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### Manny Pacquiao Beats Chris Algieri, But Two Tax Fights Loom

[Manny Pacquiao](#) has yet another victory under his belt, this one a decisive win over Chris Algieri in Macau, China. Pacman knocked his opponent down six times in the fight. And he achieved the unanimous decision win in the same venue where he defeated Brandon Rios, the Cotai Arena at the Venetian Macao Casino. It is hard to ignore Macau as a destination when the top tax rate is 12%. Compare that to the top U.S. rate of 39.6%.

Is it any wonder that Mr. Pacquiao would rather stay out of Las Vegas, where he used to fight? He is resilient, versatile and feisty, with world championships in *eight* weight classes. With career earnings well above \$300 million, he is increasingly tax savvy too, though he still hopes for a KO in his long brewing tax fight.

He's fighting the IRS and the Philippine tax authorities at once. In that sense, the \$23 million purse for the Algieri fight could come in handy. His earnings between June 2013 and June 2014 totaled \$41.8 million, putting him at number 11 among the [world's highest-paid athletes](#). But taxed *where?*



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, but some big paydays and 14 fights were in the U.S. Meantime, he is a high profile target and the Philippine government is in attack mode. Pacquiao claims 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.

He is on tap for a possible Senate seat in 2016, but it would help 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. [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 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 latest ruling showcases the see-saw of tax procedure. 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 alleged.

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. In the U.S., 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.

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.

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.

But given his tenacity, I'm betting on Pacquiao to come out just fine.

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