



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB0538

Introduced 2/1/2007, by Rep. Chapin Rose

SYNOPSIS AS INTRODUCED:

New Act
30 ILCS 105/5.675 new

Creates the NCAA Receipts Tax Act and amends the State Finance Act. Imposes a tax on the NCAA at a rate of 10% of its Illinois gross receipts. Sets forth procedures and requirements for tax returns and the quarterly payments of estimated taxes. Sets forth the powers and duties of the Department of Revenue in administering and collecting the tax. Prohibits the NCAA from using the tax imposed under this Act as a basis for reducing the amount of payments for any reason to member-schools in Illinois. Requires the Department to deposit the tax proceeds into the Collegiate Athletic Revenue Fund, a special fund in the State treasury. Requires the Board of Higher Education to distribute the moneys in the Fund, subject to appropriation, to each State university pro rata based on the number of students enrolled in each university. Effective immediately.

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CORRECTIONAL
BUDGET AND
IMPACT NOTE ACT
MAY APPLY

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the NCAA
5 Receipts Tax Act.

6 Section 5. Definitions. For the purposes of this Act:

7 "Department" means the Department of Revenue.

8 "Illinois gross receipts" means the consideration received
9 by the NCAA for (i) television and marketing rights fees, (ii)
10 championship revenues, and (iii) membership dues collected or
11 derived from the NCAA's activities in Illinois. The Illinois
12 gross receipts is determined without any deduction on account
13 of the cost of the service, product, or commodity supplied, the
14 cost of materials used, labor or service costs, or any other
15 expense whatsoever.

16 "NCAA" means the National Collegiate Athletic Association.

17 Section 10. Tax imposed. Beginning on July 1, 2007, a tax
18 is imposed on the NCAA at a rate of 10% of its Illinois gross
19 receipts.

20 Section 15. Returns.

21 (a) The NCAA must file annual gross receipts returns in

1 accordance with this Section.

2 (b) On or before January 10 of each year, The NCAA must
3 file, with the Department, an estimated annual gross receipts
4 return containing an estimate of the amount of its Illinois
5 gross receipts for the calendar year commencing January 1 of
6 that year and a statement of the amount of tax due for that
7 calendar year on the basis of that estimate.

8 The NCAA may also file revised returns containing updated
9 estimates and updated amounts of tax due during the calendar
10 year. These revised returns, if filed, form the basis for
11 quarterly payments due during the remainder of the calendar
12 year.

13 (c) On or before March 31 of each year, the NCAA must file
14 an amended return showing the actual amount of Illinois gross
15 receipts shown by the company's books and records as of
16 December 31 of the previous year.

17 (d) All returns submitted under this Section must contain,
18 or be verified by, a written declaration by an appropriate
19 officer of the NCAA that the return is made under the penalties
20 of perjury. The Department may audit each return submitted
21 submitted under this Section and, as set forth under Section
22 25, may take any measures that are necessary to ascertain the
23 correctness of the returns submitted. The Department has the
24 power to direct the filing of a corrected return by the NCAA if
25 it has filed an incorrect return or failed to submit a return.

26 The signing of a fraudulent return under this Section is

1 perjury, as defined in Section 32-2 of the Criminal Code of
2 1961.

3 (e) All estimated, revised, and amended returns under this
4 Section must be in the form and manner required by the
5 Department.

6 Section 20. Payment of the tax; penalties.

7 (a) The NCAA must pay at least 25% of the annual amount of
8 tax due under Section 10 to the Department on or before the
9 10th day of January, April, July, and October of the calendar
10 year subject to tax.

11 (b) If an adjustment in the amount of tax due is necessary
12 as a result of the filing of an amended or corrected return
13 under subsection (b) or subsection (c) of Section 15, then:

14 (1) the NCAA must pay the amount of any deficiency,
15 together with the amended or corrected return; or

16 (2) the amount of any excess must, after the filing of
17 a claim for credit by the NCAA, be returned to the NCAA in
18 the form of a credit memorandum in the amount of the excess
19 or must be refunded to the NCAA in accordance with the
20 provisions of subsection (e). If, however, the deficiency
21 or excess is less than \$1, then the NCAA need not pay the
22 deficiency and may not claim a credit.

23 (c) Each installment or required payment of the tax imposed
24 by Section 10 becomes delinquent at midnight of the date that
25 it is due. The failure to make a payment as required by this

1 Section results in the imposition of a late payment penalty, an
2 underestimation penalty, or both, as provided by this
3 subsection.

