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Flag Thrown on Steelers' Tax Payment Claims

Should Pittsburgh's three professional sports teams be making voluntary payments to help the City with its financial problems? That's the argument made by the most recent audit of the City Controller's office. The sports teams occupy a unique position in that they are for-profit businesses that operate in facilities owned by a government agency and do not pay property taxes, either directly or through their rent payments, as do other for- profit businesses in Pittsburgh. Indeed, even non-profit groups renting commercial space are paying property taxes through their rent.

This circumstance comes about because of the decision state and local officials made when the Plan B scheme was put together for the Steelers and Pirates. The new arena for the Pittsburgh Penguins will also be owned by the Sports and Exhibition Authority, making it exempt from property taxes.

Noting the situation, the Controller suggested that, given the assessed value of the facilities and the real estate taxes that would be flowing from them (it would translate into a combined $21 million for the City, County and Pittsburgh schools), perhaps the sports teams should consider participating in the Pittsburgh Public Service Fund, the City assistance fund that receives voluntary contributions from the non-profit community.

Predictably, the response from the Steelers pointed out all of the taxes and economic spin off activity they generate to explain why they should not be making voluntary payments. They noted that "since moving into Heinz Field in 2001, the Steelers have paid approximately $40 million in taxes…" A close look at this claim shows that, (1) the Steelers have it very good compared to other businesses in the City and, (2) the tax liability of the team itself is does not approach the amount they claim to have paid.

Newspaper accounts of the Steelers' claims indicate the team is taking credit for the amusement tax, the payroll preparation tax, business privilege, mercantile, a ticket surcharge, the wage tax, local services tax, and the non-resident facility usage fee.

What's wrong with the Steelers' assertion? First, some of the taxes are paid by patrons attending games. The amusement tax and the ticket surcharge are collected by the Steelers and remitted to the City. The Steelers are no more paying this tax than a convenience store pays the sales tax. They merely act as collection agents for the government. And given the very strong demand for Steelers tickets, it is reasonable to argue that the team can pass all or almost all of the tax on to the customers.

Then there are the individual taxes paid by employees and remitted by the team to the City. Certainly the $52 local services tax, the wage tax paid by employees that live in the City, and the non-resident usage fee (a fee that is levied on non-resident athletes or performers working at facilities subsidized with public funds, like Heinz Field) fall into this group. The City's tax regulations note that the usage fee, which was created by the City reform package, "is a percentage of the individual's income attributable to such individual's usage of the facility. The employer is required to withhold the fee and submit it with a return no later than the 15th of the next month".

That leaves three taxes; namely, the business privilege, mercantile, and payroll preparation to fall directly on the Steelers as a corporate entity. Under the state tax reform plan of 2004, the mercantile tax was eliminated in 2005 and the business privilege fell from 6 mills to 2 mills; it is currently one mill and will be eliminated in 2010. The payroll preparation tax was created as a broad based business tax to replace the exemption-riddled business privilege and mercantile taxes.

Thus, in 2010 there will be only two City business taxes—the payroll preparation tax and the property tax. However, the teams will be required to pay only the payroll tax. In short, it is disingenuous for the Steelers to trumpet claims about taxes they pay when other businesses pay the same taxes they do in addition to the property tax.

Note also that—as far as City's coffers are concerned—whatever the amount actually paid by the Steelers as a corporate entity since they moved into Heinz Field, the important number is the increase in payments compared to taxes paid in the years prior to moving into the new facility. After making the appropriate adjustments to the $40 million claimed over the last seven years as suggested above, it is very likely the increase in payments from the team itself compared to the years before Heinz Field will be small fraction of $40 million.

For all these reasons the Steelers ought not to be complaining too loudly about their supposed tax burden. After all, the value of the franchise has grown rapidly according to *Forbes* magazine to stand currently at $929 million, more than triple the $300 million value *Forbes* estimated in 1998, just before construction on Heinz Field began.

All things considered the Steelers have it pretty good financially. Thus, it is unseemly for an organization that has benefited so much from taxpayer subsidies to try to pull the wool over the public's eyes about the taxes they pay while failing to mention that the $40 million does not represent an increase above the amount paid in the previous seven years. Only those who pay close attention would notice these things and question the team's assertions.

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