

Bond Case Briefs

Municipal Finance Law Since 1971

Trump Puts Spotlight on Sports Tax Breaks.

WASHINGTON — President Donald Trump's attacks on protests by some National Football League players shifted to tax policy on Tuesday, as the president floated the possibility of pushing to change laws that benefit the league.

"Why is the NFL getting massive tax breaks while at the same time disrespecting our Anthem, Flag and Country?" the president asked on Twitter.

The comments marked his latest criticism of the league after some players have knelt rather than stood during the playing of the national anthem in recent weeks. The movement began more than a year ago to protest police actions toward African-Americans. Mr. Trump reignited the issue in a speech last month.

Mr. Trump didn't say exactly what he had in mind on taxes. Still, the comments shine a light on two tax advantages the NFL historically enjoyed: the claiming of nonprofit status, which the league renounced two years ago, and the issuance by cities and states of tax-free bonds to pay for new publicly financed stadiums to host NFL teams, which continues.

"While the NFL may have given up its tax exempt status a few years ago, it's been well documented that billions of taxpayer dollars continue to subsidize the construction and renovation of professional sports stadiums," White House press secretary Sarah Huckabee Sanders said Tuesday. "If this industry is going to use money from American taxpayers to build the very fields they play on, is it really too much to ask that they show respect for the American flag at the beginning of the game?"

Some of the protesting players have said they are trying to call attention to broader inequality, not disrespecting the flag or the anthem.

Many stadium tax subsidies happen on the state and local level, but some rely on the ability to issue municipal bonds that generate income that is exempt from federal taxes.

Ending the tax break for pro-sports stadiums has support in Congress. Rep. Steve Russell (R., Okla.) and Sen. Cory Booker (D., N.J.) are the primary sponsors of a bill that would prevent tax-exempt bonds from being used to finance the projects.

In a statement Tuesday, Mr. Russell said the issuance of tax-free bonds to pay for stadiums distorts the goal of helping municipalities pay for infrastructure projects. He said the issue has more urgency given the recent protests.

An Obama administration proposal to repeal the tax break for pro sports stadiums would have raised \$542 million over a decade, according to a Treasury Department estimate in 2016.

A 2016 Brookings Institution study found that subsidies for pro stadiums had cost the federal government \$3.7 billion since 2000.

"This is not the greatest fiscal problem that we face today," said Ted Gayer, a Brookings senior

fellow and co-author of the study. Still, he added, the tax break “doesn’t have any logical reason, economic or otherwise.”

The other often-discussed change that would have a much narrower fiscal impact would be removing the ability for sports leagues to get tax-exempt status, akin to some business trade associations.

Reps. Matt Gaetz (R., Fla.) and Blake Farenthold (R., Texas) have proposals to prevent sports leagues from claiming tax-exempt status.

For the NFL, there would be no impact from the bill. The NFL’s teams pay taxes on their profits, as well as on player salaries and merchandise sales. The NFL central office, which coordinates and manages the league’s affairs, for years claimed tax-exempt status, meaning it didn’t pay taxes on its income. But amid criticism of the practice, the league renounced the status in 2015, calling it a “distraction.”

“The NFL gave up its tax-exempt status in 2015,” said NFL spokesman Joe Lockhart on Tuesday. “The idea that we receive a tax break is not true.”

The league said on Tuesday that its owners would discuss at meetings next week whether to unilaterally change league policy to require players to stand during the national anthem.

In reaction, the White House’s Ms. Sanders said: “We would certainly support the NFL coming out and asking players to stand, just as the president has done.” She added: “We’re glad to see the NFL taking positive steps in that direction.”

A 2014 estimate by the Joint Committee on Taxation found that removing the status for sports leagues that claimed the tax break would raise about \$100 million in taxes over a decade.

It isn’t clear yet whether GOP lawmakers would include the sports-team-related changes in the tax-code overhaul they are writing this year, but they will be looking for every dollar they can find to lower tax rates.

While ending the tax exemption for sports stadiums would be a blow to NFL franchise owners, Mr. Trump’s broader tax proposals could mean a much bigger benefit for them.

For instance, Mr. Trump wants to set a top tax rate of 25% on so-called pass-through income of businesses, down from today’s top rate of 39.6%. That is a structure that sports teams commonly use. Depending on how the rules are written, they could see smaller tax bills on their annual income.

Mr. Trump also wants to repeal the estate tax, which would help sports owners. The president has pointed to the one-year repeal of the estate tax in 2010 as helping the Steinbrenner family, owners of the New York Yankees.

“When George Steinbrenner died, like with the estate taxes, the estate paid nothing,” Mr. Trump said in an interview with The Wall Street Journal in July. “And if he would have died like two weeks later, they would have paid 50% of the Yankees.”

Mr. Steinbrenner died in July 2010, months before the repeal expired and a new 55% rate was scheduled to take effect on Jan. 1, 2011; that rate was later set by Congress at 35% for 2011. Forbes estimated his net worth at \$1.1 billion when he died, meaning the lack of an estate tax potentially saved his heirs hundreds of millions of dollars.

The Wall Street Journal

By Richard Rubin

Updated Oct. 10, 2017 3:53 p.m. ET

—Andrew Beaton and Eli Stokols contributed to this article.

Write to Richard Rubin at richard.rubin@wsj.com

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com