



**LEOPOLDUS  
LAW**

# **THE ATHLETE'S TAX PLAYBOOK**

*The jock tax, residency, entities, and the deductions you  
are missing*

**BRANDON LEOPOLDUS, ESQ.**

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**TAXES ARE NOT A  
ONCE-A-YEAR EVENT.  
THEY ARE A  
STRUCTURE YOU  
BUILD, OR PAY FOR  
NOT BUILDING.**

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**BRANDON LEOPOLDUS, ESQ.**

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# A SHORT CAREER, A DOZEN STATES, AND ONE MACHINE YOU EITHER BUILD OR PAY FOR NOT BUILDING.

A professional athlete has one of the most complicated tax situations in the country, and almost none of them know it until the returns arrive. You earn income in a dozen or more states in a single season, each of which wants its cut. Your pay is a mix of salary, bonuses, endorsement money, and appearance fees, each taxed and sourced differently. Where you live is a tax decision worth more than most contracts. Handle all of that on the fly, in April, with a general accountant, and you will overpay, badly, every year of a short career.

This guide lays out the moving parts and how they fit together: the jock tax and how your income gets carved up across states, the residency decision that sits underneath everything, the entity and income-character questions that decide what you can deduct, and the planning that turns a chaotic filing into a controlled one.

**One idea runs through all of it. The athletes who keep the most are not the ones with the cleverest April maneuver. They are the ones who set the structure up front and let it work all season.**

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*Current as of mid-2026. Tax law changes yearly; confirm the current-year rules before you act. This guide is educational and is not legal or tax advice.*

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**IT IS ALL  
LEGITIMATE.  
NONE OF IT IS  
AUTOMATIC.**

THE ATHLETE'S TAX PLAYBOOK

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*Followed by a FAQ, a glossary, ten costly myths, and how to reach us.*

A man in a dark suit and light shirt is smiling and pointing towards a tablet held by another person. The background is dimly lit, suggesting an office or meeting room. The overall tone is professional and collaborative.

# 1

CHAPTER ONE

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## THE DIAGNOSIS

*Why athletes overpay, and the rule that governs everything*

# WHY ATHLETES OVERPAY

## FOUR FIXABLE REASONS, NOT ONE IMMOVABLE RATE

Athletes overpay for four reasons, and each is fixable. They file in the states where they played without planning where they live. They receive every kind of income personally and in isolation, without a structure that shapes how it is taxed. They miss deductions because their income is characterized in the way that forecloses them. And they treat tax as something that happens to them at the end of the year rather than something they build at the start.

None of that is about loopholes or hiding income. The entire game is legitimate: put your income in the right character, live in the right place for the right reasons, allocate correctly across the states that can tax you, and claim what the law allows. The athlete's situation is genuinely harder than almost anyone else's, and the ordinary infrastructure most people rely on, a single state of residence, a preparer who has seen a thousand returns like yours, simply does not fit. Match the tools to the situation, and the leak closes.



### DID YOU KNOW?

The overpayment is structural, built into the mismatch between an extraordinary situation and ordinary tools. A general accountant seeing a multistate athlete return for the first time is not equipped for it, and the athlete rarely knows enough to notice what was missed.

# IT IS ALL INCOME, AND IT IS ALL YOURS

## THE RULE THAT GOVERNS EVERYTHING ELSE

Federal law treats as gross income essentially everything of value you receive, from whatever source, unless a specific provision says otherwise.<sup>1</sup> Salary, signing bonus, endorsement fee, appearance payment, the free gear, the comped travel, the equity, all of it is presumptively income. The instinct that some of it is a gift or does not count is almost always wrong, and acting on that instinct is how athletes end up with surprise bills and penalties.

The second half of the rule matters just as much: income from your personal services is taxed to you, the person who earned it, and you cannot shift that tax simply by routing the money through someone else or something else.<sup>2</sup> A naked "just put it in an LLC" strategy does not lower the tax on your salary. An entity can do real, valuable work in your tax picture, but it does not make the tax on money you personally earned disappear, and any advisor who promises that is selling a problem, not a solution.

