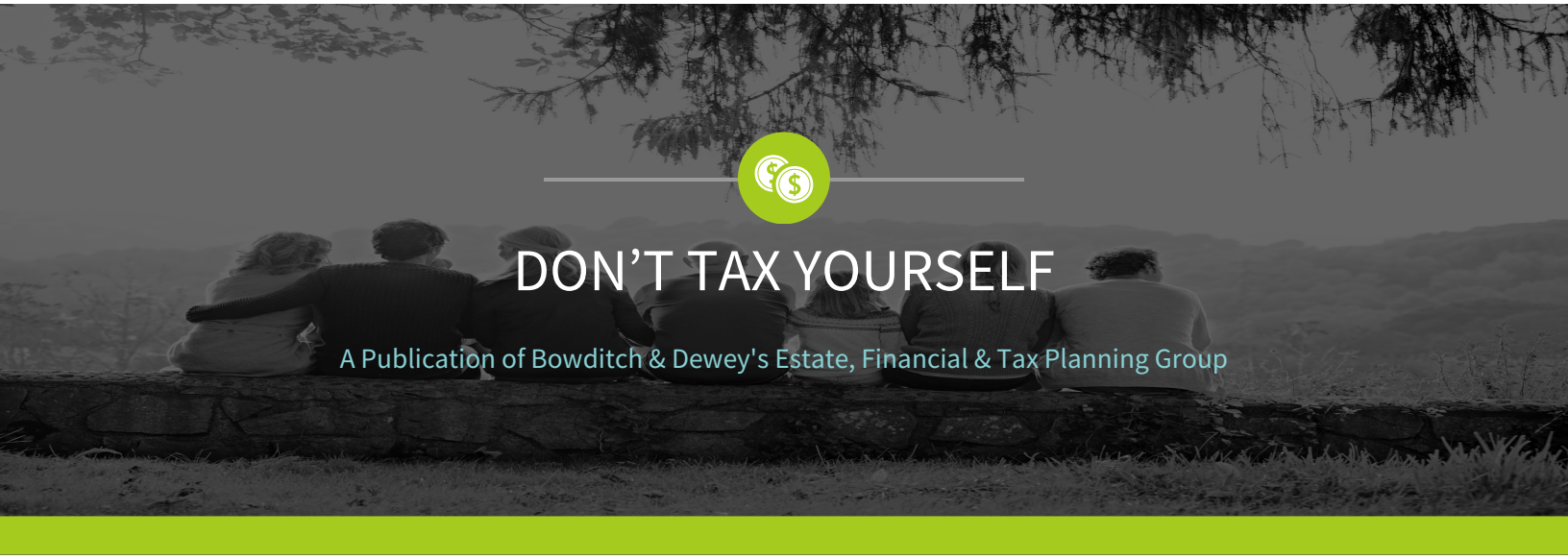

DON'T TAX YOURSELF

A Publication of Bowditch & Dewey's Estate, Financial & Tax Planning Group

Understanding the "Jock Tax"

BY SCOTT C. CASHMAN • JANUARY 24, 2019

In addition to preparing and playing at a high level, professional athletes face a bewildering complexity when it comes to filing their income taxes.

As a general rule, nonresident athletes pay the so-called "jock tax" in every state (and some cities) that they play a game in, and if their state of residence has an income tax in their home state as well. So a player such as Tom Brady of the New England Patriots will pay income taxes in every state that the Patriots play a game in, such as division rivals New York, New Jersey and Indianapolis. However, some states such as Florida do not have a state income tax, so games played in Miami are not taxed by the state of Florida.

Athletes who are residents of a state with a state income tax pay tax to their resident state. A resident will include in their resident state all their income earned. So, for example, an athlete who resides in Massachusetts or California (two states with an income tax) will pay tax on all of their income earned within and outside of those state to their home state. In moving to and signing with the Los Angeles Lakers, LeBron James likely added significantly to his state income tax bill.

However, athletes who are nonresidents will only pay tax on their in-state source income. So, for example, an athlete who is a resident of Florida (no income tax) who is a member of the New England Patriots or Boston Red Sox will only pay tax on their Massachusetts source income.

The method of taxing athletes' income is either by the duty days method or the games played method. The duty days method is the most popular method to calculate an athlete's in-state income. Generally, a state with an income tax will tax the nonresident athlete on duty days spent within the state. Duty days typically begin with the start of official preseason and end when the official season ends. A nonresident athlete would include in income to the taxing state only duty days spent in-state over the total number of duty days. Duty days include game days and practice days, but what about days on injured reserves or the inactive list? Or days spent promoting the team? Massachusetts outlines how duties days are determined in 830 CMR C2.5A.2.

©2025 Bowditch & Dewey LLP. All Rights Reserved.

Further complicating their taxes is the question of signing bonuses and incentive bonuses. As a general rule, bonuses and other compensation for services are included in total compensation. What about endorsement income? Often, endorsement income would only be taxed in the resident state, which, if a no-income tax state, can provide significant tax savings.

To avoid double taxation of their incomes, most states with an income tax will allow a credit for taxes paid in nonresident states.

Elite athletes likely have their agents or personal assistants tracking their duty days and also tracking their business expenses (which, after the Tax Cuts and Jobs Act (TCJA) of 2018, may no longer be deductible), but lesser athletes are left with the burden of tracking duty and non-duty days. In some cases, players may elect, if their team offers it, to file under a so-called composite tax return method. Massachusetts 830 CMR 62.5A.2 outlines the requirements for a composite tax return.

Though it is unlikely a professional athlete will make a decision on which team to sign with based solely on state income taxes, tax issues are noticed by both players and agents. And it is probably not a coincidence that so many elite players choose to establish residency in states without an income tax, such as Florida.

©2025 Bowditch & Dewey LLP. All Rights Reserved.