On December 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act (TCJA) of 2017. According to Gae, Gefond, Krupkin, Mazur, and Toder (2018), TCJA was the largest tax overhaul since the passage of the Tax Reform Act of 1986. The overall goal of TCJA was to lower tax rates for both individual and corporations in an effort to increase wages and create new jobs for workers (Michel, 2017). Further, TCJA provides additional relief for individuals by doubling the standard deduction, expanding the child tax credit, and eliminating the individual health care mandate established by the Patient Protection and Affordable Care Act (Pear, 2017). While many pundits argue tax reform has been needed and TCJA provides tax relief to individuals (Dimon, 2017; Gae et al., 2018; Greenwood, 2017; Michel, 2017), it also has created new problems with its policy, particularly for Division I Football Bowl Subdivision (FBS) institutions.

Traditionally, individuals purchasing sporting event tickets from universities were asked to make annual-gift contributions tied to their seats as a licensing fee (Rovell, 2017; Murschel, 2018). Internal Revenue Code (IRC) Section (§) 170(l) allowed individuals to classify 80% of the amount paid for tickets to college athletic events as a charitable contribution and deduct it from their taxes if they itemized deductions (Smith, 2017). As such, many universities utilized this vehicle to generate revenue through donations. However, the passage of TCJA eliminated the IRC §170(l) deduction in an effort to close loopholes with itemized deductions. According to the Committee on Ways and Means of the U.S. House of Representatives (2017), this adjustment would generate an additional $200 million per year in tax revenue for the U.S. government.

Still, the savings for the U.S. government could impact a major source of revenue that many athletic departments depend upon for their overall budgets (Rovell, 2017; Murschel, 2018). As an example, University of Alabama Athletic Director Greg Byrne noted the elimination of the tax deduction would hurt how the school fund its 21 programs and compete for championships (Rome, 2017). Annual giving provides many high profile universities with funding to pay for the year-to-year expenses that teams generate such as travel, scholarships and food amongst many items (Smith, 2017; Ulher, 2018). As these donations generate approximately 25 to 30 percent of most Power Five conference schools budgets, significant losses from the lack of donations could leave athletic departments needing to fill significant gaps while facing uncertainty due to ongoing litigation and the financial ramifications from those decisions.

The project will examine the tax ramifications for individuals in a variety of tax brackets showing the potential changes to tax bills and why it could potentially their overall revenue. Specifically, the researchers will provide a history and analysis of the 80% deduction, which was developed from the Technical and Miscellaneous Revenue Act of 1988, to determine whether the instrument should have been allowed as a deduction overall and how colleges can adopt to this change in law.