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College Sports Ticket Tax Break Would Vanish in Obama Budget.

(Bloomberg) — President Barack Obama wants to remove a tax benefit for college sports fans.

Obama's budget proposal sent to Congress Monday would end the deduction available to some fans for donations they make to get seats at college sporting events. This is a new proposal by the administration.

By closing what the White House calls a loophole in the system, people would pay about $2.5 billion over the next decade in higher taxes. Currently, college sports fans can deduct 80 percent of the cost of such donations.

The budget plan also would end the use of tax-exempt bonds to build professional sports facilities. Debt to finance stadiums and arenas would be taxable if more than 10 percent of the location is used for private-business use.

Repealing such financing would save $542 million from 2016 through 2025, according to the proposal.
While some alumni and fans would give money to schools regardless of tax benefits, ending the deduction would hurt revenue at some sports programs, said Robert Spielman, a senior tax partner at Marcum LLP who advises high-net-worth clients.

Some U.S. colleges use the tax benefit to generate more revenue from sports. They set a price for season tickets and then demand donations in the hundreds or thousands of dollars on top of that cost as a condition of the sale. Part of the pitch is that fans can claim the expense as a charitable deduction when they itemize their tax return.

Required Donations

At certain universities, fans can't buy tickets unless they make a donation, and at other schools the donations help people get premium seating on the 50-yard line.

One athletic department that uses the donation is the University of Louisville, whose men's basketball team made $40.5 million in revenue in 2013-2014, about $15 million more than the next closest program.

Louisville requires a donation to the Cardinal Athletic Fund for most of its season tickets — contributions that range from $2,500 to $250 a seat. Of the university's $40.5 million in men's basketball revenue, $21.7 million come from donations, according to the school's annual report to the NCAA.

Contribution totals, and season ticket policies, vary significantly across the NCAA's top division. The University of Washington, which requires a donation for its premium football season tickets, reported $19.1 million in football contributions in 2013-14. Rival Washington State's program

reported $2.1 million by comparison.

Duke Basketball

At Duke University in Durham, North Carolina, people who give $7,000 a year can get priority for coveted men's basketball season tickets, according to the website for the school's booster club. Buyers could then deduct 80 percent of that cost. For those in the top federal income tax bracket of 39.6 percent, the break is worth $2,218.

Richard Schmalbeck is a Duke law professor who has donated to the university's athletic department to secure the right to buy basketball tickets. He has taken the allowed tax deduction, he said in a phone interview Monday. Even so, the law should change because it's inconsistent with how the Internal Revenue Service usually treats charitable gifts, he said.

Typically, to get a deduction when a charity gives something of worth to the donor, the contribution amount must be reduced by the value of the benefit received, such as dinners and concert tickets at fundraising events, Schmalbeck said.

Sports Facilities

The separate proposal in the budget to eliminate the use of tax-exempt debt for sports facilities would affect states and municipalities that are working with professional teams to finance new or improved stadiums and arenas.

Wisconsin Governor Scott Walker Jan. 27 proposed funding a new arena for the Milwaukee Bucks basketball team, in part with $220 million of bonds backed by taxes generated by the team.

Officials in Missouri are considering a new stadium for the St. Louis Rams NFL team. Two other new NFL venues are being considered in San Diego for the Chargers and in Oakland for the Raiders.

Theodore L. Jones, a lawyer in Baton Rouge, Louisiana, who lobbied Congress for the deduction for donations to college sports programs in 1986, said he opposes Obama's plan to eliminate the break for donations because it helps colleges and universities raise money, he said in a phone interview Monday.
"It's one of the best things to come down the pike," Jones, 80, said.

Jones holds season tickets at Tiger Stadium, home of the Louisiana State University football team, and benefits from the tax deduction, he said.

"I wouldn't want to take on all the college presidents and college sports programs around the country," Jones said of the budget plan. "But I'm not the president."

by Margaret Collins and Richard Rubin

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