**EVERYTHING YOU GET IS INCOME,  
AND THE INCOME YOU PERSONALLY  
EARN IS TAXED TO YOU.**

# 2

CHAPTER TWO

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## THE JOCK TAX

*How your season gets carved up across states*

# DUTY DAYS, NOT GAME DAYS

## A JURISDICTION MAY TAX ONLY WHAT YOU EARNED WORKING THERE

A state or city may tax the income you earn for work performed within its borders, even though you neither live nor are employed there. Play a road game in a taxing state and it wants tax on the slice of your salary attributable to the days you worked there. Multiply that across a full schedule and you are filing in a dozen or more jurisdictions for one season.

A city cannot simply divide by games played, because that reaches income earned everywhere else. The correct method is duty days: the taxing jurisdiction gets the share of your income equal to the days you worked there divided by your total working days for the season. When Cleveland tried to tax a visiting NFL player by the games-played method, the Ohio Supreme Court held it unconstitutional and directed the duty-days method instead.<sup>3</sup> California allocates the same way, by the ratio of California duty days to total duty days.<sup>4</sup> Duty days run from the first day of preseason training through the last game, and include practices and travel, not only competition — but only for the compensable period your contract actually pays you for.<sup>5</sup>



### GET THE DENOMINATOR RIGHT

Your total duty days is a real, definable number, and getting it right is the difference between a correct allocation and an overpayment. A hockey player's salary was held to cover training camp and the season, but not the off-season, because the contract imposed no off-season obligations.

# CITIES, THRESHOLDS, AND RAGGED EDGES

## WITHHOLDING IS A ROUGH ESTIMATE, NOT A PLAN

The jock tax is not uniform, and the unevenness is where mistakes hide. Some cities impose their own tax on top of the state, so a single road trip can generate both a state and a municipal liability. Some states set a threshold of days or dollars below which a nonresident need not file, and a handful impose no income tax at all. You cannot reason about exposure from a general rule; you have to run the actual schedule against the actual map of taxing jurisdictions and their current rules.

Teams and their payroll providers often handle the mechanical withholding, and athletes assume that means the jock tax is taken care of. It is not. Withholding is a rough estimate; the allocation, the credits for taxes paid to other states, and the residency positions that determine your total bill are planning decisions a payroll department does not make. The athlete who treats the jock tax as the team's problem overpays quietly.

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### THE WORKING PRINCIPLE

A jurisdiction may tax only what you earned working there, measured by days. Everything else about the jock tax, cities, thresholds, no-tax states, is detail layered on top of that one settled rule.

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# THE SIGNING BONUS AND THE SOURCING QUESTION

## OFTEN THE LARGEST CHECK, AND THE WORDS DECIDE ITS TAX

A bonus treated as just more salary gets allocated across the jock-tax states like everything else. But a true signing bonus, one paid for signing rather than for playing, not conditioned on performing services, and not refundable if the athlete never plays, can in some circumstances be sourced to the athlete's state of residence instead of spread across every state on the schedule.

For a resident of a no-tax or low-tax state, that distinction can be worth a great deal, keeping the largest check of the deal out of the high-tax road states entirely. The catch is that treatment depends on how the bonus is actually structured and documented in the contract. A bonus the contract ties to playing, or claws back if the athlete does not perform, looks like compensation for services and is taxed like it. The planning has to happen at the contract stage, with the lawyer and the tax advisor coordinating, not after the money is paid.

**THE WORDS IN THE CONTRACT  
DECIDE THE TAX,  
AND BY THE TIME THE CHECK  
CLEARS, THE WORDS ARE FIXED.**

# 3

CHAPTER THREE

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## **RESIDENCY**

*The highest-value decision you will make*

# NOT A CASUAL FACT. A DECISION YOU MAKE.

## YOUR HOME STATE TAXES EVERYTHING, EVERY YEAR

Underneath the jock tax sits a bigger lever: where you are a resident. Your home state taxes your entire income, not just the slice earned there, every year of your career and often into retirement. The difference between a resident of a high-tax state and a resident of a no-income-tax state, over a career, can dwarf any single contract negotiation.

Residency for tax is a legal question decided by real facts, not by where your mail goes or what your license says. States look at where you live, where your ties are, how many days you spend where, and where your life is genuinely centered.<sup>6</sup> An athlete who wants to establish residency in a favorable state has to actually do it: moving the home you return to, your family, your cars, your doctors, your voter registration, your day count. High-tax states audit departing athletes aggressively, and a half-hearted move fails, expensively, with penalties.

