Tax News & Views

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Ways and Means hearing probes a wide range of tax issues in sports

The House Ways and Means Committee held a hearing June 30 on federal tax policy and its impact on the business of sports. Lawmakers on the panel and witnesses reviewed a range of issues facing professional and college sports including tax benefits derived from the issuance of municipal bonds for stadium construction, tax-exempt status of professional leagues and college athletic conferences, amortization deductions for sports-related intangibles, the impact pending executive compensation limitations could have on a handful of publicly owned professional sports teams, tax withholding for college athletes and the need for financial literacy as student-athletes receive NIL (name, image and likeness) payments, among other issues covered during the nearly four-hour session.

"From college athletes to professional leagues, sports organizations benefit from a range of favorable tax treatments, including tax exemptions and taxpayer-funded subsidies that warrant congressional oversight to ensure tax dollars are being used as intended," Ways and Means Chairman Jason Smith (R-Mo.) said during his opening statement.

Whether or not changes are in the offing remains to be seen, but Smith and others on the committee didn't hold back with their opinions on altering the current landscape of taxes and sports.

Spotlight shined on municipal bonds

Smith was the first, but by no means the only member of the panel, to call out pro sports teams who derive substantial benefits from the use of municipal bond financing to build or renovate stadiums and for leveraging one community over another in order to secure more favorable funding for new stadiums, citing his own favorite football team's plans to move across state lines from Missouri to Kansas as a prime example. He said it's increasingly common for teams to use tax-exempt municipal bonds and other public money to finance stadium construction, renovation and even relocation to boost their profits at taxpayers' expense without necessarily helping their communities, and he also listed other tax incentives that teams use.

The federal tax exemption for interest paid on municipal bonds occupied much of the discussion, leading members and witnesses to wonder whether there is indeed a public benefit from teams enjoying below-market rate borrowing. One of the hearing's witnesses, Dennis Coates, economics professor at the University of Maryland, Baltimore County, recommended removing state and local governments' ability to use tax-exempt bonds to finance stadiums. Though doing so wouldn't raise much revenue, as mentioned during the hearing, some lawmakers pressed the issue on principle. "The federal tax code should not be used to pick winners and losers by subsidizing one state or local government over another using tax exempt bonds for business relocation," said Rep. Ron Estes (R-Kan.).

The skepticism was bipartisan, and Rep. Brendan Boyle (D-Pa.) said he was in the beginning stages of working on a bill to serve as a disincentive to states and localities. "One of the things that we're looking at is the possibility of a federal excise tax," he said.

Rep. Terri Sewell (D-Ala.) also raised concern with the benefit flowing to investors and owners rather than communities, but she defended the municipal bond tax exemption when used for public entities like college sports stadiums. "Tax-exempt financing has a purpose, that purpose is especially utilized more in the public space to allow for libraries to be built," she said, "city halls to be built, and other public projects."

Coates suggested Congress could use its budget process to enact direct subsidies to address market-rate borrowing costs.

Tax-exempt status questions surface

Concern also arose about the tax-exempt status of various sports-related entities like some professional sports leagues, major college athletic departments, large college sports conferences and collectives that pool money to pay college athletes for their name, image and likeness rights, more commonly known as NIL.

The collectives were described as groups of boosters, and Rep. Adrian Smith (R-Neb.) wondered whether boosters could make tax-deductible contributions to athletes through collectives. Another witness, Thad Madden, who retired from the IRS after 38 years and now does tax consulting work specializing in NIL tax issues, said many collectives initially received tax-exempt status under section 501(c)(3) of the Internal Revenue Code in error, before the Office of the IRS Chief Counsel in June 2023 issued a memorandum stating that most NIL collectives don't qualify for tax-exempt status.

Smith also said naming rights for stadiums paid for by nonprofit organizations "just seems a little bit distorted." Rep. Lloyd Smucker (R-Pa.), who said large college teams look more like professional teams and compared major conferences to for-profit companies, asked whether they deserve to remain nonprofits.

