonathan Allen in New York; Additional reporting by Rory Carroll; Editing by Peter Cooney)