**DONE PROPERLY, IT IS ONE OF THE  
MOST POWERFUL,  
COMPLETELY LEGITIMATE MOVES  
AVAILABLE. DONE SLOPPILY, IT IS  
AN AUDIT.**

# THE STATES THAT MAKE LEAVING HARD

## A MOVE IS REAL, OR IT IS NOTHING

Some high-tax states are notably aggressive about residents who try to leave. A "statutory residency" rule can treat you as a resident, taxable on all your income, if you keep a home in the state and spend more than a set number of days there, even if your true domicile is elsewhere. A departing athlete who keeps the old house and spends too many days in it can be taxed as a resident of two states at once. The defense is to understand the specific rules of the state you are leaving, sever the ties that trigger residency, and count the days.

Because residency and jock-tax allocation both turn on where you spend your days, counting and documenting them is not busywork; it is the evidence that protects every position you take. The athletes who win residency audits are the ones who can show, day by day, where they were. Build the habit of tracking it in real time, because reconstructing a year of whereabouts after a state challenges you is far harder than logging it as you go.



### THE HABIT THAT MATTERS

A year logged as it happens is a shield. A year reconstructed from memory is a liability. Modern tools make tracking easier than it once was, but the tool matters less than the habit.

# 4

CHAPTER FOUR

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## CHARACTER, ENTITY, DEDUCTIONS

*The distinction that quietly decides what you keep*

# SALARY VERSUS BUSINESS INCOME

## TWO CHARACTERS, TAXED AND DEDUCTED IN DIFFERENT WORLDS

Your playing salary is employee compensation on a W-2, and recent federal law suspended the deduction for the miscellaneous employee expenses, like agent fees, that go with it.<sup>7</sup> Your endorsement and appearance income is generally business income, and the expenses of earning it, agent fees, travel, training that supports your marketability, are ordinary business expenses, deductible against it.<sup>5</sup> The same dollar of training expense can be nondeductible tied to salary and deductible tied to business income.

FEATURE	PLAYING SALARY	ENDORSEMENT / BUSINESS
Tax form	W-2 wages	Self-employment / business
Who is taxed	You, personally	You or your entity
Related expenses	Employee expenses	Business expenses, § 162
Deductibility	Sharply limited	Deductible when documented
Agent / manager fee	Largely nondeductible	Deductible against the income
Retirement tools	Employee plans only	Business-owner plans available
Entity's role	Cannot shift the tax	Organizes income, unlocks deductions

Separate your business income from your salary, run it through the right structure, and pair the deductible expenses with the income they actually support. That is the heart of athlete tax planning.

# THE ENTITY, USED CORRECTLY

IT EARNS ITS PLACE BY DOING SPECIFIC JOBS, NOT BY MAGIC

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## IT HOUSES BUSINESS INCOME

Endorsement, licensing, and appearance income flows into an entity where the expenses of earning it become deductible business expenses rather than lost personal ones.

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## IT CAN SHAPE HOW INCOME IS TAXED

Depending on the entity and its elections, business income can be structured to manage self-employment tax and coordinate with retirement contributions.

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## IT SEPARATES LIABILITY

The same reasons an athlete forms an entity for liability protection apply here, and the tax and liability purposes reinforce each other.

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## IT CREATES AN AUDITABLE STRUCTURE

Income and expenses in a real entity with real books are easier to defend than the same items scattered through personal accounts.

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What the entity cannot do is change who is taxed on your salary. Your playing income is earned by you personally and taxed to you, entity or not.<sup>2</sup> An advisor who blurs that line, promising the entity will shelter your salary, is leading you toward a position that does not hold.

# THE DEDUCTIONS YOU ARE PROBABLY MISSING

## ORDINARY, NECESSARY, AND PROPERLY DOCUMENTED

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- Agent, manager, and representation fees on endorsement, licensing, and appearance deals.
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- Training, conditioning, and equipment supporting your marketability and performance as a business — genuine conditioning qualifies; pure recreation does not.
- 
- Travel and lodging for business appearances, shoots, and promotional obligations, as opposed to personal travel.
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- Legal, accounting, and advisory fees incurred for the business.
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- The cost of the business itself: entity fees, insurance, a qualifying home office, and the ordinary overhead of running your enterprise.
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Two disciplines make these real: documentation, because a deduction you cannot substantiate is one you will lose in an audit, and honesty about the line between business and personal, because a deduction that stretches recreation into business is the kind that draws scrutiny. An aggressive deduction that collapses under examination does not just get disallowed; it invites scrutiny of everything around it. The strongest position is the honest one, fully documented, claimed without apology and without overreach.

