

The Jock Tax

The farthest thought from sports fans' minds when watching any nail-biter professional sporting event come down to the wire is, "I wonder if athletes are taxed differently since they play in so many different states?" Most people are surprised to find out that many cities and states impose income taxes on nonresidents for money earned within the confines of their jurisdictions. This tax is fittingly and informally referred to as the "jock tax." The jock tax applies to athletes and other entertainers who travel from state to state to perform.

The basic reasoning behind the tax is simple and two-fold. Some states have enacted the tax to generate revenue, and others have done it to recover tax revenue that has been lost to other states. For example, in 1992, the Illinois legislature passed a bill that was informally titled "Michael Jordan's Revenge" to impose a tax only on athletes who were from states that taxed athletes who reside in Illinois.

In general, two methods are used to compute the jock tax. The most widely used formula is called the "duty days" formula. This takes into account all days on which an athlete is considered to be working: preseason games, postseason games, travel days, and practice days. Then the athlete is taxed on the number of days spent in the jurisdiction. Conversely, the other formula, the "games played" formula, is not as pocketbook friendly. This formula computes athletes' income on a per game basis, and the athlete is liable for tax on the salary earned for individual games played in the particular jurisdiction. Given the hefty dollar amount pros earn on an allocated per game basis, the latter method results in much higher tax revenue.

Lets hope Yankee slugger Alex Rodriguez spends the 2008-2009 season in more duty days jurisdictions than not.

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