

November 17, 2025

Thomas A. Barthold, Chief of Staff
Joint Committee on Taxation
502 Ford House Office Building
Washington, DC 20515

Dear Mr. Barthold,

I write to request the assistance of the Joint Committee on Taxation staff as I work to develop legislative proposals that address the tax implications associated with the future of college athletics.

The legal and financial landscape of college sports has changed substantially over the years and it now is a multi-billion dollar industry¹ whose growth and potential growth have attracted the attention of private equity and venture capital investors.²

Unlike professional sports, however, the NCAA and athletic conferences operate as tax-exempt organizations because they are under the umbrella of the tax-exempt educational institutions with whom they are affiliated.

Given the evolving market dynamics of college sports coupled with changes in the legal framework affecting college athletes, legitimate questions have been raised about whether it is time to rethink the tax-exempt regime under which college sports currently operates.³

In order to assist me and other Members of the Senate Committee on Finance, I respectfully request the Joint Committee on Taxation staff prepare background on the present law governing the taxation of colleges and universities including the application of the existing UBIT regime on the activities of these institutions.

In addition, please include a discussion of the policy considerations for Congress going forward in light of the changing financial and economic landscape of college athletics.

1 Michael Ozanian, *What the top 75 college sports programs are worth*, CNBC (Jan. 6, 2025), <https://www.cnbc.com/2024/12/19/college-sports-programs-valuations.html>.

2 Michael Ozanian, *Private equity looks to buy in to college sports*, CNBC (Dec. 19, 2024), <https://www.cnbc.com/2024/12/19/private-equity-looks-to-buy-in-to-college-sports.html>.

3 Scott Hodge, *The Big Business of Tax-Free College Sports*, TAX FOUND. (Aug. 21, 2023), <https://taxfoundation.org/blog/college-sports-tax-free-revenue/>.

As part of this analysis, please include the following key issues:

- The implications of no longer allowing the NCAA, member institutions, and their affiliated athletic conferences to operate as tax-exempt organizations.
- The implications of subjecting revenues from college athletic activities to unrelated business income tax (UBIT), including the impact of such changes on the underlying financial operations of colleges and universities.
- In Chief Counsel Memorandum AM 2023-004 and several recent private letter rulings, the IRS has determined that most NIL collectives primarily provide private benefits to student athletes, and as a result, they do not qualify as tax-exempt organizations. Should Congress consider codifying tax rules with respect to the operation of NIL collectives?
- Has the IRC Section 4960 excise tax been effective in reigning in excessive compensation to college coaches? Are there other measures Congress could consider with respect to addressing excessive compensation for coaches? Are there measures Congress could consider to address excessive compensation paid to coaches or other athletic department personnel who are fired (i.e. buy outs)?
- As athletes now have the right to earn compensation for their name, image, and likeness (NIL) and be compensated directly by the schools, how would the tax implications for the athletes differ depending on whether they ultimately are classified as employees or independent contractors for tax purposes?

It is important that the Congress be proactive in determining the tax rules that should apply as stakeholders adapt to these changing market dynamics, especially given that so much of this activity currently is tax advantaged.

Thank you for your timely consideration of this request. If you have questions, please feel free to contact Lauren Bazel (lauren_bazel@cantwell.senate.gov) on my personal staff or Shannon Smith (Shannon_smith@commerce.senate.gov) with the Senate Commerce Committee staff.

Sincerely,



Maria Cantwell
United States Senator