# 5

CHAPTER FIVE

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## TIMING & CASH FLOW

*Bonuses, deferral, multistate filing, and the reserve that funds itself*

# DEFERRALS, RETIREMENT, AND CROSSING BORDERS

## FOR A SHORT CAREER, TIMING IS ITS OWN LEVER

Deferring income into future years can smooth a short career's spike of earnings into a longer, lower-rate stream, and can move income into years when you may live in a more favorable state. It carries real rules and risk, deferred money is exposed to the payer's solvency, so build it with tax counsel, not on the fly.

Athletes with business income can often contribute to retirement structures that shelter meaningful amounts, and pairing those with the entity multiplies the benefit. The window to earn is short; the window to save inside it is shorter.

An American athlete who plays or earns abroad, or a foreign athlete earning in the United States, faces two tax systems at once, and whether you are taxed as a U.S. resident on worldwide income turns on its own residency and day-counting rules. Treaties can reduce the overlap, but this is not a place to improvise; an athlete with any international dimension needs cross-border counsel coordinated with the domestic plan.



### A TRUE SIGNING BONUS

A bonus that is not conditioned on playing may be sourced to your state of residence rather than allocated across every jock-tax state, a distinction worth structuring and documenting deliberately in the contract.

# THE MULTISTATE FILING REALITY

## THE CREDITS ARE WHERE COMPETENCE SHOWS

Put the pieces together and you get the athlete's annual filing reality: a resident return in your home state that taxes all of your income, and nonresident returns in every jock-tax state where you worked, each taxing its duty-day slice, with credits flowing between them so the same income is not fully taxed twice. Your resident state generally gives you a credit for taxes paid to other states, but the credit rules are technical, and a poorly prepared set of returns can leave the same income taxed twice with no relief.

The subtler point: the credit your home state gives is generally limited to the tax that home state would have imposed on the same income, so when you pay tax to a road state at a higher effective rate, the excess is not fully creditable and simply disappears as extra tax. The combination of where you live and where you play, not either one alone, drives your total bill.

**THE CREDIT IS A CEILING,  
NOT A GUARANTEE OF FULL  
RELIEF.**

# THE CASH-FLOW TRAP

**NOBODY IS SURPRISED BY THE AMOUNT. THEY'RE SURPRISED THEY SPENT IT.**

Athletes with business income do not have all their taxes withheld the way a salaried employee does, and that creates a trap that catches even high earners: the money arrives, it gets spent or invested, and the tax on it comes due later with no cash set aside. The result is a scramble, and sometimes penalties for underpaying along the way.

The discipline is to treat a portion of every dollar of business income as the government's from the moment it arrives, set it aside, and pay quarterly estimated taxes on time. A structure that sweeps a fixed percentage of business income into a tax reserve as it comes in, managed by a business manager or through the entity, turns the annual tax bill from a crisis into a line item that is already funded.

**THIS IS UNGLAMOROUS, AND IT IS  
WHERE MORE  
ATHLETES GET INTO TROUBLE  
THAN ANY EXOTIC STRATEGY.**

# 6

CHAPTER SIX

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## THE BENCH, AUDITS & RECORDS

*Who runs the plan, what the state tests, and the paper trail behind it*

# THE ADVISOR BENCH, COORDINATED

## NO ONE RUNS THIS WELL ALONE

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### **TAX ADVISOR**

Handles multistate jock-tax filings and residency planning as routine, not novelty.

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### **LAWYER**

Builds the entities, structures the deals so income is characterized well, and coordinates the tax plan with the rest of your legal structure.

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### **BUSINESS MANAGER**

Runs the cash-flow discipline, funds the tax reserve, and keeps the records that make deductions and residency positions defensible.

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### **FINANCIAL ADVISOR**

Coordinates retirement and deferral strategies with the tax plan and the investment plan.

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Each professional doing good work in isolation can undo another's. If the lawyer papers a bonus without the tax advisor's input, the sourcing opportunity is lost. If the business manager funds a reserve without knowing the multistate estimate, the reserve is wrong. Coordination is the difference between four competent advisors and one working plan — the athlete's job, or the job of whoever quarterbacks, is to insist on it.

