NIL & TAXES

- Grasp the structure of deals.
- Be aware of the tasks required to fulfill the contract.
- Understand the tax obligations associated with the agreement.

Taxable Compensation Overview

- Cash payments (endorsements, posts, appearance fee, autograph signing)
- Merchandise deal: A deal that allows you to spend up to a certain amount on their goods
- Car lease or other use of a car
- Any goods received in exchange for promotion: clothing, merchandise, equipment, etc.
- Sale of products produced by or for you

What taxes will you have to pay?

NIL income is categorized as "Self-Employment" income. When you a sign deal exceeding $600, expect to receive a Form 1099 from the paying company.

- **Federal Tax:** If your income surpasses $12,550, it may be subject to Federal tax. A standard deduction of $12,550 applies for single individuals, ensuring no Federal taxes are due if your total income is below that threshold.
- **State Tax:** Income earned in a specific state is taxable there. You might also owe taxes to your resident state and possibly your home state where your parents reside, based on your residency status. *Florida does not have a state income tax.*
- **Self-Employment Tax:** Any earnings from NIL are considered self-employment income, requiring self-employment tax payments. The SE tax falls within the 12-15% range for the initial $142k of income.

Disclaimer: The information provided herein is intended for general informational purposes only and should not be considered as a substitute for personalized advice from a licensed attorney or tax advisor. Laws and regulations can vary significantly depending on the jurisdiction, and individual circumstances can greatly affect how those laws apply. Always consult with a qualified expert to ensure that you are making well-informed decisions based on your specific situation.

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Tax Payment Deadlines and Quarterly Estimates

- Individual employment taxes are generally due around April 15 each year.
- According to the IRS, individuals like sole proprietors, partners, and S corporation shareholders must make quarterly estimated tax payments if they anticipate owing $1,000 or more when filing federal or state tax returns.
- Partners in businesses or corporations often pay quarterly taxes if they expect to owe at least $500.
- Business owners who do not pay at least 90% of the taxes owed may face penalties, so consulting with a tax professional to verify the amount owed is advised.
- Quarterly estimated tax payments are due on April 15, June 15, September 15, and January 15 for each respective quarter.
- *Even if you don't receive a 1099 from the company, it's crucial to report your income to the IRS. Failing to do so could lead to penalties and interest on top of the original tax amount owed.*

The payment made to the state where you earn income might offset what you owe to your home state. Tax rates and deductions differ among states, with some states not having an income tax at all. These state tax matters highlight the intricate nature of tax regulations that student-athletes will encounter independently. *That's why seeking advice from a reliable tax expert is highly recommended.*

How will this affect financial aid?

For student-athletes on "needs-based" scholarships, financial aid, or grants, NIL income might impact their eligibility for financial assistance. The high school and university's financial aid and scholarships department can assist student athletes in understanding the impact of any NIL income on their aid.

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