

April 3, 2007

Dr. Peter R. Orszag
Director
Congressional Budget Office
Ford House Office Building
Second and D Streets, SW, Room 402
Washington, DC 20515

Educational institutions represent a large portion of the tax-exempt sector, and the commercialization of colleges and universities, particularly in the area of intercollegiate athletics, is an area of interest. We would like to gain a better understanding of the economic benefits received from the tax-exempt status of college athletics.

To accomplish this objective, we request the Congressional Budget Office to conduct a study of the following aspects of the tax-exempt status of college athletics:

- An analysis of what commercialization means in the context of nonprofit organizations and how it relates to the provision of social benefits that is a primary justification for nonprofit tax preferences;
- A description of how commercialization varies across the spectrum of colleges and sports;
- A discussion of the tax treatment of college athletic programs, including:
 - the exemption from Federal income taxation and the operation of the unrelated business income tax;
 - corporate title sponsorship payments;
 - active royalty income;
 - charitable deductions for booster programs, including those made for the right to purchase tickets; and
 - the use of tax-exempt bonds to finance the construction and renovation of university athletic facilities.
- A discussion of the economic effects of the tax treatment of college athletics;
- A discussion of the distribution of tax benefits among the participants in college athletics including colleges, administrators, coaches, athletes, alumni, donors, and spectators;

- Guidance as to what types of additional reporting by colleges and universities to the Internal Revenue Service and the public would provide useful information with respect to the economic benefits received from the tax-exempt status of college athletics.

Sincerely,

Chuck Grassley
Ranking Member