# WHEN THE STATE COMES LOOKING

## AN ATHLETE IS AN ATTRACTIVE AUDIT TARGET

The income is large and public, the schedule is a matter of record, and the residency and allocation positions involve real judgment calls, exactly what a revenue department likes to examine.

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### THE RESIDENCY AUDIT

A high-tax state you are leaving will test whether you actually left: your home, your family, your cars, your doctors, your day count. There is no substitute for the move being real, and no defense as strong as contemporaneous records.

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### THE ALLOCATION AUDIT

A jock-tax state may test whether your duty days are right and the credits between states line up. Clean, consistent, well-documented allocations across a dozen returns are far easier to defend than a set assembled hastily.

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The through-line is documentation. Nearly every position an athlete takes is defensible if it is real and documented, and fragile if it is not. The audit does not punish planning; it punishes planning that cannot be proven.

# THE MACHINERY OF RECORDS

## THE LEAST GLAMOROUS, MOST DECISIVE PART OF THE PLAN

The day log is the foundation: a contemporaneous record of where you were, day by day, all year. It is the evidence behind your residency and every jock-tax allocation, and nearly impossible to reconstruct convincingly after a state challenges you.

The expense trail matters just as much: every business deduction rests on a receipt and a business purpose. The athlete who keeps the trail as expenses are incurred claims deductions confidently and defends them easily.

The most valuable thing a business manager builds is a single source of truth: income by source and character, days by jurisdiction, expenses by purpose, the entity's books, all in one place and reconciled. It is unglamorous infrastructure, and it is worth more than any clever maneuver.

**THE RECORDS ARE THE  
DEDUCTION.  
WITHOUT THEM, THE ENTITLEMENT  
IS THEORETICAL.**

A large, stylized orange number 7, which is the central graphic element of the chapter title.

CHAPTER SEVEN

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**A SEASON,  
WORKED THROUGH**

*One athlete's year, and scenarios from the field*

# A SEASON, WORKED THROUGH

## A HYPOTHETICAL, JUST THE SHAPE, TO SHOW THE PIECES INTERACT

She is a resident of a no-income-tax state, established properly, with the home, family, day count, and records to prove it. Her season runs a defined block of duty days. She plays road games in a dozen jock-tax jurisdictions, and each gets the share of her salary equal to the days she worked there over her total duty days, not a cruder games-played figure. Because her home state imposes no income tax, there is no resident-state tax on the whole, but she still files a nonresident return in each jock-tax state.

Her endorsement income runs through an entity, where agent fees, business travel, and the entity's own costs are deductible. Her signing bonus was structured so the piece not conditioned on playing is sourced to her no-tax residence. All season, a business manager swept a fixed share of every business dollar into a tax reserve and paid her quarterly estimates, so the spring filing is an assembly job, not a scramble. Change one fact, a high-tax residence, no entity, no day tracking, and the bill moves, every time.

# SCENARIOS FROM THE FIELD

## COMPOSITES, STRIPPED OF IDENTIFYING DETAIL

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### THE MOVE THAT WAS NOT REAL

An athlete claimed residency in a no-tax state but kept his home, family, and life in the high-tax state he claimed to have left. The audit saw through it, and he paid back tax, interest, and penalties. A real move, properly documented, would have delivered everything he wanted.

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### THE DEDUCTIONS THAT WERE SITTING THERE

An athlete took her endorsement income personally, mixed with salary, and deducted almost none of the expenses of earning it. Restructured through an entity, the same real expenses became deductible. Nothing about her spending changed; the character of the income did.

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### THE BONUS THAT STAYED HOME

Counsel and tax advisor coordinated so a signing bonus was structured as a true bonus for signing, not conditioned on playing. Because he was a resident of a no-tax state, that kept the largest check of the deal sourced to his residence.

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### THE RESERVE THAT MADE APRIL BORING

Two athletes earned nearly identical off-field income. One spent as it arrived and scrambled at tax time; the other swept a fixed share into a reserve and paid quarterly estimates. Same income, same rate, same law. Only one kept the peace of mind along with the money.

