LET’S TALK TAXES

With NIL income now flowing to college athletes, artists, & influencers, federal income tax consequences must be considered. Students must understand the tax rules associated with NIL income to protect themselves. Not all income from NIL may be taxable, however many deals will trigger income tax issues.
WHY SHOULD I CARE?

MUST CONSIDER YOUR ROLE AS A BUSINESS-Person

HAVE BECOME ENTREPRENEURS/SMALL BUSINESS OWNERS

HAVE AN INCREASED AMOUNT OF RESPONSIBILITY NOW THAT YOU CAN PROFIT OFF YOUR NAME, IMAGE, LIKENESS

NIL STUDENTS:
FAILING TO PROPERLY REPORT INCOME COULD RESULT IN:

- Monetary fines by the IRS
- Criminal Penalties
- Negative Impact on your Financial Aid Eligibility.

WHY SHOULD I CARE?
EXAMPLES OF WAYS TO EARN INCOME ON NIL DEALS

1. SOCIAL MEDIA: TIK TOK & INSTAGRAM
2. MERCHANDISE: JERSEY SALES & AUTOGRAPH SIGNINGS
3. SPONSORSHIPS, ENDORSEMENTS & MARKETING SERVICES
4. VEHICLE LEASES & MERCHANDISE “GIFTS”
TYPES OF INCOME

SALE OF PROPERTY

RECEIPT OF MONEY, PROPERTY, SERVICES, COMPENSATION, PRIZES

MERCHANDISE

MONEY

CRYPTOCURRENCY

CARS

MERCHANDISE
WHAT IF I RECEIVE NON-CASH BENEFITS?

THESE BENEFITS ARE GENERALLY TAXED AT THEIR FAIR MARKET VALUE. THIS CREATES TAXABLE INCOME EVEN IF A STUDENT DOES NOT RECEIVE CASH

TYPES OF NON-CASH BENEFITS

- CARS
- MERCHANDISE
- FREE PRODUCTS

- PAID TRAVEL & EXPENSES BY A BUSINESS PARTNER/SPONSOR

- SOCIAL MEDIA APPEARANCES THAT HELP MAXIMIZE STUDENT EXPOSURE

INCOME VALUE: FAIR MARKET VALUE
TAXES AFFECTING NIL STUDENTS:

- FEDERAL INCOME TAXES
- STATE INCOME TAXES
- SELF-EMPLOYMENT
WHAT HAPPENS WHEN I SIGN AN NIL DEAL OR TAKE ON A SPONSORSHIP?

The government considers you to be self-employed which means you must pay taxes on the compensation earned from your NIL deal.

HOW MUCH DO I HAVE TO EARN BEFORE I MUST START PAYING TAXES?

Students must make at least $400 in income, be it cash or the value of non-cash items or services, will be subject to taxation under the self-employment IRS guidelines. [https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return](https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return)
HOW WILL I ACCOUNT FOR AND PAY TAXES ON INCOME EARNED?

Students fill out Form W-9, which reports income to the IRS

Students must complete Form 1040 Schedule C to report NIL income & expenses

Students will be issued Form 1099

Students must calculate their own tax liability. Seek a professional tax expert.
**TRACK YOUR INCOME & CASH RECEIPTS**
- **SUGGESTION:** Track your cash earned solely from NIL deals separately from other earnings. Seek a tax expert.

**TRACK YOUR EXPENSES AND CASH FLOW**
- **SUGGESTION:** Track your expenses and save every receipt. Seek a tax expert.

**SET ASIDE MONEY FOR TAXES AS YOU EARN IT**
- **SUGGESTION:** Consult a tax expert on the amount of taxes due for each NIL deal. Set aside the calculated taxes owed for each NIL deal.

- **TAXES START WITH ONE THING:** How much money did a NIL student make during the year.
- **SUGGESTION:** Track your cash earned solely from NIL deals separately from other earnings. Seek a tax expert.

- **REPORT ALL YOUR INCOME. SOME NIL EXPENSES CAN BE DEDUCTIBLE. A STUDENT WITH AN NIL DEAL IS CONSIDERED A BUSINESS AND BUSINESSES GET TO DEDUCT CERTAIN EXPENSES.**

- **THE MORE INCOME YOU EARN, THE LARGER YOUR TAX RESPONSIBILITY. YOU ARE CONSIDERED TO BE SELF-EMPLOYED UNDER NIL DEALS. STUDENTS MUST TRACK THEIR OWN TAXES, NO BUSINESS PARTNER WILL DO IT FOR YOU.**

- **SUGGESTION:** Consult a tax expert on the amount of taxes due for each NIL deal. Set aside the calculated taxes owed for each NIL deal.
NOT EVERYTHING FROM NIL DEALS IS INCOME. CONSULT A TAX EXPERT TO BEST DETERMINE WHAT MIGHT BE CONSIDERED INCOME AND MAY NEED TO BE REPORTED TO THE IRS.

PROPERTY OR MERCHANDISE THAT IS PURCHASED BY YOU FOR YOUR OWN PERSONAL USE.

WHAT IS NOT CONSIDERED INCOME

GIFTS—Subject to a certain limit.

SCHOLARSHIPS & FINANCIAL AID
FIND A TAX EXPERT ASAP

SEEK OUT A PROFESSIONAL TAX EXPERT BEFORE TAX SEASON STARTS. WORK WITH THEM THROUGHOUT THE YEAR TO HELP TRACK THE TAXES DUE.

SUGGESTION: FIND A TAX PROFESSIONAL THAT FITS YOUR SITUATION. TAX EXPERTS CAN HELP ESTIMATE THE AMOUNT OF TAXES DUE.

BE HONEST. DO NOT HIDE ANYTHING

UNDERREPORTING YOUR INCOME OR OVERSTATING YOUR DEDUCTIONS DOES NOT END WELL WITH THE IRS.

SUGGESTION: WORK WITH A TAX EXPERT AND REPORT YOUR INCOME AND DEDUCTIONS HONESTLY TO THE TAX PROFESSIONAL AND THE IRS.
COACHES: They can point you in the right direction. They work with NIL athletes and can help guide you.

ADMINISTRATORS/ADVISORS/PROFESSORS: They have your best interest in mind and can connect you with helpful resources.

YOU: Take the time to educate yourself.

TAX PROFESSIONAL SERVICES: When your car needs maintenance, you take it to the mechanic. Treat your NIL deals the same way.
TAX PREPARATION ASSISTANCE

VOLUNTEER INCOME TAX ASSISTANCE (VITA)

MY FREE TAXES
https://myfreetaxes.com

WHO MUST FILE TAXES: OREGON
https://www.oregon.gov/dor/programs/individuals/Pages/file-requirements.aspx
TAX PREPARATION ASSISTANCE

Who must File Taxes?

Form 1040,
U.S. Individual
Tax Income

W-9, Request
for Taxpayer Identification


WANT MORE INFORMATION

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