

Boxing, Wrestling, and Combative Sports—N.J. Stat. Ann. § 5:2A-1 (West Supp. 1986).

Sugar Ray Leonard and Marvelous Marvin Hagler recently battled in a Las Vegas boxing spectacular. Because of the visibility and popularity of boxing, this bout produced a sizeable purse and profit. This income translated into substantial tax dollars for the State of Nevada. In 1984, New Jersey attempted to get its share of boxing's brass ring by revising the rate of state taxation of revenues generated by boxing, wrestling, and sparring exhibits and performances.¹

The purpose of the 1984 Act was to make New Jersey competitive in the boxing arena. Being competitive means luring matches away from the glitter of Las Vegas and the tradition of Madison Square Garden in New York City. Promoters are not drawn by the attractions of Atlantic City or the Totowa Ice World alone. Their incentive is money; that is, how much can be made and retained.

The 1984 law establishes a revised formula for taxing boxing and wrestling events. The holder or promoter of the event is taxed based on two revenue producing categories: gross receipts from the sale of tickets, and income from telecasts and broadcasts.² Both categories are taxed separately and at different rates. The law revises state tax rates only; federal taxation rates are not affected. In addition, the law exempts boxing and wrestling events from Atlantic City sales tax.

Under the New Jersey law, ticket sales are taxed at a rate of three percent (3%) for the first \$25,000 earned. The next \$50,000 is taxed at a rate of four percent (4%); a five percent (5%) tax is placed upon the next \$125,000; and the rate is increased to six percent (6%) for any amount above \$200,000. In any case, the total amount paid under this category cannot exceed \$100,000. Tickets for this purpose include those sold, as

¹ Taxation—Boxing, Wrestling, and Sparring Exhibits and Performances, 1984 N.J. Sess. Law Serv. 248 (West) (codified at N.J. STAT. ANN. §§ 5:2A-1 to -31 (West Supp. 1986)) [hereinafter cited as the 1984 Act or Act]. The Act became effective on January 7, 1985.

² These transmissions include but are not limited to radio, television, transmissions via cable television, or transmissions via microwave, closed circuit, satellite, fiber optic link, or any other method of limited distribution.

well as complimentary tickets which are assessed at face value. These tickets and admission charges are not to be taxed as retail sales.³

The second category involves a gradation tax on revenues from broadcast rights. If the boxing performance is to be broadcast, the holder must give detailed notice to the State Athletic Commission one week in advance of broadcast. The broadcast revenues received are then taxed in accordance with a specific rate schedule. The first \$50,000 of revenue derived has a five percent (5%) tax placed upon it. The next \$100,000 is taxed at a rate of three percent (3%). If another \$100,000 is received, the tax rate decreases to two percent (2%), and the event holder must pay only one percent (1%) on any amount that exceeds \$250,000. Similar to gross receipts of tickets, \$100,000 is the highest amount of tax payable on broadcast revenues. Accordingly, a promoter's tax liability under the new law cannot exceed \$200,000. Neither total gross receipts from ticket sales nor broadcast revenues are eligible for any kind of allowance or reduction.

For the most part, the 1984 Act only affected the tax rate and left intact the previous boxing and wrestling notification and license requirements. For example, under the Act the holder of an event or performance must still give two weeks detailed notice of the proposed match to the State Athletic Commissioner. In addition, the promoter must possess a valid license to hold such an event and must secure from the Commissioner a written permit ten days prior to the exhibition. The 1984 Act added the provision that this permit cannot be granted if the performance holder has failed to meet the payment requirements of the law. However, if good cause (which is not defined in the law) is demonstrated, a permit may still be allocated despite delinquency in payment.

Along with the revised tax rates, the New Jersey law provides that all taxes must be paid within seven working days subsequent to the event.⁴ In addition, the State Athletic Commissioner is authorized to review the amounts reported by the promoter and make an accounting of all tax payments. The Commissioner also

³ N.J. STAT. ANN. § 40:48-8.16 (West Supp. 1986).

