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Sports Stadium Projects Lose Tax-Exempt Status in GOP Tax Plan.

- **Bond investors would owe federal income tax on interest earned**
- **Eighty percent of new or renovated stadiums use tax-free bonds**

Since 2000, the federal government has subsidized sports stadiums to the tune of $3.7 billion by allowing municipalities to fund construction and renovation with tax-free bonds. The Republican tax plan, released Thursday, would end that free lunch.

If passed, the new tax proposal would force investors who buy bonds to pay federal income taxes on the interest. The sports stadium reform is just one of many reductions to the availability of tax-exempt bonds outlined in the Republican tax plan, which is still a long way from becoming law.

Using public money to fund stadiums is less popular than it used to be, a reflection of increasing public resistance to those kinds of deals. But it's still common. Of the 45 stadiums built or renovated in the four major U.S. leagues between 2000 and 2016, 36 utilized tax-exempt bonds, according to a recent study by Brookings.

When the new Yankee Stadium was completed in 2009, for example, nearly $1.7 billion of the $2.5 billion cost was financed by tax-exempt bonds issued by the city, the Brookings report found. If those bonds had been taxed, the federal government would have collected $431 million.

The Joint Commission on Taxation estimates that the provision included in the new tax plan would increase tax revenue by $200 million from 2018-2027. In 2015, President Barack Obama advocated a similar change to the tax code, which he said would save $542 million from 2016-2025.

Eliminating the tax-free status wouldn't put an end to stadium construction, but it would make the projects more expensive, said Victor Matheson, an economics professor the College of the Holy Cross who has studied stadium finance.

"It's the difference between paying five percent on your mortgage and paying seven percent on your mortgage," Matheson said. "Obviously that makes a difference, but if mortgage rates jumped two percentage points, it wouldn't mean the end of housing."

The new tax provision would apply to bonds issued after Nov. 2.

Bloomberg

By Eben Novy-Williams

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— With assistance by Martin Z Braun

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