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## Taxing the Sports Factory

By John V. Lombardi October 1, 2007 12:32 pm

Since at least the early 20th century, it has been fashionable to attack college athletics as distorting the priorities of American colleges and universities, and

there is often much evidence to support the attacks. The difficulty in taking these challenges seriously is that they are often unclear about the context within which college athletics functions and undervalue the significance of the constituencies that support this part of the American collegiate enterprise. The latest issue involves the question of whether the increasing amount of giving to college athletics represents a shift of donor interest from academic enterprise. While it is surely true that athletic giving is increasing it is not necessarily true that it comes at the expense of academic giving, which is also on the rise. To accept this premise, we would need to be sure that those who give to athletics would, in the absence of a tax break or an athletic program, give substantially to academic activities. While evidence on giving patterns is not always entirely conclusive, what we do have appears to indicate that athletic and academic donors are substantially different groups. That is, most of the big donors to athletics do not give much to academics and most of the big donors to academics do not give much to athletics.

This reflects the fact that donors can do what they want with their money. If they want to give it to a political candidate, a church, an international charity, a scholarship fund, and endowed chair, or a college football team, it is their choice and reflects their values. The notion that we, in the university or in the government, can dramatically shift these preferences is charming but not realistic as anyone who has spent time fundraising knows. The donor's preferences are what matter. They surely like the tax break when it's relevant and they like matching funds for academic gifts provided by many states, but a matching program for academic gifts does not make an athletic donor decide to give an endowed chair rather than an endow a football scholarship. It might persuade a donor to give an endowed chair to one of their alma maters that has a matching program rather than to another alma mater that does not.

The public benefit of the tax break for college athletics is more complicated than our belief in the value of sports in our universities. If we want to eliminate expensive competitive intercollegiate sports from our colleges and universities, the issue of a tax break won't make much difference. It will just raise the cost of the enterprise, and since most college sports programs (with the exception of maybe the top ten BCS football schools) run a deficit, the increased cost will fall back on institutional budgets. We can say that money-losing intercollegiate sports programs are a bad thing, but our constituencies (whether at elite private colleges or mega football factories) love their sports.

At the same time, there are many items that big time sports programs do, paid for by their donors, that do not qualify for tax breaks. When donors give money to a sports program, they only get the tax break associated with the gift portion,

not the portion that buys a ticket to the game or pays for a meal or provides a team jacket. The rules require that the institution deduct all the products and services that directly benefit the donor, recognizing that these things are commercial transactions, while the gift to the athletic program that sustains its expenses in support of student-athletes and the costs of the non-revenue sports, as well as the losses of football in most institutions, does help the academic enterprise and is deserving of a tax break. These rules may need to be improved, tightened, or otherwise changed to make giving to college sports more expensive to the donors. While this may well affect some donors, the truth is that the people who give in the many-million dollar category (athletic gifts that provoke the most outrage) almost always do not need and cannot use the tax break because they have already used up every imaginable tax dodge available to the rich and super rich. In talking with major donors and extolling the opportunity for a tax break as the result of a gift, many will tell me, "that's nice, but I can't use that tax break and I'll just give the money because I want to help."

Attempting to fix what's believed to be wrong with college sports by manipulating tax policies is likely to produce many unintended consequences, harm the smallest and most vulnerable sports programs at colleges and universities, and have almost no impact at all on the mega sports programs that offend many observers. If these mega programs are a bad thing, we should take them on and fix them directly rather than try to sneak in a fix that won't work via the tax code. Mega college athletics is indeed a remarkable American invention, it reflects the decisions of academic administrators and governing boards at almost all colleges and universities for over a century. It prospers because for the most part we (our faculty, our staff, our alumni, our legislators, our trustees, our students, and our many other constituencies) want it. We could easily change it, IF MOST OF US WANTED TO CHANGE IT. All protestations to the contrary, we, the colleges and universities of America and our friends and supporters, do not want to change it. What we really want is to imitate the best (often the most expensive) programs in America by winning games and championships.