

U.S TAX RULES FOR

Foreign Athletes and Entertainers.

SPORTS CONFERENCE
MILAN, ITALY
TNN

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France 24

'I was playing football, I knew nothing,' says Messi at tax fraud trial

Argentina football star Lionel Messi said Thursday he trusted his father with his finances and "knew nothing" about how his wealth was...

Jun 2, 2016



History.com

Willie Nelson's assets are seized by the IRS | November 9, 1990 | HISTORY

"We try to work with taxpayers," Internal Revenue Service spokeswoman Valerie Thornton told The New York Times in the autumn of 1991,...

Apr 1, 2010



THANK YOU TO RESEARCH ASSISTANTS, TAI 'MIR MITCHELL FROM FLORIDA STATE UNIVERSITY AND RON DONALDSON JR FROM RANSOM EVERGLADES

AGENDA

- ❑ **The Cost of Non-Compliance**
- ❑ **Income Tax**
- ❑ **State Taxes**
- ❑ **Withholding Tax**
- ❑ **Tax Compliance**
- ❑ **Tax Treaties**
- ❑ **Minimizing US Taxes**
- ❑ **Planning Strategies**
- ❑ **The World Cup**
- ❑ **Case Study: Italian Performer's US Tour**
- ❑ **No Financial Planning vs. With Financial Planning**

The High Cost of Non-Compliance:

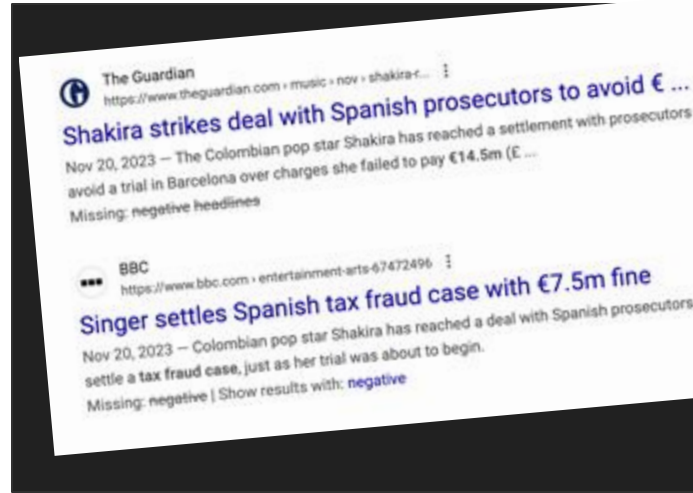
Criminal Charges



Convictions for tax evasion can result in *fin*es up to **\$100,000** and *imprisonment* for up to **5** years.

The High Cost of Non-Compliance:

Financial & Reputational Damage

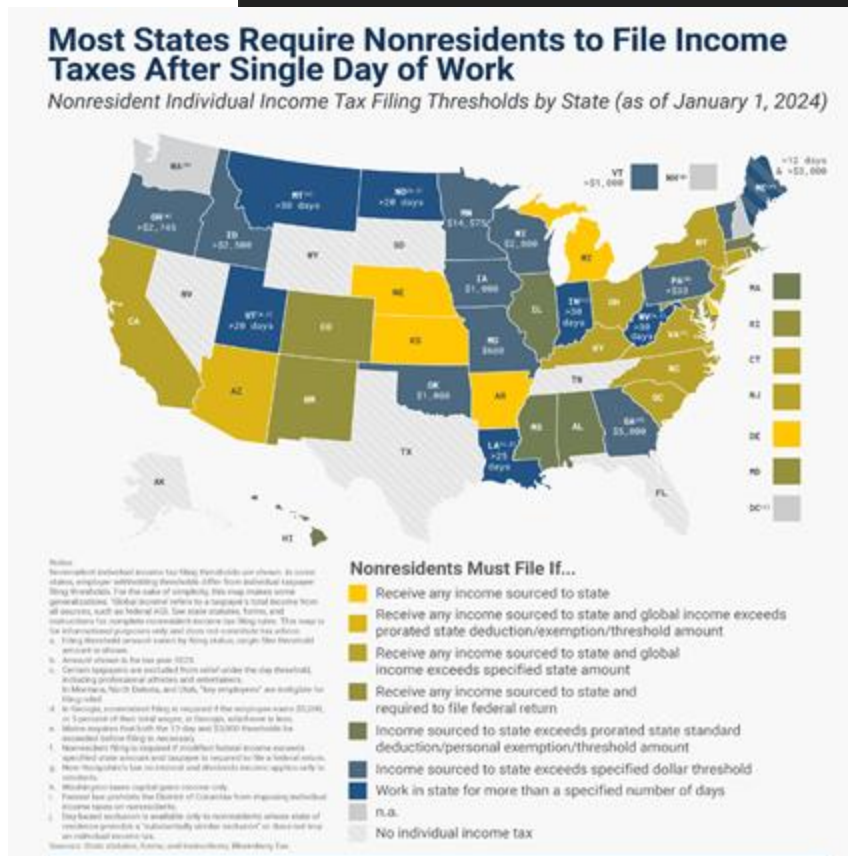


The IRS imposes accuracy-related penalties of **20%** on underpayments due to negligence or disregard of rules.

