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Why is the U.S. Olympic Committee Tax Exempt?

Every two years, I sit in front of my TV watching the Olympics. Like clockwork, in the midst of some competition I can't understand, my mind wanders to tax wonkdom and I ask myself: Why is the U.S. Olympic Committee a tax exempt organization?

The law says tax exempt status is granted to groups that "foster national or international amateur sports competition." But do the hyper-marketed modern games even remotely fit the ideal of amateur sports? Sure, some athletes who represent the U.S. are amateurs but a great many others are highly paid professionals or marketing magnets. Snowboarder Shaun White–who won no medals–makes a reported $8 million-a-year in endorsements.

And then there is USOC itself. By almost any standard, it is a commercial enterprise. It exists primarily to help organize a bi-annual made-for-TV entertainment extravaganza. Yes, it provides some support for athletes (though surprisingly little). But its real business is marketing itself and playing its part in a two-week orgy of athletic commercialization.

USOC's total revenue for 2012 (the last publicly available data) was $353 million. Of that, $263 million, or nearly 75 percent, was generated by broadcast rights, trademark income, and licensing agreements, according to its financial statement. About $46 million came from (mostly corporate) contributions.

How did the committee spend that money in 2012? Its total expenses were $249 million. Nearly $21 million went to fundraising, $17 million to sales and marketing, $3 million to public relations, and $14 million to administrative and general expenses.

Of what was left, about $74 million went to "member support," or to fund individual National Governing Bodies such as the US Ski & Snowboard Association, USA Track & Field, US Speedskating and the like.

How much went to direct support for athletes? It's hard to tell but according to one estimate, it was less than 6 percent of total USOC spending. Top ranked athletes get monthly stipends ranging from $400 to $2,000. Others get nothing. Athletes have access to Olympic training centers though most have to pay to use and stay at them and therefor don't. A watchdog group called the U.S. Athletic Trust has a nice explanation here, though it reported on USOC expenses from 2009-2011.

About $24 million went to support U.S. Paralympics, and $4 million to sports science and sports medicine.

And USOC paid its senior staff handsomely. A dozen of its top executives made $250,000 or more in 2012, and its CEO, Scott Blackmun, received $965,000. After all that, it still had nearly $100 million in surplus revenue.

To be fair, USOC isn't the only sports behemoth to enjoy tax-exempt status. The National Football League, the National Hockey League, the Professional Golfers Association, and other big-bucks professional sports leagues are also tax-exempt–though under a different code subsection than USOC. Last year, Sen. Tom Coburn (R-OK) introduced a bill to take away the tax-exemption for the pro outfits. It has gone nowhere.

USOC is somehow different, perhaps because it so successfully clings to the myth of the amateur athlete who competes for the love of sport, and not the big bucks.

But reading through its financials, USOC sure looks like a business. Yes, it probably does foster enough international amateur competition to satisfy the law, but I'm still left with the question I had as I tried to figure out what the heck slopestyle is: Why does the government grant tax-exempt status to businesses like USOC?

Howard Gleckman | Posted on February 13, 2014, 4:13 pm