

11-6-2006 NCAA Tax Exempt Status

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2 JOSH CENTOR: Today Myles Brand and I will discuss the
3 Congressional inquiry into the tax exempt status of the NCAA.

4 What's going on here? What's happening?

5 DR. MYLES BRAND: Well, we received a lengthy letter
6 from the Chairman of the House Ways and Means Committee and
7 the House of Representatives of Congress, asking us a series
8 of questions, purported to be related to our tax status.

9 Actually, it's not a tax status issue. We are a
10 not-for-profit association, as are the athletic departments of
11 each of our institutions which are part of not-for-profit
12 universities and colleges. And we are entirely in compliance
13 with IRS requirements that -- in fact, part of our answer will
14 be an extended brief by legal experts that agree. That's not
15 the issue.

16 The issue really is whether Congress will pass a new
17 law making intercollegiate athletics taxable. So it isn't
18 about our status, as so much about whether there's reason for
19 Congress to pass a new law. And we can project what the
20 chances are of that law taking place. And it hasn't come up
21 as a bill yet in Congress. So these are very preliminary
22 questions generated mostly by the Staff of Congressman Thomas'
23 committee, and Congressman Thomas is stepping down at this
24 point.

25 So nonetheless, we're going to take this letter very

1 seriously. And we're going to answer those questions, as we
2 should, to provide information, not just to the Congress, but
3 to anyone else who is interested about these kinds of issues.

4 JOSH CENTOR: To me, though, this gets right to the
5 core of one of our purposes, which is athletics is integral
6 within higher education. And higher education is not taxable.
7 So why would intercollegiate athletics be taxable?

8 DR. MYLES BRAND: That's exactly my point. I mean,
9 it's like saying the music department is going to be taxable,
10 just because they put on concerts.

11 JOSH CENTOR: Right.

12 DR. MYLES BRAND: And have people come in and they buy
13 tickets for them. Well, it turns out a lot more people buy
14 tickets for intercollegiate athletics events -- frankly not
15 all events, but some of them.

16 JOSH CENTOR: Yeah.

17 DR. MYLES BRAND: And if it's wrong in terms of tax
18 status, it's wrong, no matter how big or small it is. It
19 doesn't matter the size. What really counts, in terms of tax
20 status, is the purpose for which the expenditures are made.
21 And in the case of whether it's the school of music or the
22 athletic department, it's made for the purposes of educating
23 and training young people. It's made for the purpose of how
24 you can improve the education and educational goals beyond the
25 classroom for these young people. And that's part of the

1 college and university's mission.

2 So we think it's fully in conformity with the mission
3 of the institution. And those who think there's a problem
4 here just because of the size of some Saturday afternoon games
5 miss the point about tax status, which is based upon purpose
6 of expenditures.

7 JOSH CENTOR: Now, you said not all events, but some
8 events. Now, if you look at where our income comes from, we
9 have a pretty large contract from CBS, that's from men's
10 basketball, and the ability to broadcast that every March and
11 April.

12 Why is it okay for us to take that money off of men's
13 basketball and not have it taxed?

14 DR. MYLES BRAND: You know, what the NCAA does is it
15 sold the media rights to CBS to broadcast these exciting
16 games. The NCAA national office redistributes 96 percent of
17 the revenue that comes from that to the schools and
18 conferences.

19 And what do they do with it in turn? Well, what they
20 do with it is that they use those moneys to support the
21 so-called nonrevenue sports. I mean, to the extent that
22 football and basketball are self-sustaining -- and they're not
23 on every campus -- but to the extent that they are -- or in
24 fact are producing excess revenue, then we use that money to
25 create participation opportunities for the mass of students

1 who play college sports.

2 If we were a professional league, if we were a
3 business -- which we're not -- what we would do is we would
4 reduce the sports on campuses down to the few one or two that
5 make money, and we would do nothing else.

6 When you think of the NFL, they're only doing one
7 sport, and they're trying to gain profits for their owners.
8 Major league baseball is the same -- all professional leagues
9 are the same. That's not what happens in colleges and
10 universities.

11 What really happens is that we take all the money that
12 comes in through these sports that attract attention and are
13 visible, whether on a national basis or a local basis, and
14 redistribute it to other sports, other campuses, other
15 divisions, so that we can maximize the number of young women
16 and men who are playing in the games. Otherwise, we couldn't
17 afford to do that.

18 JOSH CENTOR: Yeah. When you get back to it, kids
19 like myself, who benefited from a Division III baseball
20 experience, I mean, we didn't have any tickets. And you know,
21 I got to play in the NCAA tournament, probably, in large part,
22 because of the revenue generated from that contract.

23 DR. MYLES BRAND: You're absolutely right. That's
24 almost all the revenue we have from that contract. And were
25 you aware when you were a student athlete that the expenses,

1 for example, the championships, which are not cheap, the
2 expenses for the championship are being supported by a men's
3 basketball tournament at a different time of the year?

4 JOSH CENTOR: No. I didn't know where that money was
5 coming from, but I'm thankful for it, because I like playing
6 ball.

7 DR. MYLES BRAND: Absolutely. And I don't think your
8 school could have produced as many opportunities for student
9 athletes, women and men, unless they had this kind of revenue.
10 But it's redistributed to support the education on other
11 campuses as it's involved with intercollegiate athletics. Pro
12 leagues don't do that.

13 JOSH CENTOR: Right.

14 DR. MYLES BRAND: The profit -- they make profits.
15 They don't redistribute it for the purposes of education or
16 the purposes of not-for-profit organizations. What they do is
17 they treat it as a profit.