Late payment penalties can be up to 25% of the unpaid taxes.

Income Tax Obligations

Federal Income Tax on US Source Income



State Tax Obligations

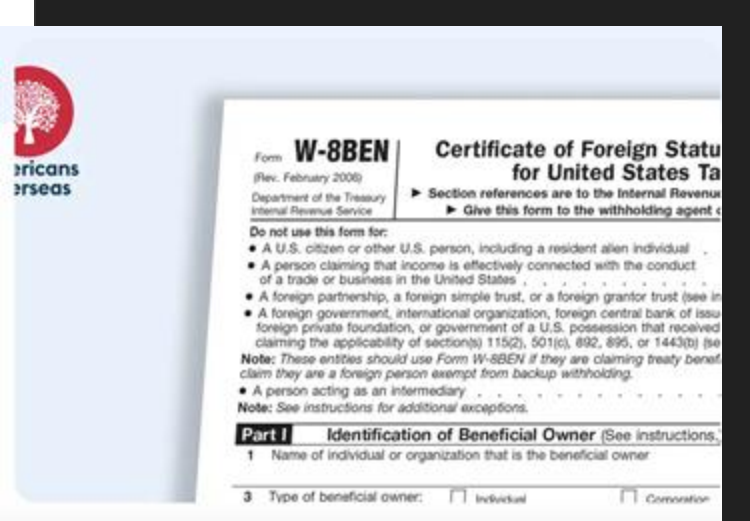
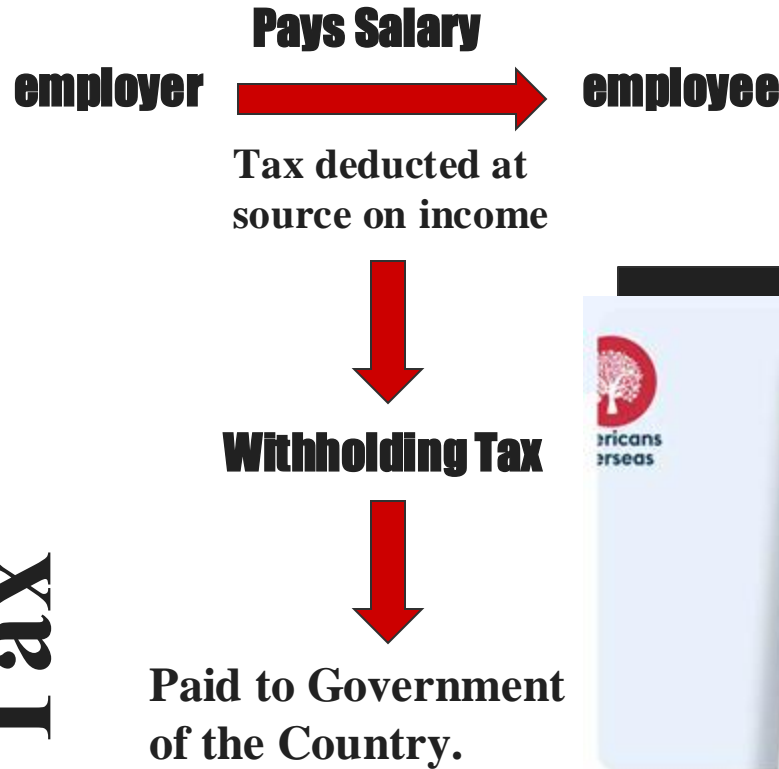
Navigating State and Local Tax Rules



How Withholding Tax Applies to Foreign Earners

Withholding

Tax



Form **W-8BEN** Certificate of Foreign Status for United States Taxation
(Rev. February 2008)
Department of the Treasury
Internal Revenue Service

▶ Section references are to the Internal Revenue Code.
▶ Give this form to the withholding agent.

Do not use this form for:

- A U.S. citizen or other U.S. person, including a resident alien individual.
- A person claiming that income is effectively connected with the conduct of a trade or business in the United States.
- A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions).
- A foreign government, international organization, foreign central bank of issue, foreign private foundation, or government of a U.S. possession that received claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions).

