As I reported last week , we're about to embark on a new collective bargaining agreement in MLB that will last 5 years, ending on December 11, 2011. The most important facet of the new agreement is how revenue sharing will be implemented.

There are two big changes: a single marginal tax rate of 31% for all the clubs. The other change is that the split-pool component has been adjusted so that clubs are set with fixed percentage rates that are based on two-years of trailing revenue averages.

Think of the changes as a flat-tax on the straight-pool side, and a progressive tax on the split-pool side above a certain point.

Today on Baseball Prospectus , I go over this in detail. It's somewhat complicated, but as I report:

So, to cut to the chase, what's the bottom line?

Well, if you're a club, and you're better at growing your revenues than the league, then the tax hurts less. On the other hand, if you're sucking wind compared to the other clubs in terms of revenue growth, then the tax eats up a larger percentage of your revenue. It's a chance for you to not only keep up with the Joneses, but it incentivizes you to work to kick their rears in the revenue growth department.

Yes, you still will have to pay a 31% tax on marginal income, but if you're outpacing the league in revenue growth, then your split-pool contribution should become less and less of a factor. Yes, your straight pool tax goes up, but it goes up by a lot less than it did before. Plus, under the previous system you'd get hit with more taxes for making more money on your split-pool component.

What these changes from the prior revenue sharing plan to the new should do is establish healthier incentives to encourage clubs that are receiving revenue sharing to spend them on growing revenue. As part of growing revenues, you would place hiring better players to increase your winning percentage at the top of your list. With clubs investing in themselves this way, you should theoretically promote competitive balance. At least, that's the plan. With this many moving parts, there are bound to be places where unintended consequences will arise.

The BP article explains all the moving parts on this matter.

Chris Isidore of CNN/Money dives into the topic today , as well. As Isidore reports:

Smith College economics professor **Andrew Zimbalist**, who advised players during past labor negotiations and helped advise the owners this time out, said it's too easy to say the big revenue clubs won with this deal, or that the small revenue clubs lost.

"You'd find that some teams are a little better off, some are a little worse off," said Zimbalist. "Basically what happened is they're shifting incentives. Now it's equally valuable to every owner to improve their team and increase revenue. In that regard it's good for whole league."

At the end, Isidore mentions the possibility that we may never see a work stoppage:

During baseball's past labor struggles, the players association could count on a battle-tested group of players who had been through previous strikes to help create the kind of solidarity among its members that many other unions would kill for. That won't be the case five years from now.

As of the end of last season, there were only 87 players left on current rosters who were around during the strike of 1994-95. Only a fraction of those players will still be playing when the new deal expires.

"It's hard to say never," said **Maury Brown, editor of BizofBaseball.com**, about the chances of a strike with the game's new economic structure as spelled out in this new deal, "But this certainly puts things in place for both sides."

Mike Berardino of the South Florida Sun-Sentinel address how the new deal will impact the Marlins and the Rays. As Berardino writes:

"Under the old agreement, a team like the Marlins would have to give up 48 cents of every new dollar that they earn," says union general counsel **Mike Weiner**. "Which, when you think about capital gains rate and things like that, would discourage investment. There's a limited amount of risk you're prepared to take if even if you win, you only get to keep 52 percent of your gains."

And now?

"When I project out that if I increase my payroll by $10 million I might be able to increase my revenues by $15 million," Weiner said, "now I get to keep a lot higher percentage of that $15 million and I'm more likely to do it. That's the theory behind this. We view players as an investment decision by clubs."

The hope is that adjustment will offset the failure of this deal to install a payroll floor, either annually or over a rolling three-year span. Other teams could still attempt to do what the Marlins did last year but, the union believes, will be less likely to do so.

Bottom line... I expect revenue-sharing to be improved from the prior version in the 2002-2006 agreement. The inversion that was in place where lower-revenue making clubs were paying a higher percentage than the higher-revenue making clubs has been removed, and that should incentivize clubs such as the Marlins, Rays, Royals, and Pirates to invest in growing revenues. To do that, most clubs would look to improve their on-the-field product (read: better players). That should create more parity, or as I said on BP today, "At least that's the plan."

***Maury Brown** is the editor of The Biz of Baseball and an author for Baseball Prospectus. He can be contacted here.*