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## SPORTS BUSINESS

# College athletes are scoring big money through NIL deals. Here are the tax implications

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In 2021, the NCAA rules of the game changed. As a result, many state laws reinstated the rights for student-athletes to profit from their name, image, and likeness, or NIL. Flash forward to July 2025, and the NCAA made further changes, allowing colleges to directly compensate students with revenue-sharing profits.

As a result, student-athletes may now receive annual earnings in the millions. However, many student-athletes are ill-prepared to manage such wealth and can quickly find themselves in serious financial trouble.

Student-athletes are already managing a hectic schedule. NIL income, while rightly deserved and earned, adds many burdens to an already busy life, so they may need to consult with a CPA firm to help plan out a financial roadmap, whether they make \$400 or \$4 million.

There are many opportunities for student-athletes to profit from NIL, such as social media promotions, speaking engagements, endorsement deals, autograph signing, royalties from merchandise sales and event appearances; however, they need to consider more than just monetary payments as taxable income when it comes to reporting NIL proceeds on their tax returns. The IRS treats in-kind gifts the same as monetary income. These gifts may include new vehicles, complimentary accommodations and meals, goods and services received from a company, gift cards, cryptocurrency and vacations. They are all taxable and must be reported, at fair market value, as income.

Student-athletes receiving at least \$400 in NIL self-employment activities, or who earn a total income that is more than the IRS standard deduction (\$15,000 for single taxpayers and \$30,000 for married filing jointly in 2025), must report their earnings to the IRS. Typically, parents or guardians can claim college students as dependents on their tax returns until age 24; however, once student-athletes surpass a NIL income threshold, they must file their own return.

Here are other key issues that student-athletes with NIL income should consider:

- **Self-employment taxes:** Student-athletes also need to be aware of self-employment taxes and quarterly tax payments. NIL earnings that exceed \$400 may require the student-athlete to pay social security and Medicare taxes at a rate of 15.3%, on top of any tax liability. In addition, since most student-athletes' NIL income does not have tax withholding, they may be required to make estimated quarterly payments to avoid penalties.

- **Tax deductions:** Based on how the student-athlete is reporting income to the IRS, they may be able to take advantage of certain deductions against earned income for expenses deemed necessary to conduct NIL business activities. Examples are cellphone and internet service, legal and marketing expenses, uncompensated travel, accommodations, and meals, and other out-of-pocket expenses.

- **State tax reporting:** In addition to reporting taxable income to the federal government, student-athletes need to also report earnings to state



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tax agencies. Determining which state tax returns a student-athlete must file can be a complex issue. Typically, students attending college out of state retain their "home state" as their residence for tax purposes, meaning they would be required to file in that state.

Students also need to consider whether income generated in other states is taxable. For example, a student-athlete with an Arizona residency that shoots a commercial in another state may be required to report that income to both tax agencies. Not all states impose income taxes, but others have high tax rates.

- **Financial aid impact:** In addition, student-athletes must report gross income on their Federal Application for Federal Student Aid (FAFSA). Income earned may have an impact on

the amount of financial aid offered. This could present a major issue for student-athletes who rely on financial aid if they only received in-kind gifts and not monetary payment for their NIL activities. Not only could they lose financial aid, but they could also end up with a significant tax liability.

- **Detailed record keeping:** Student-athletes need to maintain an organized system that includes all financial documents, such as NIL contracts, in-kind gifts and their value, income sources, bank records, travel itineraries, receipts and all other documentation related to NIL activities.

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