



## Robert W. Wood

THE TAX LAWYER

TAXES 4/15/2015

## Aaron Hernandez Guilty, Gets Life, Big Legal Bills Remain

A Massachusetts jury of seven women and five men deliberated for 36 hours over seven days before reaching a unanimous verdict: former [New England Patriots](#) star [Aaron Hernandez](#) is guilty of murder in the first degree. His conviction for the 2013 shooting death of Odin Lloyd carries an automatic life sentence without the possibility of parole. The trial featured 135 witnesses stretched over parts of 10 weeks.

In 2012, the Patriots gave Hernandez a \$40 million contract, but now at age 25, his career is over. Arguably, it was over when he arrested for murder and released—a nicer word than fired—under the morals clause in his contract. There was some debate whether Hernandez could collect some or all of his guaranteed payments, but even his conviction and life sentence is not the end of his legal problems.



Former New England Patriots football player Aaron Hernandez listens as the guilty verdict is read during his murder trial on April 15, 2015 at Bristol County Superior Court in Fall River, Mass.

Hernandez is still set to stand trial on double-murder charges for allegedly being the gunman in a drive-by shooting in the summer of 2012. The arrest for the double-murder came only after the charges in the Lloyd murder case. Finally, there is also a civil case against Hernandez involving a shooting injury.

The civil suit accuses Hernandez of [shooting Bradley Alexander in the face](#) in February, 2013, after a night out. Alexander lost his right eye and is expected to testify in the double-homicide case. The [court papers](#) in the civil case say that Hernandez and Alexander Bradley had an argument. The Palm Beach Sheriff's Office says Bradley claimed he did not know who shot him, but Bradley claims Hernandez pulled the trigger.

Talk of tax deductions for legal fees in this context may sound crazy, but if Hernandez had been acquitted, could he have deducted his legal bills? A 40% tax rate means \$100,000 in legal fees costs only \$60,000. Expenses must be [ordinary, necessary and reasonable](#), but those standards aren't too tough. Personal legal fees are non-deductible, but is this personal or business? The origin of the case is clearly personal, yet legal fees paid to help your business reputation can sometimes be a business or investment expense.

For many individuals, legal fees up to 2% of adjusted gross income aren't deductible, deductions are phased out, and you get no deduction when computing AMT, a separate 28% tax. Even criminal charges don't necessarily prevent tax deductions. Take [John Edwards \\$2M in legal fees](#). He survived a criminal trial, but the charges related to his conduct in his chosen trade or business: politics.

If the charges don't relate to your business or profession, it's tougher to claim deductions based on preserving your reputation. Remember [Winona Ryder](#) and shoplifting? [Robert Blake](#), accused of killing his wife? Supermodel [Naomi Campbell](#)? [Lindsay Lohan](#)'s DUIs, probation violations, and alleged theft of a necklace? [Martha Stewart](#) paid huge legal fees on an obstruction of justice charge.

Perhaps the biggest legal fee case was Michael Jackson's acquittal of child molestation charges. It carried estimated legal expenses as high as \$20 million. It's hard to see how he could deduct them. Ironically, though, Dr. Conrad Murray could probably deduct his legal fees as a business expense, even though he was convicted. He was treating Michael Jackson for pay, and his legal expenses related to that trade or business, even if he ended up being called the [Michael Jackson Death Doctor](#).

As for Mr. Hernandez, he likely won't be fussing over tax issues.

*For alerts to future tax articles, follow me on Forbes. You can reach me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*