18 We're not for profit. We distribute it, according to
19 our mission, which is to involve people in the educational
20 process.

21 JOSH CENTOR: Say that years down the road the law
22 changes and that our income is then taxable and the income of
23 the athletics departments is taxable, what does the world of
24 college sports look like? Does a kid like me stop getting
25 opportunities? I mean, is that what we're really dealing

1 with?

2 DR. MYLES BRAND: I don't think everyone will stop
3 getting an opportunity, but it will make it much more
4 difficult. The vast, vast majority of collegiate programs are
5 losing money, so there's no net gain to pay on the taxes.

6 But they use, as every other tax exempt organization
7 does, they use their status to build facilities, for example,
8 or to attract philanthropic gifts. You know, a lot of our
9 athletic departments are in part supported by gifts from
10 alumni and fans, and that would make it -- if it's for profit,
11 it's a very different story in that regard. There are lots of
12 state laws that talk about land use, for example, if you're
13 profit versus not for profit.

14 So while it won't make intercollegiate athletics go
15 away, there's no question that the number of young people who
16 can participate in it and the number of sports will diminish
17 considerably. We will be taking away opportunities.

18 Here's one thing that's very important, Josh, in
19 Division I alone, we provide \$1.2 billion a year in financial
20 aid.

21 JOSH CENTOR: Wow.

22 DR. MYLES BRAND: That's a lot. Many, many low income
23 students are going to school because of the aid provided
24 through athletics. And not all of them, by a long shot, are
25 in basketball and football. They're in all other sports --

1 white and black, Asian, Latin American students, all students
2 who are getting these scholarships of low income -- who are
3 low income, would not be able to get them if we didn't have
4 these resources.

5 JOSH CENTOR: They're getting opportunities.

6 DR. MYLES BRAND: They're getting educational
7 opportunities. And many of them -- a vast majority are not in
8 the high profile sports and are certainly not going to be
9 professional athletes. Did I ever mention to you that 365,000
10 student athletes, most of whom are not going --

11 JOSH CENTOR: Yeah. I may have heard that once or
12 twice.

13 DR. MYLES BRAND: And how do we support them? We're
14 sporting them with financial aid that's coming from the
15 basketball contracts.

16 JOSH CENTOR: All right. Well, hard question: If
17 you're a basketball student athlete, Division I, and you're
18 helping to generate all of these funds and all of these
19 dollars, you know, what if you don't care about the other
20 student athletes that are getting those opportunities? Are
21 you being exploited a little bit?

22 DR. MYLES BRAND: I don't think you're being
23 exploited. You're getting every opportunity to play, if --
24 let's assume it's a high visibility team that plays in the
25 men's NCAA tournament, in Division I, you're getting an

1 opportunity that you might not otherwise have in life in terms
2 of being part of a great team, learning a lot from the
3 coaches. If you're one of a very small handful of special
4 elite athletes, you're getting exposure in coaching that you
5 can't buy and that is helping you in your vocation.

6 The learning that takes place in college, both in
7 basketball and skill development in that regard, but
8 socialization that you gain in college, you can't go out and
9 buy that. So the benefits that are going to the student
10 athletes, particularly the ones that are successful, are very
11 important.

12 But it's silly, in my mind, to think of all of this in
13 terms of a handful of a half a dozen student athletes, when
14 we've got thousands, hundreds of thousands, who are
15 participating. You've got to look at the bigger picture of
16 what are you getting out of it personally, as a student
17 athlete, is important, but you're part of a bigger picture.

18 JOSH CENTOR: Yeah. Hundreds of thousands of student
19 athletes, and they're graduating at rates higher than the
20 regular student body.

21 I think what bothers me a little bit personally is
22 that our student athletes are succeeding in the classroom, and
23 you know, this Congressional inquiry is basically insinuating
24 that we're not doing our job with regard to the academic
25 mission. And maybe that's just me personally, but I get a

1 little incensed at it.

2 DR. MYLES BRAND: I couldn't agree with you more. I'm
3 very frustrated about that. You know, that's got to be one of
4 the areas that frustrates me the most, that people keep
5 getting the facts wrong. They don't -- the research is out
6 there. It's very easy to check, and we have all that
7 information on our web sites. We continually put it out.

8 And we saw in this letter, just misquoting the facts,
9 they're making it up. The fact of the matter is that student
10 athletes, on average, do succeed more than the general student
11 body in every demographic area.

12 Now, let me give you an example. You were talking
13 about basketball before. In high level, Division I, men's
14 basketball, the student athletes are graduating at 8 percent
15 higher than the general male African American. The African
16 American males who play are graduating 8 percent higher than
17 the general African American male population in those schools.

18 JOSH CENTOR: Significant.

19 DR. MYLES BRAND: Eight percent in terms of graduation
20 rate is huge, and you know, people are criticizing these young
21 men, and actually they're doing very well, all things
22 considered.

23 You know, I just get frustrated as you do, that people
24 misrepresent the facts. And I think if they keep repeating
25 them, it becomes true.

1 JOSH CENTOR: All right. Well, I agree with you, and
2 I appreciate you being so candid with this issue. Obviously,
3 the DoubleAZone will keep tabs on it, and you may hear us talk
4 about it again here on "Mondays With Myles".

5 Thanks for joining us. And Dr. Brand and I will see
6 you next week.

7 DR. MYLES BRAND: You bet.

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