

## Mayweather. McGregor. And the IRS

By Robert W. Wood

**B**oxing great Floyd Mayweather Jr. is set to face off against MMA's Conor McGregor in Las Vegas on August 26. But in the lead-up to the fight of old against young, taxes have taken center stage. The two sound a little like dueling political candidates sparring over emails or tax returns.

The flap started when the story broke that, ironically, "money" Mayweather still owes some to the IRS for this 2015 taxes. Sure, he may have made hundreds of millions that year, but he is, well, illiquid. He tried to get the IRS to let him pay over time.

Then, he took the IRS to court about it. He is worth plenty, of course, but having high value assets doesn't always translate to cash to pay the IRS. And that seems to be Mayweather's problem. That could all change with his upcoming August 26 fight.

The IRS is usually not too tough about granting installment agreements, especially where the period of time involved is relatively short, and where there are plenty of assets the IRS can lien to be sure it is eventually going to get paid. But in the case of someone with enormous assets — and Mayweather surely falls into that category — the IRS may be tougher.

Normally, of course, you must pay when you file your tax return. In Mayweather's case, that would have been April 15 or October 15 of 2016, for his 2015 year. Yes, these are 2015 taxes he owes. They would have been due on April 15 of 2016 even if Mayweather went on the automatic six-month extension. The extension only allows you to file your return six months late, but your payment must still be on time.

Otherwise, the IRS adds penalties and interest. Given that Mayweather is late in *paying* (even if he filed his tax return on time), he probably has an unhealthy dose of interest and penalties, that are still accumulating. It also may be a little embarrassing to have his tax and financial affairs discussed before the big fight.

Still, it seems likely that Mayweather could free up some cash if he really wanted to. In 2015, Mayweather had a very big year, reportedly earning \$220-230 million for defeating Manny Pacquiao in the Fight of the Century. Mayweather's come-out-of-retirement pay for fighting McGregor is reportedly \$100 million plus. In fact, it could balloon to four times that much, depending on the variables.

Conor McGregor won't come off badly either. He is said to expect at least \$75 million. That is five times as much as his take from any UFC event. McGregor has been lambasting Mayweather to pay his taxes. Once the McGregor fight takes place, Mayweather will have to pay taxes on that too. It could be as much as \$400 million in earnings.

Taxes can snowball. Mayweather will have to address both his current and his back taxes, plus penalties and interest. Under Section 6321 of the tax code, when you fail to pay a tax liability after notice and demand, a lien attaches to all your property and rights to property. The IRS can seize and sell property subject to a federal tax lien. Filing a lien is second nature to the IRS, but it does not necessarily mean that the IRS will try to seize and sell anything.

In fact, often, the IRS will grant an installment agreement, provided that you are playing by the rules. Before applying for any payment agreement, you must file all required tax returns. There are simplified IRS procedures for small amounts of taxes due, and even for some payroll tax debts.

Asking for time to pay involves giving the IRS details about your income and assets. In Mayweather's case, he would probably have to submit a Form 433-A, and even a Form 433-B. The Form 433 series of forms are basically financial statements that list all your income, expenses, and assets.

After McGregor's "pay your taxes" chants, Mayweather has complained that he already paid the IRS \$26 million for 2015. But given his 2015 income, his tax bill was clearly bigger than that. It is common to delay payment, and to deal with the IRS over time.

However, these appear to be self-assessed taxes. That is, Mayweather presumably filed his tax return, reported what he owed, but was short of cash. That is quite different from a notice of *additional* taxes due after an audit. Mayweather's case seems to suggest that he may not have planned too well.

The "cannot pay" issue is more prevalent (and easier to understand) where the IRS says you owe *additional* taxes. Many taxpayers might ask, "didn't Mayweather's employer take out taxes?" Not likely. Most of his income is probably via contract without withholding.

However, as a matter of simple planning, you might think that Mayweather would put aside the portion of that pay anticipated to go to taxes. If you are investing, you arguably do not want to tie up money that you will have to pay the IRS soon. The math would not seem to be that difficult.

But it is not clear what Mayweather — or rather his managers and financial advisers — actually did. Athletes and entertainers often have people that do these sorts of things for them. Perhaps something went awry. After all, as the story has rolled on, new reports have emerged.

Mayweather still evidently owes the IRS \$7.2 million in taxes dating to his 2010 tax year. The IRS tax lien is still there, which means that either the IRS or Mayweather made a mistake. And he owes a reported \$22 million for 2015. For anyone other than Mayweather, those sound like big numbers.

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