4 The late payment penalty is the greater of: (1) \$25 for
5 each day that the installment or required payment is unpaid or
6 (2) an amount equal to the difference between what should have
7 been paid on the due date, based upon the most recently filed
8 estimated, annual, or amended return, and what was actually
9 paid, multiplied by 1% for each day that the installment or
10 required payment goes unpaid. This penalty may be assessed as
11 soon as the installment or required payment becomes delinquent.

12 The underestimation penalty is calculated after the filing
13 of the amended return under subsection (b). It must be imposed
14 if the amount actually paid on any of the dates specified in
15 subsection (a) is not equal to at least 25% of the amount
16 actually due for the year. The amount of the underestimation
17 penalty is the greater of: (1) \$25 for each day that the amount
18 due is unpaid or (2) an amount equal to the difference between
19 what should have been paid, based on the amended return, and
20 what was actually paid as of the date specified in subsection
21 (a), multiplied by a percentage equal to $1/365$ of the sum of
22 10% and multiplied by the rate of interest set forth under
23 Section 3-2 of the Uniform Penalty and Interest Act. No
24 underestimation penalty is assessed, however, if the amount
25 actually paid on or before each of the dates specified in
26 subsection (a) was based on an estimate of Illinois gross

1 receipts at least equal to the actual Illinois gross receipts
2 for the previous year.

3 The Department may enforce the collection of any delinquent
4 installment or payment, or portion thereof by legal action or
5 in any other manner by which the collection of debts due the
6 State of Illinois may be enforced under the laws of this State.
7 The Director of Revenue may excuse the payment of an assessed
8 penalty or a portion of an assessed penalty if he determines
9 that enforced collection of the penalty as assessed would be
10 unjust.

11 (d) Credit memoranda issued under subsection (b) may be
12 applied for the 2-year period from the date of issuance against
13 the payment of any amount due during that period under the tax
14 imposed by Section 10. Any application of credit memoranda
15 after the period provided for in this subsection (d) is void.

16 (e) The Director of Revenue may make refund of taxes if he
17 or she determines that the NCAA will not be liable for payment
18 of those taxes during the next 24 months and if he or she
19 determines that the issuance of a credit memorandum would be
20 unjust.

21 (f) The Department must deposit all moneys received under
22 this Section into the Collegiate Athletic Revenue Fund, which
23 is created under Section 35 of this Act.

24 Section 25. Records; investigations

25 (a) The NCAA must keep any records, render any statements,

1 make any returns and notices, and comply with any rule that the
2 Department may from time to time prescribe. Whenever, in the
3 judgment of the Director, it is necessary, he or she may
4 require any person, by notice served upon that person or by
5 rule, to make any return or notices, render any statements, or
6 keep any records that the Director deems sufficient to show
7 whether or not the NCAA is liable for tax under this Act.

8 (b) For the purpose of administering and enforcing the
9 provisions of this Act, the Department, or any officer or
10 employee of the Department designated in writing by the
11 Director of Revenue, may hold investigations and hearings
12 concerning any matters covered in this Act, may examine any
13 relevant books, papers, records, documents, or memoranda of the
14 NCAA or any person making payments to the NCAA, and may require
15 the attendance of that person or any officer or employee of
16 that person, or of any person having knowledge of the facts,
17 and may take testimony and require proof for its information.

18 Section 30. Payments to member-schools.

19 (a) It is unlawful for the NCAA to use the tax imposed
20 under this Act as a basis for reducing the amount of payments
21 for any reason to member-schools in Illinois.

22 (b) A violation of this Section constitutes a business
23 offense with a minimum fine of \$5,000 plus \$1,000 per day for a
24 continuing violation.

1 Section 35. Distribution of tax proceeds. The Collegiate
2 Athletic Revenue Fund is created as a special fund in the State
3 treasury. Moneys in the Fund may be used only by the Board of
4 Higher Education, subject to appropriation, for disbursements
5 to State universities in accordance with this Section. On July
6 1 of each year, or as soon thereafter as may be practical, the
7 Board of Higher Education must distribute the moneys in the
8 Fund to each State university pro rata based on the number of
9 students enrolled in each university.

10 Section 90. The State Finance Act is amended by adding
11 Section 5.675 as follows:

12 (30 ILCS 105/5.675 new)

13 Sec. 5.675. The Collegiate Athletic Revenue Fund.

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.