Similarly, Rep. Greg Murphy (R-N.C.) asked whether Ways and Means should look into removing tax exemptions for professional sports leagues that haven't surrendered their status as most have done.

Perceived tax fairness issues pondered

Chairman Smith raised the issue of franchise intangible amortization, which lets sports team owners take deductions against their personal tax liabilities when buying a team. He noted that the House last year passed limits that would have reduced the size of such deductions in

its version of legislation that eventually became the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). But it was ultimately dropped from the final language signed into law. "Does it make sense for taxpayers to continue to provide sports team owners with such a lucrative tax benefit that allows them to sharply reduce their overall tax liabilities, particularly when much of that liability may be completely unrelated to their team ownership?" Smith asked.

For further OBBBA analysis, see: *A closer look: Inside the new tax law* prepared by Deloitte Tax LLP's professionals.

Multiple other Republicans raised concerns about the impact that new executive compensation rules have on the few professional sports teams to be held by publicly traded corporations. Section 162(m) of the tax code in general restricts publicly held companies from deducting compensation that exceeds $1 million for certain executives and a number of their highest paid employees, which for certain pro sports teams are often the players. Other major professional sports teams are treated differently under the tax code because they aren't owned by a publicly traded company. "Will this be a significant competitive disadvantage for those teams?" asked Rep. Max Miller (R-Ohio). Chairman Smith said that as the committee considers how best to level the playing field, "one approach would be to apply [the] 162(m) limitation to all sports teams, not just the publicly traded ones."

He and other GOP members questioned so-called "jock taxes" levied at the state level, which can trigger high taxes for playing in certain states such as California. While players paying those taxes for "away" games can get a credit against the income tax they pay in their state of residence, that credit may not fully offset the tax paid for playing out of state.

Across the aisle, Rep. Steven Horsford (D-Nev.) complained that OBBBA limited gambling loss deductibility up to 90% of winnings, a change from prior law that allowed deductions up to the full amount of reported winnings for that same tax year and also for other expenses incurred in connection with gambling. "That means someone who breaks even can still owe federal income taxes," Horsford said. "That is fundamentally unfair." Chairman Smith has, in the past, indicated a willingness to pursue a legislative solution to reverse this change from OBBBA.

Tax help would supply student-athlete protections

Lawmakers and witnesses agreed on a variety of ways to improve tax complexities suddenly thrust in front of college athletes who begin earning NIL money, most of which stem from their status as independent contractors instead of employees. That means they need to file quarterly income taxes and 15.3% self-employment taxes for Social Security and Medicare, and could deduct expenses like agent fees, but many don't know these complex rules. As a result, athletes ignorant of their new tax obligations "are essentially being put in situations that create tax debt without guardrails," said Rep. Danny Davis (D-Ill.). A whole other hearing could be devoted to the myriad tax risks facing players, said Rep. Mike Thompson (D-Calif.).

Potential solutions could include automatic withholding, tax-deferred savings plans, better financial guidance from college programs for their players and improved financial literacy, lawmakers and witnesses said. Ranking member Richard Neal (D-Mass.) endorsed withholding in particular as the primary reason for high tax compliance in the US. "That's the genius of the withholding system," he said.

Another idea would exempt players from filing taxes in all the different states in which they play, they said.

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Ahead of the hearing, the staff of the Joint Committee on Taxation published a report (JCX-19-26) describing present law related to selected sports industry tax issues.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

Ways and Means Advances more tax administration bills, nonprofit hospital legislation

On July 1, the House Ways and Means Committee reported out of Committee a half dozen bills on tax administration, unanimously in all but one case, as well as a bill aimed at nonprofit hospitals that advanced on party lines.

(For additional information on each of the bills, including the Joint Committee on Taxation's description, see the committee markup page.)