Note: These entities should use Form W-8BEN if they are claiming treaty benefit claim they are a foreign person exempt from backup withholding.

- A person acting as an intermediary.

Note: See instructions for additional exceptions.

Part I Identification of Beneficial Owner (See instructions.)

1 Name of individual or organization that is the beneficial owner

3 Type of beneficial owner: Individual Corporation

Staying Compliant with US Tax Laws

Tax Compliance

The IRS has announced plans to significantly increase audits of wealthy individuals and complex partnerships

It highlights the critical importance of meticulous tax planning and compliance.



Benefits of Tax Treaties

How International Agreements Can Reduce Tax Burden



The US has tax treaties with over **65 countries**, which can reduce withholding tax rates and prevent double taxation for eligible NRAs.

By invoking relevant treaty provisions, foreign performers can minimize the amounts withheld from their US income

Minimizing US Taxes

Deductions, Credits, and Negotiations

- Understand Tax Obligations
- Utilize Central Withholding Agreements
- Optimize Residency Status



- Leverage Tax Treaties
- Strategic Income Structuring
- Professional Tax Planning
- Report Foreign Assets

Tax Planning

Strategies

Long-Term and Short-Term Tax Planning



Establish Proper Residency

Asset and Account Reporting



Strategic Income Structuring

The World Cup

Tax Implications for International Events



Host Country Taxation:

- World Cup host countries typically impose a **20-30% withholding tax** on earnings from match appearances, prize money, and endorsements

International Tax Agreements:

- Over **60%** of participating countries have tax treaties with the host nation, which can reduce the withholding tax rate and prevent double taxation

Revenue Impact:

- For top athletes, **endorsement deals** can comprise up to **80% of total income** during the World Cup

Case Study: Italian Performer's US Tour

Our renowned Italian performer is set to embark on a U.S. tour, with scheduled performances in five states:

*Florida, California, New York, Ohio, and
Washington*

Navigating the tax implications of this tour is essential.

Consequences of No Financial Planning

Federal Taxes

As a nonresident alien, the performer faces a **30%** federal withholding tax on their gross income.

Federal Taxes

Our performer makes \$1,000,000 in gross income a show, so they owe \$300,000 a show in federal taxes alone

Totaling to **\$1.5 million** in federal taxes alone

State Taxes

Florida: 0% = \$0

California: 13.3% = \$133,000

New York: 8.82% = \$88,200

Ohio: 4.797% = \$47,970

Washington: 0% = \$0

= \$269,170!

Total Tax Liability

\$1.5m

+ \$269,170

= \$1,769,170

35% of Gross Income

Benefits of Proper Financial Planning

Federal Taxes

As an NRA, the performer faces a 30% federal withholding tax on their gross income.

CWA reduces withholding based on net income

Federal Taxes

Leverage the U.S.-Italy Tax Treaty

Article 17 covers artists and performers - **reduced withholding rate of 10%** gross income from performances

or each show with a million dollars gross income, our performer owes \$100,000 so \$500,000

State Taxes

Florida: 0% = \$0

California: 13.3% = \$133,000

New York: 8.82% = \$88,200

Ohio: 4.797% = \$47,970

Washington: 0% = \$0

Total Tax Liability

\$500,000

+\$269,170

= \$769,170

15% of Gross Income

Key Takeaways

43 states in the US impose a state income tax, with rates varying from **0% to over 13%**, depending on the state.

Non-resident aliens (NRAs) are subject to a **30% federal withholding tax** on US-sourced income unless reduced by a tax treaty.

Failing to withhold taxes can result in penalties up to **100% of the tax amount** due, doubling the financial burden for non-compliance.

In recent years, the IRS has increased enforcement activities by **40%**, focusing heavily on international tax compliance.

Take Control of Your Tax Obligations

Stay Informed:

- Understand your tax obligations and the implications of US tax laws for foreign athletes and entertainers.
- Regularly update your knowledge about tax treaties, state taxes, and IRS requirements.

Plan Proactively:

- Engage in strategic financial planning to optimize your tax situation.
- Work with experienced tax professionals to navigate the complexities of international tax laws.

Ensure Compliance:

- File accurate and timely tax returns to avoid penalties and legal issues.
- Maintain detailed records of all income, expenses, and tax filings.

Contact Stuart:

- For personalized assistance and expert advice on tax planning and compliance, reach out to me, [**sr@gpkleg.com**](mailto:sr@gpkleg.com)