⁴ Working days do not include Saturday, Sunday, or legal holidays.

has the authority to examine all books, papers, and records of any person and may hold hearings in connection with the event in order to verify the amount of revenue received. The New Jersey Attorney General has the power to prosecute delinquent taxpayers, and a certificate of indebtedness issued by the Commissioner has the same force and effect as the entry of a docketed judgment in the Superior Court.⁵

This taxation law was introduced in September of 1984. Approximately one month later it was considered along with another bill in the Assembly Independent Authorities and Commissions Committee.⁶ The companion bill was geared towards a revamping of the entire boxing system in New Jersey. That bill provided for, among other things, a taxation scheme quite unlike the 1984 Act.⁷ The breadth of this other bill precluded swift passage; and as a result, only the taxation bill was released from committee in 1984. The taxation bill was passed by the New Jersey Legislature in 1984 as an amendment to the existing law with the hope that a revised revenue taxing law would help New Jersey compete for boxing and wrestling revenues.

Prior to adoption and implementation of the 1984 Act, New Jersey imposed a ten percent (10%) tax on proceeds from the sale of tickets and a five percent (5%) tax on money derived from broadcast transmissions.⁸ This comparatively high tax rate, which on occasion was lowered for championship fights at the Commissioner's discretion, made it difficult for New Jersey to compete with Nevada and New York for boxing revenue.

The decision by the New Jersey Legislature to initiate a graduated tax came in the wake of a 1983 amendment to a New York statute which lowered the tax rate on sparring, boxing, and wrestling from ten percent (10%) to five and one-half percent (5 1/2%).⁹ Nevada has a similarly low tax rate. The unarmed combat statutes of Nevada place a four percent (4%) tax on gross

⁵ N.J. STAT. ANN. § 5:2A-12 (West Supp. 1986).

⁶ The committee is now entitled The Independent and Regional Authorities Committee. See NEW JERSEY LEGISLATIVE MANUAL at 204 (1986).

⁷ 1985 N.J. Sess. Law Serv. 83 (West). This bill went into effect on March 15, 1985, and incorporated the 1984 Act.

⁸ N.J. STAT. ANN. § 5:2-12 (West 1982).

⁹ N.Y. UNCONSOL. LAW § 8929 (McKinney 1983 Amendments).

receipts from admissions to "live" contests. Furthermore, the broadcast tax rates are three percent (3%) for the first \$1,000,000 earned and one percent (1%) for the next \$2,000,000.¹⁰ Thus, under New Jersey's law, promoters pay less tax than would be required in either Nevada or New York.¹¹

While the promoters are undoubtedly pleased with the lower tax rates, their excitement has been diminished. Some promoters have questioned the propriety of taxing revenues derived from out-of-state viewing. Event holders are claiming that a New Jersey fight carried in another state should be exempt proportionately from New Jersey taxes. In other words, if ninety percent (90%) of the spectators are viewing the event from outside the state limits, then only ten percent (10%) of the broadcast revenues should be taxable under the law.

A comparison of the 1984 Act and the law it amended should resolve this issue in favor of the State of New Jersey. Prior to enactment of this law, the rule was that money received from broadcast rights was taxed "to the extent only that such moneys shall be attributable to transmissions received or exhibited in this State."¹² This rule was deleted from the new law. Correspondingly, it appears that origination is the key; if the broadcast originates in New Jersey, then all the telecast revenues are subject to New Jersey taxes in accordance with this law.

Despite the minor obstacles the 1984 Act faces, this law

¹⁰ NEV. REV. STAT. § 467.107 (1986).

¹¹ A quick comparison of the effect of New Jersey, Nevada, and New York taxation rates is illustrative:

a) Broadcast Revenues			
Amount Derived	Tax to be paid		
	NJ	NEV	NY
\$1,000,000	\$15,000	\$30,000	\$ 55,000
\$3,000,000	\$35,000	\$50,000	\$165,000

b) Total Gross Receipts on Ticket Sales			
Amount Derived	Tax to be paid		
	NJ	NEV	NY
\$ 25,000	\$ 750	\$1,000	\$1,375
\$ 75,000	\$2,750	\$3,000	\$4,125
\$100,000	\$4,000	\$4,000	\$5,500

¹² 1984 N.J. Sess. Law Serv. 248 § 2A (West).

should be beneficial to New Jersey. It should accomplish the dual goals of bringing popular and profitable performances to the state and increasing New Jersey's share of the boxing revenue pie. The taxation law makes New Jersey, generally, and Atlantic City, specifically, an attractive site for both boxing and wrestling matches. Although enacted too late to entice the Hagler-Leonard promoters, the tax law should provide enough incentive to lure more fight cards and perhaps more top contenders to the Garden State rings—at least until Nevada and New York reciprocate.

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