Seeking more transparency from tax-exempt hospitals

The Tax Exempt Hospital Transparency Act (H.R. 9504) – introduced by Reps. Greg Murphy (R-N.C.) and Lloyd Smucker (R-Pa.) on June 29 – would expand reporting requirements on tax-exempt hospitals, including more information on their Forms 990. This includes a description of how they are addressing the needs of their community, audited financial statements, the value of the financial assistance they provided and details on financial assistance applications they received, granted and denied, among other new reporting requirements. JCT estimated a negligible effect on the federal budget from the proposal. The panel approved the bill with all Republicans supporting and all Democrats opposing by a vote of 25-15.

Debate on the measure fell along party lines. "Tax-exempt hospitals look less like hospitals and more like hedge funds," Ways and Means Chairman Jason Smith (R-Mo.) said. He later called tax-exempt status "a privilege, not a right," and supported the bill's provisions to mandate more transparency from nonprofit hospitals on what and where they spend their money while enjoying tens of billions of dollars in tax benefits. Ranking member Richard Neal (D-Mass.) said the bill wouldn't lower healthcare costs, and Rep. Mike Thompson (D-Calif.) said it would add paperwork burdens and hurt rural communities that often rely solely on nonprofit hospitals.

Tax relief for hostages

The End Tax Penalties on American Hostages Act (H.R. 9496) – introduced by Reps. Claudia Tenney (R-N.Y.), Don Beyer (D-Va.) and Dina Titus (D-Nev.) on June 29 – would extend IRS due dates for hostages and persons wrongfully detained by disregarding a person's time in detention in determining deadlines, interest and penalties for the person, similar to the rules applicable to a person deployed in a combat zone. It also extends such relief to the spouse of the hostage or detainee. The Joint Committee on Taxation (JCT) estimated a negligible effect on the federal budget from the proposal. The panel approved the bill 40-0.

Tax relief for the defrauded

The Tax Relief for Fraud Victims Act (H.R. 9500) – introduced by Reps. Max Miller (R-Ohio) and Tom Suozzi (D-N.Y.) on June 29 – would repeal limits on deductions for personal casualty losses and allow increased taxpayer relief with respect to theft losses involving fraud, deceit or misrepresentation. It would also add an exception to the additional tax on early retirement plan distributions for distributions arising from theft losses involving fraud, deceit or misrepresentation for which a casualty loss deduction is allowed and allows repayment of such distributions within a year after the loss is discovered. In addition, the bill includes a special rule for "pyrrhotite-related personal casualty losses" that arise from the mineral pyrrhotite eroding a concrete foundation, repealing the limitation on resulting casualty loss deductions. JCT estimated the proposal would cost the federal budget about $6.5 billion from 2027 through 2036. The panel approved the bill 39-0.

Enabling the IRS to find tax fraud using artificial intelligence

The AI Tax Integrity Act of 2026 (H.R. 9501) – introduced by Reps. Vern Buchanan (R-Fla.), Aaron Bean (R-Fla.), David Schweikert (R-Ariz.) and Steven Horsford (D-Nev.) on June 29 – would establish a pilot program at the IRS to use artificial intelligence (AI) to identify inaccurate tax returns, including those resulting from identity theft, fraudulent claims relating to the earned income tax credit and improperly prepared returns by third-party return preparers who aren't properly identified on the return. The pilot program would last a year and a half to two years. JCT estimated a negligible effect on the federal budget from the proposal. The panel approved the bill 40-0.

Protections from ghost preparers

The Protecting Taxpayers from Ghost Preparers Act (H.R. 9499) – introduced by Rep. Nicole Malliotakis (R-N.Y.) on June 29 – would help shield taxpayers from the consequences of so-called ghost tax preparers who unbeknownst to a taxpayer file income tax returns that appear as if the taxpayer prepared the return themselves. The bill would crack down on these illegal operators and clarify the tax law so that taxpayers deceived by ghost preparers aren't saddled with assessments, taxes or penalties indefinitely. JCT estimated the proposal would add $3 million in federal revenue from 2027 through 2036. The panel approved the bill 40-0.