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# 8

CHAPTER EIGHT

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## **BEYOND THE RETURN**

*Giving, investing, and the end of the earning window*

# TAX PLANNING DOES NOT END AT THE RETURN

## THE LARGER TOOLS THAT SHAPE THE WHOLE PICTURE

Many athletes give generously, and structuring that giving through the right vehicles, timed to the right years, can align genuine philanthropic goals with real tax efficiency. The goal is not to give in order to save tax; it is that giving you were going to do anyway is worth doing in the structure that respects both the cause and the return.

As wealth grows, investment income arrives with its own character, capital gains, dividends, taxed differently and often more favorably than earned income. Coordinating the investment plan with the tax plan, so timing, account location, and residency all work together, is how wealth built during a short career keeps compounding after it.

The hardest planning is for the day the income stops. A career's spike of earnings has to fund a life that lasts far longer than the career. The athlete who treated taxes as a year-round structure walks into retirement with the plan already built; the one who improvised each April walks in with a pile of returns and no structure. The difference compounds for the rest of their life.

**THE PLAN YOU BUILD DURING THE  
EARNING YEARS  
IS THE ONE THAT FUNDS EVERY  
YEAR AFTER THEM.**

# FREQUENTLY ASKED QUESTIONS

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## **CAN I REALLY LOWER MY TAXES JUST BY MOVING TO A NO-TAX STATE?**

Only by actually moving, changing the real center of your life. High-tax states audit departing athletes hard; a fake move fails with penalties, a real one is one of the most powerful legitimate moves available.

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## **DOES PUTTING MY INCOME IN AN LLC LOWER THE TAX ON MY SALARY?**

No. Your salary is earned by you and taxed to you regardless of entity. The entity's value is on your business income, where it organizes income and unlocks deductions.

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## **WHY CAN I DEDUCT MY AGENT FEE ON AN ENDORSEMENT BUT NOT MY PLAYING CONTRACT?**

Because of the character of the income. The endorsement fee is business income and the agent fee is a business expense; the salary is employee income and recent federal law made that expense largely nondeductible.

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## **DO I HAVE TO FILE TAXES IN EVERY STATE I PLAY IN?**

Generally yes, in every state and some cities that impose a jock tax and where you had duty days, subject to each jurisdiction's thresholds.

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## **THE TEAM WITHHOLDS MY TAXES. IS THAT NOT HANDLED?**

Withholding is a rough estimate, not a plan. The allocation, the credits between states, and the residency positions are decisions the payroll department does not make.

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## **IS DEFERRING MY INCOME A GOOD IDEA?**

Often, for a short-career athlete, but it carries real rules and risk, including exposure to the payer's solvency, so build it with tax counsel rather than improvising.

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# MORE FREQUENTLY ASKED QUESTIONS

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## **WHAT IS THE SINGLE BIGGEST MISTAKE ATHLETES MAKE ON TAXES?**

Spending the money before the tax on it is set aside. More athletes get hurt by cash-flow surprise than by anything sophisticated.

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## **DOES A CITY REALLY TAX ME FOR ONE ROAD GAME?**

Some do. A number of cities impose their own tax on top of the state, each measured by your duty days there, depending on its current rules.

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## **I PLAY OR EARN OVERSEAS. DOES THAT CHANGE EVERYTHING?**

It adds a whole layer of residency and day-count rules. Treaties can reduce the overlap, but this is not a place to improvise; get cross-border counsel coordinated with your domestic plan.

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## **CAN I DEDUCT CHARITABLE GIVING TO LOWER MY TAXES?**

Structured well and timed to high-income years, giving you were going to do anyway can be both genuinely philanthropic and tax-efficient.

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## **WHEN SHOULD I START TAX PLANNING, BEFORE OR AFTER I SIGN?**

Before. The signing bonus's sourcing, the character of your income, the entity, and your residency are cheapest and cleanest to plan before the deal is papered.

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## **CAN I DEDUCT MY TRAINING AND CONDITIONING?**

Against business income, genuine conditioning that supports your marketability can qualify; against salary, the same expense runs into the employee-expense limits.

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# A GLOSSARY

**Jock tax.** The rule that a state or city may tax the income an athlete earns for work performed within its borders, even as a nonresident.

**Duty days.** The days you work across a season, from the start of preseason through the last game; the basis for allocating income among jurisdictions.

**Games-played method.** An allocation method, held unconstitutional as applied, that divides income by games rather than by all working days.

