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THE TAX LAWYER

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Win Olympic Gold, Cash, Then Endorsement Payday

Now that the [U.S. wins first gold medal of 2014 Sochi Olympics](#), the cash will start piling up just like the medal count. The U.S. Olympic Committee awards its athletes \$25,000 for gold, \$15,000 for silver and \$10,000 for bronze. And it's all considered taxable income by the IRS. At least the medals *themselves* aren't taxed, though they may have a higher market value this year than in the past.

Some in Congress didn't like the tax bill athletes faced in 2012, and the same has emerged from Sochi. Rep. [Blake Farenthold](#), R-Texas, reintroduced the [Tax Exemptions for American Medalists](#)—wait for it, the TEAM Act—to exempt U.S. athletes from taxes on their medals and prizes. A similar effort was pushed by Sen. [Marco Rubio](#) and supported by Republican nominee [Mitt Romney](#) in 2012.

Even President Obama [signaled support](#) last time. White House Press Secretary Jay Carney told reporters during the Summer Games. “If it were to get to his desk he would support it.” With only seven Senate cosponsors, it never even came up for a vote. The tax rules are clear—and harsh. Since 1986, prizes and awards are fully taxable.

The IRS website warns that whether you win a drawing, quiz show or beauty contest, it's taxed. It's the same rule for any cash prize, be it the lottery, a Nobel prize and Olympic medals too. Plus, you must report the fair market

value of merchandise or products. It's all [other income](#) on [Form 1040](#), Line 21.

Some people have avoided taxes by declining an award, as George C. Scott did his Academy Award for Patton. You can even decline a Nobel Prize as [six Nobel Laureates](#) have done. To avoid the cash component, President Obama regifted his Nobel cash in 2009. The IRS explains how in [Revenue Procedure 87-54](#).

Nobel laureates receive a diploma, a gold medal and cash in Swedish kronor. The amount has been as high as \$1.5 million, but the prestige is worth far more for the winner and employer too. Some estimate the coveted prize injects \$24 million to an institution's coffers and even adds two years to a [laureate's life!](#)

A study by Research Policy suggests having a [Nobel Prize winner](#) is [perfect](#) for an initial public offering. For Olympians, the **real** money is in endorsements. What do athletes do with endorsement income? Pay tax, like most of us. They pay when they get the money, unless they contract for time payments.

And this is where agents and consultants and lawyers come in. Deals can be structured in different ways. For example, in 2012, Allstate Insurance Company offered an endorsement product to stretch payments over time. It was available even if the company paying the athlete wanted a one-time or one-year deal.

If a sponsor wants an Olympian's smile on toothpaste boxes, the athlete can take the cash. Or, before signing, the athlete might be able to insist on having the cash sent to Allstate (or a similar vendor) which would thereafter pay out the amount, plus interest, over whatever period of time the athlete specifies. The only catch is that the athlete must select the term of the payout **before** signing the deal.

That would all still be taxable, of course. But in taxes as in the Olympics and indeed in life, timing is everything.

You can reach me at 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.