More voice for the National Taxpayer Advocate

The Taxpayer Advocate Participation Act (H.R. 9498) – introduced by Reps. Greg Steube (R-Fla.) and Suzan DelBene (D-Wash.) on June 29 – would let the National Taxpayer Advocate submit amicus briefs in any action brought in a US court related to federal tax law. JCT estimated a negligible effect on the federal budget from the proposal. The panel approved the bill 39-0.

Drawing data scientists to the IRS

The Taxpayer Workforce Modernization Act (H.R. 7972) – introduced by Rep. Schweikert on March 18 – would establish a fellowship program at the IRS to bring in data scientists with skills in applying advanced analytics, statistical modeling or machine learning in complex regulatory, financial or compliance environments while working alongside tax law specialists and other tax subject matter experts. The program is required to be designed to address the most complex cases handled by the IRS, including new and emerging issues. Opposition mostly centered on the cost of the fellows in light of reduced IRS headcount over the past year and cuts to IRS funding. The Congressional Budget Office will estimate any effect on federal fiscal year budget receipts because it involves an outlay program, according to JCT. The panel approved the bill with all Republicans supporting and all Democrats opposing by a vote of 24-16.

Finance Committee working on a similar set of issues

Earlier this Congress, Ways and Means cleared myriad other bipartisan tax administration bills, after which the House has passed a series of them. They await action across the Capitol, where Senate Finance Committee Chairman Mike Crapo (R-Idaho) and Ranking Member Ron Wyden (D-Ore.) have a tax administration bill of their own that includes a broad set of provisions. An expected markup of their package has yet to happen.

House schedule change doesn't disrupt markup but cancels consideration of OBBBA anniversary resolution

The markup went ahead despite the House being sent home the day earlier for the July 4 recess, which is not customary – typically when the House is not in session, members depart Washington for their home districts, causing committee business to be postponed.

House Speaker Mike Johnson (R-La.) on June 30 canceled any remaining votes for the legislative week, which had been scheduled through July 2. That ended plans to take up several bills, including a non-binding resolution, H. Res. 1383, commemorating the one-year anniversary of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) – which many Republicans now refer to as the Working Families Tax Cuts. An unrelated disagreement among Republicans prevented it and other bills from being considered, leading Speaker Johnson to send the House home early.

President Donald Trump signed OBBBA into law last July 4. The anniversary resolution, sponsored by Ways and Means Committee member Rep. Beth Van Duyne (R-Texas), is similar to a measure that passed the House April 16, H. Res. 1156, "Expressing support for tax policies that support working families." (For prior coverage, see *Tax News & Views*, Vol. 27, No. 15, April 17, 2026.)

For further OBBBA analysis, see: *A closer look: Inside the new tax law* prepared by Deloitte Tax LLP's professionals.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

Treasury, IRS give gift tax safe harbor to Trump accounts

The Treasury Department and the IRS issued new guidance for a provision in the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) related to tax-preferred investment accounts for minors known as Trump accounts. Specifically, Revenue Procedure 2026-25 provides a safe harbor so that individual donors to Trump accounts in a given year will not be subject to gift tax reporting requirements for that year, as long as certain requirements are met. If the conditions are satisfied, including not exceeding the annual limit of $19,000 per donee this year, contributions to Trump accounts will be treated as completed gifts that are not future interests in property and to which the annual per-donee gift tax exclusion applies, meaning taxpayers within the scope of the revenue procedure will not be required to file gift tax returns reporting such contributions. As of June 4, nearly six million elections to open a Trump account have been received, according to the IRS. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 10, March 6, 2026.)

For further OBBBA analysis, see: *A closer look: Inside the new tax law* prepared by Deloitte Tax LLP's professionals.

New designation cycle for Opportunity Zones begins

The Treasury Department opened the next nomination period for states, territories, and the District of Columbia to nominate eligible communities to be designated as Qualified Opportunity Zones (QOZs). The Opportunity Zone tax incentive was permanently renewed under OBBBA, which also added enhanced incentives for investment in eligible rural communities and established a process to redesignate the zones every decade.