**Allocation.** Dividing your income among the states that may tax it, based on where you performed the work.

**Residency / domicile.** The state that is the true center of your life and may tax your entire income; a legal question decided by real facts.

**Resident return.** The return filed in your home state, taxing all of your income wherever earned.

**Nonresident return.** A return filed in a state where you worked but did not live, taxing only the income sourced there.

**Credit for taxes paid to other states.** The mechanism by which your resident state offsets taxes you paid elsewhere, so the same income is not fully taxed twice.

**Character of income.** Whether income is employee salary or business income; it decides how it is taxed and what you can deduct against it.

**Ordinary and necessary business expense.** An expense common and appropriate to your line of work, deductible against business income when documented.

**Estimated taxes.** Quarterly payments on income not subject to withholding, required to avoid underpayment penalties.

**Deferred compensation.** Income paid in future years under a structured arrangement, used to smooth a short career's earnings.

**Signing bonus.** A payment for signing rather than for playing; if structured as a true bonus, it can be sourced to residence rather than allocated across jock-tax states.

**Sourcing.** The rules that decide which state a given item of income is treated as earned in, and therefore which state may tax it.

**Substantial-presence / residency test.** Day-counting and status rules, federal and state, that determine whether you are taxed as a resident on worldwide income.

**Self-employment tax.** The tax on business income that funds Social Security and Medicare, one of the things an entity structure is used to manage.

# TEN MYTHS THAT COST ATHLETES MONEY

**EACH SOUNDS PLAUSIBLE. EACH HAS COST A REAL ATHLETE REAL MONEY.**

1. **"An LLC will lower the tax on my salary."** It will not. Salary is taxed to you. The entity works on your business income, not your paycheck.
2. **"The team handles my taxes."** The team withholds a rough estimate. The planning, allocation, and credits are yours to get right.
3. **"I can just say I live in Florida."** Only if you actually do. A claimed move without a real one fails in audit, with penalties.
4. **"Free gear and comps are not income."** They generally are. Value received is income unless a rule excludes it.
5. **"My agent fee is deductible."** On business income, yes. On your playing salary, recent law made it largely not. Character decides.
6. **"I only owe tax where I live."** You owe tax in every jock-tax state where you had duty days. That is the whole point of the jock tax.
7. **"Taxes are an April problem."** They are a year-round structure. The savings are made before the season, not at filing.
8. **"I will set aside money when the bill comes."** By then it is spent. Reserve as the income arrives, or get surprised every year.
9. **"A general accountant is fine."** An athlete's multistate return needs a specialist. A generalist's errors on credits and allocation cost more than the specialist.
10. **"Deferring income is too risky to bother with."** For a short career it can be one of the best tools, if built properly with counsel.
11. **"The credit from my home state always makes me whole."** The credit is capped at what your home state would have charged. Tax paid above that cap is simply lost.
12. **"My signing bonus is taxed like the rest of my salary."** Structured and documented as a true bonus, it can be sourced to your residence instead. The contract language decides it.

*Every myth shares one root: treating tax as something done to the athlete after the fact rather than something built in advance. Replace the passive posture with a structural one, and the myths stop costing money.*

# THE HIGHEST-VALUE MONEY IN THE CAREER

## THE REASON IS ARITHMETIC

An athlete negotiates hard over the size of a deal, and rightly so, but the tax on that deal can claim a larger share of it than any concession won at the table, and unlike the deal, the tax recurs every year, in every state, on every kind of income. A structural improvement in how income is taxed is not a one-time win; it compounds across the whole career and often into retirement.

Getting residency right can affect the tax on your entire income, every year.

Characterizing your business income correctly can unlock deductions on money you were spending anyway. Structuring a signing bonus can keep the single largest check of a deal out of the high-tax states. None of these is a maneuver at the edges; each is a structural decision worth, over a career, more than most of the individual deals the athlete will sweat over — and every one is fully legitimate.

