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Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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March 25, 2015

Mr. Timothy Finchem
Commissioner
Professional Golfers Association Tour
100 PGA Tour Boulevard
Ponte Vedra Beach, FL 32082

Dear Mr. Finchem:

The Committee is reviewing professional sports leagues organized as tax exempt entities under Internal Revenue Code 501(c)(6). In 1966, "professional football leagues" were classified as tax-exempt 501(c)(6) organizations, a designation previously reserved for trade associations, like chambers of commerce. The Internal Revenue Service subsequently interpreted the exemption to apply to all professional sports leagues.[1]

The IRS recognized, however, that professional sports leagues are inherently different from other 501(c)(6) organizations. An internal IRS memorandum from 1979 stated that the IRS "continue[s] to believe that professional sports leagues, including football leagues, do not qualify for exemption if the ordinary standards of section 501(c)(6) are applied."[2] In other words, if not for the 1966 classification for professional football leagues and subsequent IRS interpretation, professional sports leagues would not be eligible for tax-exempt status under 501(c)(6) because they do not meet the traditional definition of a trade association.

Chairman Chaffetz recently introduced H.R. 547, the Properly Reducing Overexemptions (PRO) for Sports Act, to eliminate the 501(c)(6) tax-exemption for professional sports leagues with annual revenues over $10 million. According to the Joint Committee on Taxation, amending this classification for professional sports organizations in section 501(c)(6) of the Internal Revenue Code would generate $109 million in new tax revenue over the next decade.[3]

To assist the Committee in evaluating the impact of this exemption, we write to request information related to your organization's 501(c)(6) tax-exemption. Please provide the following documents and information as soon as possible, but no later than April 3, 2015:

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[1] Internal Revenue Serv. General Counsel Memorandum 38179 (Nov. 29, 1979).
[2] *Id.*
[3] Joint Comm. on Taxation, "Technical Explanation of the Tax Reform Act of 2014," Report No. JCX-16-14 (Feb. 26, 2014).

1. The IRS Exemption Determination Letter that granted tax exempt status to your organization.

2. An analysis of what your organization's 2014 tax liability would be, if your organization were not exempt under 501(c)(6).

3. Is your organization also exempt from state and/or local taxes? If so, please provide a list of those taxes your organization avoided last year.

4. Has your organization sought and received exemptions for any special events? If so, please provide a list of those events and the taxes your organization avoided as a result of these exemptions.

5. IRS regulations define 501(c)(6) business leagues as organizations whose purpose is to "promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit."[4] How does your organization promote the common business interest of its members?

6. Has your organization considered voluntarily abandoning its 501(c)(6) status? Why or why not?

7. Does your organization's 501(c)(6) status have any legal bearing on its ability to partner with, or donate to, 501(c)(3) charitable organizations?

The Committee on Oversight and Government Reform is the principal investigative committee in the U.S. House of Representatives. Pursuant to House Rule X, the committee has authority to investigate "any matter" at "any time."

When producing documents to the Committee, please deliver production sets to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format. An attachment to this letter provides additional information about responding to the Committee's request.

[4] Internal Revenue Serv., "Exempt Organizations-Technical Instruction Program for FY 2003" (2003).

If you have any questions about this request, please contact Christopher D'Angelo of the Committee Staff at (202) 225-5074. Thank you for your attention to this matter.

Sincerely,

Jason Chaffetz
Chairman

Elijah E. Cummings
Ranking Member

Enclosure