To amend the Internal Revenue Code of 1986 to exclude major professional sports leagues from qualifying as tax-exempt organizations.

IN THE SENATE OF THE UNITED STATES

JUNE 19, 2018

Mrs. Ernst (for herself and Mr. King) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to exclude major professional sports leagues from qualifying as tax-exempt organizations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Properly Reducing Overexemptions for Sports Act” or the “PRO Sports Act”.

SECTION 2. FINDINGS.

Congress makes the following findings:

(1) The National Hockey League (NHL), PGA Tour, and Ladies Professional Golf Association
(LPGA) each have league offices that are registered with the Internal Revenue Service as nonprofit organizations under section 501(c)(6) of the Internal Revenue Code of 1986.

(2) League-wide operations of the NHL, PGA Tour, and LPGA together generate over $1,000,000,000 in annual revenue, and these businesses are unmistakably organized for profit and to promote their brands.

(3) According to the Internal Revenue Service, section 501(c)(6) of the Internal Revenue Code of 1986 is for groups looking to promote a “common business interest and not to engage in a regular business of a kind ordinarily carried on for profit”.

(4) According to the Internal Revenue Service, businesses that conduct operations for profit on a “cooperative basis” should not qualify for tax-exempt treatment under section 501(c)(6) of the Internal Revenue Code of 1986.

SEC. 3. ELIMINATION OF SPECIFIC EXEMPTION FOR PROFESSIONAL FOOTBALL LEAGUES.

(a) In General.—Paragraph (6) of section 501(c) of the Internal Revenue Code of 1986 is amended—
(1) by striking “, or professional football leagues (whether or not administering a pension fund for football players)”, and

(2) by inserting “or” after “real-estate boards,”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 4. SPECIAL RULES RELATING TO PROFESSIONAL SPORTS LEAGUES.

(a) IN GENERAL.—Section 501 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(s) SPECIAL RULES RELATING TO PROFESSIONAL SPORTS LEAGUES.—No organization or entity shall be treated as described in subsection (e)(6) if such organization or entity—

“(1) is a professional sports league, organization, or association, a substantial activity of which is to foster national or international professional sports competitions (including by managing league business affairs, officiating or providing referees, coordinating schedules, managing sponsorships or broadcast sales, operating loan programs for competition facilities, or overseeing player conduct), and
“(2) has annual gross receipts in excess of
$10,000,000.”.

(b) EFFECTIVE DATE.—The amendment made by
this section shall apply to taxable years beginning after
December 31, 2018.