**THERE IS NO HIGHER-RETURN WORK  
IN THE WHOLE ENTERPRISE  
THAN GETTING THIS RIGHT, AND  
NONE MORE QUIETLY COSTLY THAN  
GETTING IT WRONG.**

# WHAT TO DO NEXT

*If you earn as an athlete, or advise someone who does, here is the order.*

- 1** Decide residency deliberately, and if you change it, change it for real and document the days.
- 2** Separate your business income from your salary, and put the business income in the right entity.
- 3** Characterize your deals so income lands where the deductions live, and claim every documented business expense.
- 4** Track duty days in real time, all season, as the evidence behind every allocation and residency position.
- 5** Build the cash-flow discipline: reserve for taxes as income arrives and pay estimates on time.
- 6** Structure bonuses, deferrals, and retirement contributions with tax counsel, not on the fly.
- 7** Hire a tax preparer who does multistate athlete returns specifically, and coordinate resident and nonresident filings.
- 8** Assemble and quarterback the bench, tax advisor, lawyer, business manager, financial advisor, as one plan.
- 9** Keep the records, the day log and the expense trail, in real time; every position is only as strong as its proof.
- 10** Review and tune the whole structure every off-season, because a plan that fit last year's contract may not fit this year's.

A portrait of Brandon Leopoldus, Esq., a man with short brown hair and a slight smile, wearing a dark suit jacket. He is positioned in front of a blurred background that appears to be a computer monitor displaying a website with blue and white text.

— ABOUT THE AUTHOR

# BRANDON LEOPOLDUS, ESQ.

*Founder, Leopoldus Law, APC*

**Brandon Leopoldus umpired in professional baseball before he ever practiced law.** Five leagues. Seven playoff series. Two All-Star games. One championship series. One infamous appearance on SportsCenter. That path, through the minor leagues and an Olympic family, is the lens he brings to every matter at Leopoldus Law, APC.

Leopoldus Law is a sports and entertainment boutique in Culver City, California. Brandon builds the entity and income structures that let athletes and entertainers characterize their income well, coordinate multistate and residency planning with specialized tax counsel, and keep more of a short career's earnings. He sits on the board of the Sports Lawyers Association and teaches Sports Law at Loyola Law School.

**The firm works with athletes, entertainers, and the people who advise them. Sports clients only. No exceptions.**

# ENDNOTES & DISCLOSURES

## A NOTE ON HOW TO USE THIS GUIDE

This guide is educational and current as of mid-2026. Federal and state tax law, including residency rules, jock-tax allocation, and the deductibility of expenses, changes frequently, and specifics stated here may have changed or may not fit a particular athlete's facts or state. It is not tax or legal advice, and reading it does not make Leopoldus Law your lawyer. Confirm the current-year rules and work with qualified tax counsel before you act.

## ENDNOTES

1. I.R.C. § 61 (gross income means all income from whatever source derived; the default is that everything you receive of value is taxable unless a specific provision excludes it).
2. *Lucas v. Earl*, 281 U.S. 111 (1930) (income is taxed to the person who earns it; an assignment or an entity in the middle does not shift the tax on personal-service income away from the earner).
3. *Hillennmeyer v. Cleveland Bd. of Review*, 144 Ohio St. 3d 165, 2015-Ohio-1623, 41 N.E.3d 1164 (Ohio 2015) (a city may tax a nonresident athlete only on income earned by work performed there; the "games-played" allocation method violates due process, and the duty-days method properly measures the taxable share).
4. *Newman v. Franchise Tax Bd.*, 208 Cal. App. 3d 972 (1989) (California allocates a nonresident performer's or athlete's income by the ratio of California duty days to total duty days, counting all days from the start of preseason training through the last game).
5. I.R.C. § 162; *Peter Stenkowski v. Commissioner*, 690 F.2d 40 (2d Cir. 1982) (a professional athlete's basic salary covers training camp, the regular season, and the play-offs but not the off-season, and conditioning expenses connected to athletic ability may be ordinary and necessary business expenses).
6. I.R.C. § 7701(b) (the substantial-presence test and residency rules that determine whether an individual is taxed as a U.S. resident on worldwide income). State residency and domicile are governed by each state's own law; confirm the rules of any state you touch.
7. I.R.C. § 67(g) (for tax years 2018 through 2025, miscellaneous itemized deductions subject to the two-percent floor, including unreimbursed employee business expenses, were suspended). Whether this treatment continues in later years turns on legislation; confirm the current-year rule.

## DISCLOSURES

This guide has been prepared by Leopoldus Law, APC for educational purposes. It is current as of mid-2026; federal and state tax law vary and change. It is not legal or tax advice, and reading it does not make Leopoldus Law your lawyer.

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