

ATHLETE'S TAX RELIEF GAME PLAN

WINNING THE TAX GAME

INCOME TAX INFORMATION FOR THE PROFESSIONAL ATHLETE

with



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INCOME TAX INFORMATION FOR THE PROFESSIONAL ATHLETE

Welcome to the world of professional sports. You are a special and talented individual and deserve special attention.

How is a Professional Athlete taxed?

All Professional Athletes are treated as employees by their respective teams. As an employee, there are specific income tax rules as to what expenses are deductible. These expenses are generally deducted on your tax return as employee business expenses and/or expenses deductible against royalty or endorsement income.

What is deductible?

Taxes:

- State and local taxes paid
- Real estate taxes
- Auto registration, if ad valorem (based on value)
- Personal property taxes

Interest:

- Mortgage interest on primary plus one other residence (maximum mortgage indebtedness \$1.1 million)
- Points paid on purchase of primary residence
- Investment interest

Charitable contributions:

- Cash
- Noncash
- Private charitable foundations

Miscellaneous (business related portion):

- Agent fees and commissions
- Brokerage account fees
- Clubhouse dues
- Cell phone, iPhone, Blackberry (business percent)
- Financial management fees
- Fines (league and team)
- Gym and athletic equipment
- Gym memberships
- Promotional expenses (photographs, postage, fan club, etc.)
- Publications (related to sports, health, training, investments)
- Safety deposit box fees
- Training and conditioning fees
- Travel to meet with agents, scouts, trainers (nonreimbursed, while away from tax home, such as airfare, hotel)
- Uniforms, athletic clothing, shoes, etc.
- Union dues

This list is not all inclusive. Please contact us if you have any questions about the deductibility of any item. Remember, proper documentation of your tax deductions is critical to sustain the deduction during a return examination.



Establishing Residency

Where you live can have a dramatic effect on your tax situation. Income tax rates vary by state, with a handful of states currently having no income tax. Professional Athletes are subject to taxation in each jurisdiction in which they perform services, making the selection of residency an important planning tool, depending on the source of income.

In general, a resident is someone who establishes themselves in a place for other than a temporary, special, or limited purpose, with the intention of making that place their true, fixed, permanent home. The determination of residency is based on actual facts and circumstances, including:

- * Where does your family live and you live during the off season?
- * In what state was your driver's license obtained?
- * Where are your automobiles registered?
- * Where do your children go to school?
- * Where are your social and community ties (such as gym, club, and other memberships)?
- * Where do you go to church/temple?
- * Where do you do your banking?
- * Where are you registered to vote?
- * Where is your mail delivered?
- * Where are your professional advisor's located (doctor, dentist, attorney, investment, etc.)?
- * Where are your investment and other business ties located?

This list is not meant to be comprehensive. Many factors affect the ultimate determination of residency, and each situation is unique.

Credit for Taxes Paid to Other States

To avoid the same income being taxed twice (such as first by the Professional Athlete's home state, then by a second state where the Professional Athlete performed services), states grant to taxpayers a "credit" for tax paid to other states. The credit is most often taken on the taxpayer's home state return. The credit is based on the taxable income and tax liability to the other state, and reduces the home state tax liability "dollar for dollar" in the amount of the credit.

International Tax Services

Our Firm is a member of IGAF Polaris the third largest worldwide accounting association. We help our Professional Athlete clients that are members of teams and clubs located overseas and that have tax reporting obligations in Europe, Africa, and the Orient with their international tax filings, foreign bank account reporting (FBAR), as well as their U.S. tax reporting obligations.

OUR SERVICES

A variety of unique factors effects the taxation of a Professional Athlete. In order to minimize tax and maximize savings, these factors as well as a thorough understanding of federal, state, and local tax laws and regulations is required. We understand the "key factors" effecting the taxation of a Professional Athlete and take pride in being part of your professional team. We strive to offer world-class service to our Professional Athlete clientele.

