

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.



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WHY SHOULD I CARE?

NIL
STUDENTS:

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



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WHY SHOULD I CARE?

FAILING TO PROPERLY
REPORT INCOME
COULD RESULT IN:

Monetary fines by the
IRS

Criminal Penalties

Negative Impact on
your Financial Aid
Eligibility.



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EXAMPLES OF
WAYS TO EARN
INCOME ON NIL
DEALS

SOCIAL MEDIA: TIK TOK & INSTAGRAM

MERCHANDISE: JERSEY SALES & AUTOGRAPH
SIGNINGS

SPONSORSHIPS, ENDORSEMENTS & MARKETING
SERVICES

VEHICLE LEASES & MERCHANDISE "GIFTS"



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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



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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>





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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.



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TRACK YOUR INCOME & CASH RECEIPTS

- 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.

TRACK YOUR EXPENSES AND CASH FLOW

- 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.
- **SUGGESTION:** TRACK YOUR EXPENSES AND SAVE EVERY RECEIPT. SEEK A TAX EXPERT.

SET ASIDE MONEY FOR TAXES AS YOU EARN IT

- 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.



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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.

<https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-estate-taxes>

SCHOLARSHIPS & FINANCIAL AID



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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.

WHO CAN HELP?



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)**

<https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>

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?**

<https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return>

**Form 1040,
U.S. Individual
Tax Income**

<https://www.irs.gov/businesses/small-businesses-self-employed/self-employed-individuals-tax-center>

**W-9, Request
for Taxpayer
Identification**

<https://www.irs.gov/forms-pubs/about-form-w-9>



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WANT MORE INFORMATION

CONTACT THE UO LAW SCHOOL BUSINESS LAW CLINIC

KNIGHT LAW CENTER

P: (541) 346-1111

