

| BY ELEANOR HUNT

Mass appeal has propelled the National Football League's popularity and economic success, enabling blockbuster ticket sales, a namesake television network, broadcast deals, beverage sponsorships, clothing and apparel sales, and other income streams.

ETHICS  OF...

a billion-dollar sports league

Most football fans are unaware that the central office representing their beloved football teams functions as a not-for-profit entity. The league office is exempt from paying federal taxes by reason of its Internal Revenue Code, Section 501(c)(6) designation regarding business leagues, chambers of commerce and boards of trade. The league office promotes the football trade—the common business interest of its 32 member clubs. To earn the designation, the league office must not engage in a business for profit and no part of its net earnings must inure to the benefit of any private shareholder or individual. According to its Form 990 for the tax year ending March 31, 2013, the National Football League (NFL) posted revenue of \$8.9 billion, but the form shows the league operates at a loss. Most individual NFL teams pay taxes.

The Fairleigh Dickinson University PublicMind survey conducted in late 2013 revealed the majority of respondents were unaware of the NFL's tax-exempt status and generally opposed it.

"It raises a lot of eyebrows across the country that the average American does not consider the NFL a nonprofit," says Darryl Lehnus, Baylor Marketing professor and director of the Sports Sponsorship and Sales Program. "Amazingly, I've been in the business all my life, and it was just about six months ago I read something about them being a nonprofit."

As an association, the NFL supports football professional growth by writing game rules, employing referees, directing the college draft, negotiating collective bargaining agreements, and conducting health and safety research. The league spearheads youth football programs, such as NFL Punt, Pass & Kick (PP&K), which allows children ages 6 to 15 to learn football fundamentals in a non-contact environment. These activities and others appear to satisfy members' common business interest, but do they warrant a free pass from taxes?

"We have a long history of benefiting organizations that are contributing to the common good of the nation," says Kirk Wakefield, Edwin W. Streetman Professor of Retail Marketing and executive

director for the Sports Sponsorship and Sales Program. "We've allowed them to operate like that for the common good. It appears to me that whatever benefit the NFL provides, we are receiving the benefit from all of those teams because the teams are taxed. If those teams didn't have the NFL working for them, they would be less viable, less profitable, and you might see some of them closed. You can argue that we are better off having an association that facilitates the most loved sport in the nation."

The NFL does not claim to be a public charity like the United Way or Salvation Army and does not solicit contributions. The league and its players support charitable causes on their own, partnering with the United Way and participating in National Breast Cancer

Awareness Month to provide some portion of the proceeds from pink product sales for cancer programs and research. The league also supports hunger elimination programs (Taste of the NFL) and serves the public interest by offering sports entertainment on free television.

Yet, the NFL has been on the defensive lately with a pileup of perceived ethical lapses that could threaten its tax exemptions. Several U.S. lawmakers and critics have considered the league's alleged domestic violence and child abuse problems, workplace injuries and team-name debates as reasons to halt its tax advantages. In September 2013, Senator Tom Coburn (R-Okla.) and Senator Angus King (I-Maine) introduced the Properly Reducing Overexemptions for Sports Act to tackle the NFL's tax break. The bill was referred to the U.S. Senate Committee on Finance.

"The NFL headquarters claims to be a trade association, but undeniably represents one brand and 32 specific teams," Coburn says. "The same is true of other major professional leagues, such as the PGA Tour, claiming tax-exempt status. They are getting an unfair advantage over other businesses,

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operating as a nonprofit

which have not been allowed by the IRS [Internal Revenue Service] to use the exemption (and rightly so). It's time to level the playing field and end the tax exemption for pro sports leagues." NFL Commissioner Roger

Goodell, who reportedly earned \$44.2 million during the league's 2013 fiscal year, has garnered criticism for his handling of recent player problems. Additionally, the league has been attacked for embracing profits rather than concern for the players' well-being, as evidenced by more than 4,500 former players filing suit against the league's handling of player head injuries and health issues.

"There is a deep-seated feeling among the public about the ethics of the NFL," Lehnus says. "Are they too big of a business even to be worried about what people think?"

U.S. citizens care whether nonprofits are undermining their trust. In return for the tax breaks, nonprofits are expected to operate with the utmost transparency and integrity, investigate themselves and share the results with the public.

"It signals something is wrong whenever you see a sort of knee-jerk reaction of trying to fix things all of a sudden by an organization. When individuals or groups are reactive, rather than proactive or strategic, it signifies a lack of preparation and foresight," Wakefield says.

Persons following a calling into nonprofit work would be well served to pay attention to ethical vulnerabilities as growth surges in an organization. Meanwhile, our lawmakers could huddle together and revise the tax-exemption sections of the tax code to reflect today's realities.

Says Richard Meyer, public policy adviser for the Texas Association of Nonprofit Organizations and an attorney with 30 years' experience with charities and statewide associations, "Times are changing, and I don't think the law has kept up very well. A number of large nonprofit entities may have outgrown the code. It's fair to question the very idea of profit-generating, tax-exempt organizations and to ask if profit-seeking associations and charities would dilute the public perception of those that remain totally charitable in their operations. However, when organizations have large constituencies on the ground, they won't be moved easily."