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THE TAX LAWYER

TAXES 4/02/2015

Before Mayweather Fight, Manny Pacquiao Buys \$12.5M Beverly Hills Mansion (Don't Tell IRS)

The [L.A. Times](#) reports that [Manny Pacquiao](#) has dropped \$12.5 million for a [Beverly Hills](#) mansion just in time to face undefeated [Floyd Mayweather Jr.](#) The historic bout is May 2 at the MGM Grand Garden Arena in Las Vegas. While you're waiting for the fight, you can read about the amenities of Pacman's plush [\\$12.5 million home in Beverly Hills](#). It has 10,000 square feet, a home theater seating 20, several patios, a large pool and more. But Mr. Pacquiao has some work to do before he can lay back and enjoy it.

[Floyd Mayweather](#)'s undefeated record is on the line against [Manny Pacquiao](#) on May 2. [Mayweather](#), the [world's highest-paid athlete](#), is the favorite. When the two [announced the richest fight in boxing history](#), the frenzy was immediate.



Professional Boxers Floyd Mayweather and Manny Pacquiao attend the press conference to announce upcoming fight with Floyd Mayweather and Manny Pacquiao at The Nokia Theatre L.A. Live on March 11, 2015 in Los Angeles, California. (Photo by Paul Archuleta/FilmMagic)

In Pacquiao's decisive win over Chris Algieri in Macau, China, Pacman knocked his opponent down six times. It was at the Venetian Macao Casino, the same venue where he defeated Brandon Rios. Macau's top tax rate is 12%, compared to the top U.S. rate of 39.6%. In that sense, these [Manny Pacquiao fights in China cost the IRS millions](#). Mr. Pacquiao would rather stay out of Las Vegas now, though he made an important exception with Mayweather.

Mr. Pacquiao is increasingly tax savvy, perhaps by necessity. His earnings just between June 2013 and June 2014 totaled \$41.8 million, putting him at number 11 among the [world's highest-paid athletes](#), and he collected a \$23 million purse for Algieri. But where should his earnings be taxed? Mr. Pacquiao is not a U.S. resident or U.S. citizen. As a nonresident alien, Mr. Pacquiao does not pay U.S. taxes on monies earned elsewhere.

However, he has had some big IRS payday, with 14 fights in the U.S. And he has had IRS problems. In fact, he has fought both the IRS and the Philippine tax authorities. He is beloved in the Philippines, but he is also a high profile target of the Philippine tax collector. Some of the dispute is understandable, about which country should get to tax what.

For example, Mr. Pacquiao claimed that he paid his income taxes for 2008 and 2009 in the U.S., and that a two-country treaty protects his money from being taxed twice. The Supreme Court of the Philippines ordered the boxing champ to answer the tax man's arguments against him.

But [Pacquiao landed a key blow in his tax evasion case](#) when he persuaded the court to lift the bond requirement.

That was huge, since the Philippine government had wanted 3.3 billion pesos (roughly \$75 million). Some of Mr. Pacquiao's assets were frozen. Mr. Pacquiao says the fraud assessments against him are not based in fact, and that allowing the government to collect on a speculative charge is unconstitutional. Proving how much Pacquiao paid the IRS would help reduce his Philippine tax bill.

Nevertheless, the IRS filed an \$18.3 million federal tax lien for 2006 through 2010. In the U.S., a tax lien goes against everything, real estate, personal property, financial assets and more. Mr. Pacquiao's status may buy him extra scrutiny. Foreign entertainers and athletes must file U.S. income tax returns and face [special withholding rules](#) so they don't just pocket the money and run. In fact, the IRS has a [special program](#) targeting foreign athletes and entertainers. They generally must pay U.S. income tax on their U.S.-source income.

That may *sound* straightforward, but what is considered U.S.-source can be debated. It includes pay for performances, endorsements, merchandise sales, and royalty or other income closely related to the event. Depending on an athlete's home country, treaty benefits may apply, and that is one of Mr. Pacquiao's arguments. Disputes about how much income to allocate to particular countries are common.

The U.S. Tax Court often hears athlete tax disputes over promotional income, intellectual property and more. For now, though, it appears that Mr. Pacquiao's more serious tax case is in the Philippines. Given his tenacity, I'm betting on Pacquiao to come out just fine. In that sense, fighting in Las Vegas again, especially against Mayweather, could mean a win against the IRS too. And then he can go back to relax at his new Beverly Hills home.

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