



## STUDENT ATHLETES: NAME, IMAGE, LIKENESS, & TAXES

With the NCAA clearing the way for student-athletes to be able to profit off their name, image, and likeness, there is now another new role student-athletes must consider: the role of the business-athlete. All student-athletes have effectively become entrepreneurs/small business owners. With the ability to now generate revenue comes an increased amount of responsibility. As any small business owner knows, it is a lot of work.

As CPAs, our focus is on the complexities regarding the accounting and operational components of running a business. However, not to be forgotten are the legal issues such as business formation, contracts, and a host of other legal issues that may come up.

Business-athletes will soon realize or remember that with income comes taxes. While there is a standard deduction that will shield some income for athletes, there will likely be many athletes that are able to eclipse that mark. Additionally, there are other taxes such as self-employment, state taxes, and local taxes that will also factor into the equation.

Income received by athletes, who are not considered employees, will be issued via a 1099. Generally this means that there will be no income tax withholdings for these athletes. Athletes may also receive non-cash benefits, such as cars, merchandise, etc. These benefits are generally taxed at the fair market value, which creates even more issues as athletes can have taxable income without even receiving cash. These athletes will need to make estimated tax payments to ensure that they do not have to pay significant interest and penalties due to underpayment of estimated taxes. It will be very important for the athletes to understand their cash flow and the impact on their year-end taxes.

Another large issue will be the state side of things. Income earned across multiple states generally requires filing multiple state income tax returns. An appearance in a nearby state could create a need to file a return for that state. Income will likely need to be apportioned to different states if the athlete lives in different states during the year. State filings can be a challenge for seasoned business professionals, and athletes will need a quick crash course.

This new generation of business-athletes will need to make sure to keep track of their income and where it comes from. Additionally, they will want to keep track of all their expenses as those will help offset the income that they receive. Expenses such as travel, meals, phones, and internet are deductible if incurred as part of their business.

The modern-day student-athlete already has plenty on their plate. With this new opportunity, they will need help from coaches, administrators, advisors, and professional services. We look forward to serving and help educating these new business-athletes.

### MEET THE KERNUTT STOKES BUSINESS-ATHLETES TEAM



**BRENT P. LAIRD**  
CPA, MST, Partner  
[blaird@kernuttstokes.com](mailto:blaird@kernuttstokes.com)



**KEVIN BELL**  
CPA, Partner  
[kbell@kernuttstokes.com](mailto:kbell@kernuttstokes.com)