To help state and territory leaders with this process, the Community Development Financial Institutions Fund developed an Opportunity Zone Nomination Tool, through which communities can be identified and picked. It also supplies instructions for completing and submitting nominations.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

President Trump calls out DSTs, vows 100% tariffs in response

President Donald Trump on June 26 vowed to enact 100% tariffs on European nations that impose new digital services taxes or DSTs that would largely impact US-domiciled companies.

In a social media post, he wrote that DSTs would prompt such a response right away, regardless of current trade relations. The US and European Union have been working to finalize terms of a broad trade deal announced last summer, with both sides agreeing to reduce tariffs on many of each others' goods.

"Numerous European Countries have been discussing the imminent implementation of a Digital Services Tax on American Companies," Trump posted. "Some of these Countries are close to actually doing this. Please let this statement serve to represent that any Country that imposes such a Tax will immediately be met with a 100% TARIFF on any and all Goods sent to the United States of America. This TARIFF will supersede Trade Deals made with the Country, whether implemented, signed, or not. Additionally, the 100% TARIFF will be immediately imposed, if they proceed. Thank you for your attention to this matter."

Against this backdrop, US and European negotiators had been moving closer to finishing an agreement struck nearly a year ago. Most recently, the EU Council on June 25 formally adopted two regulations implementing the commitments in the two sides' joint statement from last August.

President Trump, who did not specify a legal mechanism to support his ability to impose 100% tariffs, has previously raised the prospect of higher tariffs in response to DSTs, and in the case of Canada, which had enacted a DST, officials there rescinded it last summer. It was retroactively repealed so that in-scope companies that had already paid could get refunds, with interest.

Numerous bilateral trade deals signed since President Trump took office again have included provisions barring DSTs.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

Trade Corner

US declines outright USMCA renewal, USTR confirms as negotiators begin official joint review July 1

The US opted against renewal of the United States-Mexico-Canada Agreement (USMCA), US Trade Representative Jamieson Greer said in a statement issued July 1 following a virtual meeting involving parties from all three nations to formally start the USMCA's official joint review. "The United States did not agree to renew the USMCA in its current form. As a result, the USMCA is not renewed," Greer said.

He added that the US would continue to engage with Mexico and Canada to address what he called "shortcomings" in the deal "and our trade deficits with these countries." Greer acknowledged that the agreement remains in force pending resolution of these issues or until the agreement's termination. The virtual meeting was convened under terms of the deal requiring review six years after the USMCA took effect July 1, 2020.

Formal negotiations between the US and Canada have not yet begun, but US-Mexico discussions have, including recently when Greer met with Mexican Secretary of Economy Marcelo Ebrard on June 18 to discuss the USMCA's joint review and bilateral trade relations. Their teams advanced talks on rules of origin for certain industrial goods and economic security and began conceptual discussions on agriculture, labor and environmental standards. The two sides also discussed trade in steel, aluminum and automobiles, and agreed to support establishing a committee to review the implementation of Chapter 12 (sectoral annexes) of the USMCA to enhance regulatory compatibility. Another round of formal negotiations is scheduled for later in July in Mexico City.

Now that the US has declined to renew the agreement, there will be annual joint reviews between the parties over the next 10 years until the agreement expires in 2036. The USMCA remains in force during this time. During any annual joint review, parties have the opportunity to agree to extend the agreement for another 16-year period. If that happens, then there would be a mandatory review after six years. Additionally, any party retains the right to withdraw from the USMCA at any time with six months' notice to the other members.

EU Council gives final approval for two regulations of the EU-US Trade Deal, entry into force expected shortly

On June 25, 2026, the EU Council formally adopted two regulations implementing the commitments in the Joint Statement of August 21, 2025 announcing a United States-European Union framework on an agreement on "reciprocal, fair and balanced trade." The commitments were previously informally agreed upon on May 20, 2026, when the European Parliament and European Council announced a provisional agreement.

The regulations eliminate tariffs on all US industrial goods and provide preferential market access for certain US agricultural and seafood products.

