Revenue Impact
of lost NFL season

As a result of a breakdown in labor negotiations, National Football League (NFL) owners locked players out in early March, throwing the 2011 NFL season into uncertainty. Maryland, which hosts two NFL teams, could see a measurable impact on its economy and state and local tax revenues if the NFL season is cancelled or shortened. If the entire season is cancelled, Maryland and local governments may lose $40 million or more of tax revenue. For each home game of the Washington Redskins or Baltimore Ravens that may be lost to the labor dispute, approximately $2 million of revenue may be lost. Some portion of this revenue loss may be recouped through activity that takes the place of cancelled NFL games, although revenue from players' salaries would likely not be replaced. No attempt has been made to estimate any revenue increase from replacement activity.

Tax revenue from NFL games arises from direct and indirect activity. Direct sources of revenue include income tax paid to the state of Maryland by players and other employees of an NFL team, sales tax from concession stands affiliated with the stadium or the sale of NFL merchandise, and the admissions and amusement tax, which is remitted upon purchase of an NFL ticket. Direct sources account for most of the tax revenue from the NFL, and hence would be the largest source of lost revenue in the event of cancelled games. Indirect sources of revenue are associated with activity not directly related to an NFL team, its affiliates, or its employees. These indirect sources of revenue stem from sales taxes and alcohol taxes collected from restaurants or bars during and after games, income tax losses from foregone wages and owners' income of businesses that typically experience an increase in demand as a result of football, as well as taxes on travel, hotel and parking expenditures and other activities indirectly related to the hosting of football games. **Table 1** below shows the total revenue loss associated with a full-year NFL lockout, from both direct and indirect sources, categorized into different revenue sources, **in millions of dollars:**

Table 1: Total Revenue Loss by Tax Type

State	**Low**	**High**
Income Tax	11.99	13.46
A&A Tax	4.09	4.60
Sales & Use Tax	5.15	5.47
Miscellaneous	0.55	0.67
Local		
Income Tax	8.29	9.37
A&A Tax	6.95	7.84
Parking Tax	0.13	0.16
Hotel Occupancy Tax	0.50	0.55
Total	**37.67**	**42.12**

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Individual income taxes account for the largest proportion of direct revenue from the NFL (See **Table 2**). Taxes are paid on the salaries of coaches, players and staff, as well as on the income received by owners. It is assumed that a very high percentage of this salary will not be paid if a full-year lockout occurs, resulting in Maryland not receiving revenues that would generally have been received as income tax. There is little data publicly-available indicating the salaries paid by NFL teams, and even less information is available about the salaries paid to front-office personnel and other employees. While the NFL salary cap was $128 million last season, actual salaries paid to players in a season may vary substantially due to various contractual provisions.

Tax laws also limit Maryland's potential revenue loss if the NFL season is cancelled. Due to a tax reciprocity agreement that Maryland shares with three of its border states, as well as the District of Columbia, residents of one state with wage income from work in another incur no wage-related tax liability in the state in which they work.

As a result of the reciprocal agreement, many Redskins players and personnel do not pay Maryland income taxes; FedEx Field's close proximity to Virginia and the District of Columbia coupled with the Redskins headquarters location of Virginia, lead many Redskins employees and players to reside outside of Maryland. Maryland likely receives a greater amount of revenue from Ravens' personnel than from Redskins' personnel.

It is possible that a greater amount of income tax is paid to Maryland during the football season by visiting teams' players than by the Redskins' and Ravens' players combined. Visiting players incur a Maryland income tax liability when they play at either FedEx Field, the Redskins' stadium, or M&T Bank Stadium, the Ravens' stadium. Maryland law requires a non-resident to file a Maryland tax return if the individual has income or losses derived from a business, occupation, profession or trade carried on in Maryland. Therefore, for every game that is played in either M&T Bank Stadium or FedEx Field, an income tax liability arises for every visiting player, coach, trainer and any other personnel involved with the game in the state. The amount owed to the state of Maryland by each player or staff member is calculated by prorating their individual salary by the days spent in Maryland relative to the total number of working days in the season.

