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### Manny Pacquiao Ordered To Explain His Taxes In Court: Is Pacman Now Taxman?

On top of his many boxing titles, including world championships in *eight* weight classes, [Manny Pacquiao](#) is on tap for a possible Senate seat in 2016. First, he has to get his taxes resolved. The Supreme Court of the Philippines ordered the boxing champ and potential Senator to answer the tax man's arguments against him. It almost seems like a 20-round fight.

Only two months ago, [Pacquiao landed a key blow in his tax evasion case](#) when the Pacman persuaded the court to *lift* the bond requirement. That was huge, since the Philippine government wants 3.3 billion pesos (roughly \$75 million). That had Pacman on the ropes. Some of Mr. Pacquiao's assets were frozen, and the cash bond was offered as an alternative.

The Philippine government wants a huge bond as security. Mr. Pacquiao has been resisting, keeping the tax wolves at bay. But his lead is narrowing. The question of how much security should be required is tied to the size of the tax liability.



Manny Pacquiao (Photo credit: Wikipedia)

The latest ruling showcases the see-saw of tax procedure. The tax collector wants more than the boxer's net worth, he claims. 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. The Philippine tax agency isn't even following its own procedural rules, he alleges.

With career earnings above \$300 million, you might think he wouldn't have tax problems. But he's fighting with two hands, one battling the IRS, and the other the Philippine tax authorities. Proving how much Pacquiao paid the IRS would help reduce his Philippine tax bill, but the IRS slapped on a Federal Tax Lien for \$18.3 million in allegedly unpaid taxes for 2006 through 2010.

Mr. Pacquiao is not a U.S. resident or U.S. citizen, so does not pay U.S. taxes on monies earned elsewhere. Still, most of his lucrative fights were in the U.S. He is a perfect high profile target for tax evasion, and the Philippine government is in attack mode.

Pacquiao claims he paid his income taxes for 2008 and 2009 in the United States, and that a two-country treaty protects the cash from being taxed twice. But the Philippine government has been steadily moving to collect. The current flap is over the bond serving as alternative security.

In the U.S., sometimes just a tax lien is enough. Plainly, a tax lien goes against everything, real estate, personal property, financial assets and more. Beating one is tough, although [Dionne Warwick](#) once managed to do it. The IRS has a [special program](#) targeting foreign athletes and entertainers.

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. They generally must pay U.S. income tax on their U.S.-source income. 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. Yet 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. As he works through it, he'll be fighting hard to hang on to his assets until it is all over. Possession, as they say, is nine-tenths of the law. Hey, maybe that should be a boxing slogan?

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