



Robert W. Wood

THE TAX LAWYER

Aug. 12 2012 — 11:11 pm

And Now For Olympic Endorsement Deals...

With the conclusion of the Olympics, the flap over U.S. medal winners paying tax on their \$10,000 to \$25,000 bonuses from the U.S. Olympic Committee will die down. The brief glimmer of Olympian Tax Relief in pending tax bills goes in the smelter to be forged into some other tax fix. Besides, everyone knows the **real** money is in endorsements and reports suggest the deals could be big.



Dan Migala of the Property Consulting Group sports marketing firm [told Forbes that Gabby Douglas could earn as much as \\$10 million](#) over the next four years. Chinese Swimming star Sun Yang is already set to get \$18 million. There are many more and no one is arguing such earnings should be exempt.

Still, some complain that clever tax lawyers could twist the pending tax-free Olympic medal bill to cover bonuses too, something some endorsement deals contain. Sports federations already pay for success, including USA Wrestling that [offers](#) \$250,000 for gold, \$50,000 for silver and \$25,000 for bronze. USA Triathlon gives \$20,000 for gold,

\$10,000 for silver and \$5,000 for bronze. [Michael Phelps](#) can rake in \$75,000 per gold from USA Swimming, with an extra \$50,000 for each world record.

But passage of the bill is unlikely despite President Obama's "I'll sign it" gaffe. What will athletes do with endorsement income? Pay tax, and like most of us, they'll pay tax when they get the money. Unless they contract for time payments, that is.

It turns out that Allstate Insurance Company has an endorsement product to stretch payments over time even if the company paying the athlete wants a one-time or one-year deal. Here's how it works. Suppose Crest wants Gabby Douglas' smile on toothpaste boxes and pays her \$1 million for a one-year deal.

Gabby would get the cash and pay her tax, presumably at top rates. But if before signing she talks to Allstate, Crest can send the million to Allstate which will pay out the amount, plus interest, over whatever period of time Gabby wants. The only catch is that Gabby must select the term of the payout **before** she signs.

This is the same arrangement successful plaintiffs' lawyers use to structure payouts of their fees. See [Tax Deferral Options For Plaintiffs' Attorneys](#). The idea is to flatten out income so you can plan better and so taxes take less. These contracts are outgrowths of the structured settlements available for plaintiffs in lawsuits. See [10 Things To Know About Taxes On Damages](#).

They may seem to run afoul of a fundamental tax concept called "constructive receipt." It says you can't defer taxes if you **could** have gotten the income now. But Allstate has its documents cleverly orchestrated and sidesteps this issue.

Perhaps few newbie celebs are likely to want these kinds of deferral contracts. Still, they are one more illustration of the principle that there's a tax angle for orchestrating just about anything.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax](#)*

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