Main regulation: The main regulation notably includes the following provisions:

- 0% import duty on a large variety of industrial goods originating in the US. The eligible products are listed by combined nomenclature (CN) codes outlined in Annex I.
- The ad valorem component of the tariff on certain agricultural products will no longer apply for goods classified under the CN codes in Annex II and originating in the US.
- If the import price falls below the entry price, the duty will still apply.
- Tariff rate quotas are introduced for certain products intended for human consumption, specifically, the products classified under the CN codes in Annex III.
- The origin of the goods is to be determined on the basis of the non-preferential rules of origin referred to in the Union Customs Code until preferential rules of origin have been adopted.

Further a safeguard mechanism is included allowing the Commission to investigate whether increased imports from the US have caused or threaten to cause serious injury to EU producers. This procedure can be initiated following a substantiated request from one or more Member States, the European Parliament, or on the Commission's own initiative.

Additionally, a reinforced suspension provision will apply, meaning that if the US continues to apply a tariff rate above 15% on steel and aluminum derivative products imported from the EU after 31 December 2026, the Commission may suspend tariff preferences.

Pursuant to a sunset clause, the regulation will expire at the end of 2029 unless further action is taken by the Commission.

Lobster regulation: The Lobster regulation continues the non-application of customs duties on specified types of lobster and expands the scope to include the imports of processed (***i.e.***, prepared) lobster.

Timeline: As the texts of the regulations are formally approved by the European Council and Parliament, the regulations will now be signed and will enter into force the day after publication in the Official Journal. The Lobster regulation will apply retroactively from August 1, 2025, and will expire at the end of July 2030 unless further action is taken by the Commission.

USTR opens section 301 probe of German pharmaceutical pricing

The United States Trade Representative began accepting written comments June 25 on its new investigation, which the agency started June 18 under section 301 of the Trade Act of 1974, into Germany's pharmaceutical payments policy. The investigation follows Executive Order 14297, "Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients," issued May 12, 2025. "Evidence indicates that Germany implements unfair pricing policies and practices with regard to innovative pharmaceutical products," said USTR in initiating the investigation, adding that US consumers pay about 3.9 times more than do German consumers for brand-name drugs. USTR also noted that Germany's Ministry of Health introduced draft legislation that would impose an additional mandatory rebate for patented medicines beginning next year, which a statement from USTR Greer described as "a serious step backwards at a time when our trading partners need to step up and start paying their fair share to fund innovative pharmaceutical research and development." He recommended that German authorities should look to the US-United Kingdom pharmaceutical pricing agreement announced in April 2026 as a model for "constructive negotiations."

USTR claims the investigation will focus initially on the extent to which Germany engages in acts, policies and practices that have the effect of suppressing the prices of pharmaceuticals in its market below fair market value, resulting in US patients underwriting a disproportionate amount of global pharmaceutical research and development. Should the USTR find Germany's practices are harmful to the US, it could lead to additional tariffs on imports from Germany. Written comments will be accepted through August 10, and USTR will hold a public hearing September 22.

CBP updates rule on low-value shipment processing

On June 24, US Customs and Border Protection (CBP) issued two interim final rules to indefinitely suspend the ***de minimis*** administrative exemption for imports valued at $800 or less arriving via all modes of transportation, except international postal shipments. The rules follow Executive Order 14324 on July 30, 2025, which indefinitely suspended the ***de minimis*** exemption for imports valued at $800 or less with narrow exceptions and established a process to collect customs duties and tariffs on postal shipments. The end of the ***de minimis*** exemption was also codified in the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). This indefinite suspension means that all entries of merchandise valued at $800 or less arriving through all modes of transportation must use formal or informal entry procedures and continue to be subject to all applicable customs duties and tariffs. CBP is also starting a test on September 22 for a new informal entry process for certain international postal shipments that would otherwise require a formal entry beginning on October 22.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

A note on our publication schedule

The House and Senate will be adjourned the week of July 6. Both chambers will be back in session the following week. Barring any unexpected developments on the tax policy front, the next edition of ***Tax News & Views*** will be published the week of July 13.

Anna Taylor
Managing Principal, Tax Policy
Deloitte Tax LLP