CPA Practice Advisor

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Travis Tandy • Apr. 24, 2018

Whether you've provided tax and accounting services for professional athletes in the past or are just getting started, you'll want to pay special attention to these 10 key issues that are unique to this type of client. Adding to the special circumstances these athletes have faced in past year is the new tax law. Many business expenses that are common among professional athletes are no longer deductible or are limited. Tax planning opportunities abound for this type of client as we all sort through the ramifications of the new Tax Cuts and Jobs Act. Here are some of the many things you'll face.

1. Jock Tax: Under the terms of what is commonly called the "Jock Tax," athletes

stadium. Establishing residency can be done simply by finding a living space, obtaining a driver's license in that state and setting up utilities in the player's name. Many players choose states like Florida, Texas, and Washington that have no state tax requirements.

3. Charitable Giving/Non-profit: Players can take advantage of their status to help others through charitable giving. This allows them to support a cause close to their heart. You can help by explaining the value of maximizing charitable donations.

4. Agent Fees & Unions Dues: As of the tax year 2018, union dues and agency fees directly related to the generation of W-2 income no longer qualifies as an itemized deduction. Rookie players have minimum dues exceeding $17,000 per year and agent fees of around 3%. These once-deductible items will need to be removed from the player's tax plans moving forward, or different tax structures need to be explored. However, we are working diligently to review the NFL Collective Bargaining Agreement in conjunction with the new tax laws in hopes of changing the way this is handled.

5. Player Fines: Nobody wants to see a situation where a player does something to generate a fine against them. The fines are often donated in the name of the player, turning the fine into a tax deductible expense to the player. Fines not donated to a charity may be considered a necessary and ordinary business expense to the player, subject to new and limiting tax rules.

6. Athletic Equipment: Footballs, golf clubs, tennis rackets, racquetball rackets, basketballs, etc. are considered ordinary and necessary for the player to continue to play at a high level, and to maintain their employment with their team. Again, new tax rules cause us to reexamine the nature of this former itemized deduction. Look for professional athletes to start incorporating themselves to take advantage of more favorable tax provisions.

7. Royalties: Royalties can sometimes be a difficult issue with athletes. Most are

tax rate and plan.

9. Signing bonuses: The benefit of a signing bonus all comes down to the form in which the bonus is paid out. If the bonus is paid out properly by the league, it may not need to be included in state income.

10: Taxable Swag: Gifts or swag given to players is not truly a gift and it actually comes with a price tag. The items are almost always given in connection with an appearance or as a bonus for the player's appearance. Unfortunately, the IRS will want a cut of that swag in the form of a tax payment. These fortunate events create additional taxable income for the players often overlooked in the excitement and lack of notice from the agency providing the swag.

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Travis Tandy is a staff accountant with Ferguson, Timar & Co in Fullerton California. He has a passion for helping others maintaining financial wealth through tax and business planning. When he's not crunching numbers you can catch him focusing on his physical health, enjoying the California sun with his two children Grace and Drew.

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