Maryland will face a significant revenue shortfall from lost income tax revenues in the event of a full-year lockout. The state could lose between $11.01 million and $12.31 million in direct income tax, while counties could lose between $6.75 million and $7.54 million.

Another significant source of revenue to Maryland from the NFL season is through admission and amusement (A&A) taxes. While sales tax is not collected for ticket sales to Ravens or Redskins games, a 10% A&A tax is remitted. In general, A&A taxes are a local revenue source, although the Maryland Stadium Authority (MSA) may impose an 8% tax on admissions to its facilities, including M&T Stadium. Thus, 100% of A&A tax revenues for events held at FedEx Field are remitted to Prince George's county, while 80% of the A&A tax revenue from events held at M&T Stadium is remitted to the MSA, while 20% of the A&A tax revenue is allocated to Baltimore City, where the stadium is located.

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The A&A tax is collected by the Redskins and the Ravens upon the purchase of tickets, instead of when the event takes place. The aggregate monthly collections are then remitted to the state by the 10th day of the following month. The state then distributes these funds to the counties and the MSA on a quarterly basis.

As a great majority of the spectators at NFL games are season-ticket holders, and season-ticket holders have already completed payment for their 2011-2012 season tickets, most of the A&A tax for the 2011-2012 season has already been distributed to local governments and the MSA. The next large season-ticket related distribution is scheduled to take place in July, while the October distribution will likely contain the small remaining portion. In the event of an NFL lockout, this A&A tax will have to be refunded to the NFL teams that remitted the revenue, as both the Redskins and the Ravens have committed to returning funds collected for season-tickets to customers in the event of a lockout. It is possible that the Redskins and Ravens will offer their fans the option to have their payment roll over to the next season, in which case A&A tax revenue would be lower in the next NFL season. Approximately $12 million of A&A tax is at stake.

Foregone sales and use tax collection is another direct way state revenues will be affected by the NFL lockout. The Redskins, Ravens and affiliates remit sales tax on team specific merchandise and memorabilia they sell, as well as on sales of food and drink sold within the two stadiums. The revenue decline associated with sales and use tax is predicted to be a less substantial decrease than from foregone income tax collections or A&A tax collections. Our total estimate for the direct revenue decline from an NFL lockout aggregates the estimated decrease in individual income tax, A&A tax, and sales and use tax. **Table 2** shows both high and low estimates of the direct revenue losses to the state of Maryland resulting from a full-year NFL lockout, **in millions of dollars:**

Table 2: Direct Revenue Effects of Full-Year NFL Lockout

	Low	High
State	19.63	21.76
Local	13.71	15.38
Total	**33.34**	**37.14**

Revenue from indirect sources comes from various businesses and individuals. With no recent NFL labor shutdowns, there is no experience upon which to base an estimate of lost revenues from indirect activity. As a result, assumptions about the demographics and spending patterns of the NFL consumer base were used to develop estimates of the indirect revenue effects of an NFL lockout. An NFL lockout would decrease indirect revenues from sales and use tax, various taxes related to travel, individual income tax, as well as the alcoholic beverage taxes.

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The NFL lockout is expected to indirectly affect anticipated revenues to the state of Maryland as demand for goods and services are expected to be lower than if an NFL season were to occur. This decrease in demand would occur if businesses such as bars, restaurants, grocery stores, liquor stores or convenience stores received less business in the absence of a football season. Due to lower demand for these types of goods and services, businesses would presumably hire fewer employees and sell fewer goods. This would result in the state of Maryland receiving fewer revenues from sources such as income tax, sales tax and the alcohol tax.

Traveling, and the resulting taxes that are collected on these expenses, is also expected to decline in the absence of a NFL season. Employees, visiting and home team fans and members of the media travel to these two stadiums every game day. This brings in state and local revenues from sources such as the motor fuel tax, parking taxes, hotel occupancy taxes and public transportation fares.

The indirect revenue loss associated with an NFL lockout for both the state and local government are shown below, in **Table 3**, **in millions of dollars:**

Table 3: Indirect Revenue Effects of Full-Year NFL Lockout

	Low	**High**
State	2.08	2.24
Local	1.18	1.28
Total	**3.26**	**3.52**

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