

## Welcome, Kevin Durant. Now about your California income taxes...



Photo: Marcio Jose Sanchez, Associated Press

Kevin Durant, formerly with the Oklahoma City Thunder, is expected to sign a two-year contract with the Warriors.

Kevin Durant has agreed to work in California, but he will have a few million reasons not to live here.

If the basketball superstar establishes his residence in California, he will pay California state income tax on 100 percent of his taxable income, including his salary and endorsement contracts. California's rate tops out at 13.3 percent, the highest in the nation.

Durant, formerly with the Oklahoma City Thunder, is expected to sign a two-year contract with the Golden State Warriors for \$54.3 million. His endorsements include a Nike deal worth up to \$300 million over 10 years.

If Durant establishes his residence in another state, he would only pay California tax on his California-source

income. This is primarily income from the percentage of his work days spent in California. This includes games and practices at home in Oakland and those against the Los Angeles Lakers and Clippers and Sacramento Kings.

The California Franchise Tax Board has what it calls a [sports program](#) “to help nonresident professional athlete taxpayers determine their California source income.”

It defines a duty day as “any day services are performed under the contract from the beginning of an official preseason activity until the last game played. The duty days in California are then divided by the total duty days to create a ratio. This ratio is then multiplied by the total compensation. This then is deemed to be the California source income.”

NBA teams play 82 regular-season games, half at home.

If Durant, who currently lives in Oklahoma City [according to Forbes](#), becomes a California resident, he hypothetically would take home, after taxes, about \$54 million over two years from his Warriors income and Nike contract. This assumes he pays his agent 4 percent of his NBA salary, said Robert Raiola, director of the sports and entertainment with accounting firm PKF O'Connor Davies.

If he lived in a state that has no income tax, such as Texas or Florida, he would take home about \$60 million, assuming 57 percent of his Warriors pay and none of his Nike contract is deemed California-source income, Raiola said.

However, California likely would try to tax a portion of a visiting athlete's endorsement contract if it required the athlete to wear the sponsor's clothing or make appearances in California, said Renee Rodda, a vice president with Spidell Publishing.

“California source income to nonresident athletes and entertainers at a California event may include, but are not limited to, payments for wearing or using sponsor's product, making promotional appearances (and) participating in photo and filming days,” the tax board [says in Publication 1017](#).

“It is my belief, he will end up being a resident of somewhere else, not California. If he became a resident of California, all his Warriors money, all his sneaker money, will be dragged in,” Raiola said. Signing with the Warriors for only two years, as Durant has done, could make it easier for him to establish residence outside California.

However, it's not easy convincing the tax board you don't live in California when you make millions of dollars playing for a team here.

Many states say if you spend more than 183 days within its borders, you are a resident. California has no such bright-line rule, said Robert Wood, a San Francisco tax lawyer.

In California, "The underlying theory of residency is that you are a resident of the place where you have the closest connections," the tax board says in a [13-page publication](#) entitled "Guidelines for Determining Resident Status."

It includes a "partial list" of 13 factors you can use to determine residency status, including the amount of time you spend inside and outside the state; the location of your spouse, children, principal residence and bank accounts; the state that issued your driver's license and voter registration; and the "permanence of your work assignments in California." The tax board publication also notes that "it is the strength of your ties, not just the number of ties, that determines your residency."

"California is very aggressive and also very stubborn," said Mark Hutchison, a partner with the Armanino accounting firm. If a player for a California team says he or she lives in Florida, they will fight it. "It's an uphill battle, but some of our athletes do it."

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