

# Top 7 Tax Tips for College Athletes



If you're a college athlete profiting from your name, image, and likeness (NIL), here are seven top tips to help you prepare for tax season.

## 01

### Get in touch with the experts

Before signing any NIL deals, it would be wise to contact your school's financial aid office for answers on how NIL income could impact any scholarships or need-based aid like Pell Grants.

**Tip:** Student-athletes can now hire an agent for professional representation. If this is in your budget, an experienced agent can help you negotiate marketing deals, educate you on NCAA rules, and navigate your finances.

## 02

### Consider forming a legal business

A formal business can provide valuable benefits like personal liability protection. If you plan on signing a lot of endorsement deals, you may want to consider forming a legal business such as an LLC or corporation. Each business structure has unique tax implications, so you'll want to pick the one that works best for your business goals.

## 03

### Know how NIL income can affect your dependency status

Your parents can still claim you as a dependent if you earn NIL compensation. However, this ultimately depends on how much financial support you receive from your parent or guardian. If your income outweighs the financial support provided by your parents, your parents will probably not be able to claim you as a dependent.



**Tax Tip:** If you aren't a dependent, you could qualify for additional tax breaks (see below).

## 04

### Find ways to lower your tax bill

If you're a college athlete profiting from your name, image, and likeness (NIL), here are seven top tips to help you prepare for tax season.

#### Tax-deductible NIL expenses:

- ✓ Travel costs
- ✓ Meals when traveling
- ✓ Advertising fees
- ✓ Parking fees
- ✓ Other related costs

#### Possible tax credits:

- ✓ American Opportunity Credit
- ✓ Lifetime Learning Credit
- ✓ Retirement contributions

**Note:** You can't qualify for these credits if someone claims you as a dependent

## 05

### Track your NIL income and expenses

The IRS categorizes most NIL earnings as **self-employment income**. Keep receipts and track all your business income and related expenses. You'll need this information to accurately record income and deductions on your tax return.

## 06

### Find out what taxes you owe

- FEDERAL INCOME TAX
- STATE INCOME TAX
- SELF-EMPLOYMENT TAX

If you earn \$400 or more in NIL income... you'll need to pay **self-employment tax** to cover your Medicare and Social Security taxes. If you earn more than the standard deduction... you may owe **federal income tax**. You may also owe **state taxes** if the state you live and work in charges income tax.

**The standard deduction for a single filer in 2022 is \$12,950.**

If you expect to owe more than \$1,000 in taxes... you must estimate and pay your taxes to the IRS every quarter.

**Tax Tip:** If you overestimate what you owe, you'll get the excess back as a tax refund.

## 07

### Know how and when to file

As a college athlete earning NIL income, you will likely operate as a **self-employed sole proprietor**, and the IRS will treat you as an independent contractor. When tax season rolls around, you'll report your NIL income and expenses on your federal income tax return using **Schedule C**.

This article is for informational purposes only and not legal or financial advice.