

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Apr. 14, 2013

It's no secret that professional athletes can earn big paychecks. But in most cities and states they visit, they leave little pieces of them behind.

When the Steelers play in Cleveland, they pay taxes to Ohio and the city of Cleveland. When the Pirates play in San Diego, they pay taxes to California.

Every time the Baltimore Ravens played at Heinz Field, Ray Lewis paid Pennsylvania and the city of Pittsburgh. In his career, Mr. Lewis contributed \$18,720 to the city's coffers — probably not enough for No. 52 to buy the allegiance of any fans in the Steel City.

These nonresident athlete taxes — seldom collected 20 years ago — are now significant sources of revenue for municipalities and states and can cause serious headaches for entertainers, athletes and accountants at tax time.

But while a few extra filings this time of the year are a small price to pay for salaries that can soar well into the millions, it's not just the athletes who are stuck with a complicated tax bill. Any employee who travels with the team, which includes coaches, broadcasters, equipment managers and scouts, is subject to the same tax requirements.

By the middle of the season, an employee's pay stub can't be contained on one page because of all the tax withholding from around the country.

“For equipment managers, staff members, umpires, it's probably more of a burden because they don't have as substantial pay as the athletes, but they have just as equally complex tax situations when it comes to multistate and city filings,” said Andrew Wilson, senior tax analyst in the Tax Institute at H&R Block.

Among the number of returns Pirates broadcaster Tim Neverett filed this year is one

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

with the taxpayers' wallet.

In Pittsburgh, where a Non-Resident Sports Facility Usage Fee was imposed in 2005, athletes and entertainers pour in an average of \$3.7 million annually with a 3 percent fee on all income earned while performing in any venue built or maintained with public money. The teams pay the city directly and withhold the fee from their employees' paychecks.

"It's pretty successful," said city treasurer Margaret Lanier. "The city's always looking for ways to generate revenue."

And with jock taxes, cities and states can generate revenue without taxing their electorate. The Pittsburgh usage fee does not apply to any full-time city resident.

"It can be pretty crazy," said Pirates first baseman Garrett Jones. "I think every ballplayer's tax guy's brain locks up because of all the different states and all the paperwork we've got to have."

Most states that collect income tax long had provisions for nonresidents who earn money while working in those states. But it wasn't until 1991, when the state of California sent tax bills to Michael Jordan and the Chicago Bulls after they beat the Los Angeles Lakers in the NBA Finals, that states began enforcing those laws on high-profile and high-income earners.

Later that year, the Illinois legislature passed a law, later dubbed "Michael Jordan's Revenge," that taxed visiting teams from California. Soon after, every state that collected income tax enforced its nonresident laws on professional sports teams.

"The fundamental underlying law for these cities and states is: If you work here, you earn here, you pay here," Mr. Wilson said, meaning anybody who works outside of their state of residency should also pay nonresident taxes. But it is much easier, and

much more lucrative, for states to enforce these laws on entertainers and sports

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Our view of nonresident taxation of athletes is that they unfairly treat players differently than others who are in that jurisdiction,” said NFLPA communications director Carl Francis. “They do not tax other supposedly high income earners the same way.”

While many athletes take up permanent residence in states that don't collect income tax, such as Florida, Tennessee and Texas, that does not prevent a player from being taxed on his team salary. It could, though, save the player from paying taxes on endorsement deals.

Most states give credit for taxes paid elsewhere, meaning Pennsylvania loses revenue when the Penguins play in Buffalo but makes it up when the Sabres visit Consol Energy Center. The method to figure out who owes what differs in each state and municipality. While the majority of cities and states use “duty days,” a measure of the total days worked in a season, as a method for determining a person's tax liability, some use game days.

What results is a tricky tax formula that is all but impossible for athletes to decipher on their own. Most athletes use accountants through their sports agencies, while individuals turn to tax experts to file.

“Even for me as a CPA, I don't feel comfortable doing our personal taxes because there are so many cities and so many states we have to file for,” said Mary Catherine Melancon, who worked in auditing and is the wife of Pirates reliever Mark Melancon.

Athletes, entertainers and support staff receive dozens of W-2s in the mail each year, and the stack of tax returns for dozens of states is as thick as a phone book.

“It just seems like there could be an easier way to do it,” said Mr. Melancon, now playing in his fifth major league season. “But what do I know?”

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Sponsors.

© 2024 Firmworks, LLC. All rights reserved