

NIL Tax Considerations

Do I need to file a tax return?

Whether you need to file state or federal tax returns to report NIL income will depend on how much income you make and whether your parents can claim you as a dependent. For 2024, if your gross income is more than \$13,850 and you file your own (“Single” filing status), then you must file a tax return. Even if you make less than the income that requires you to file, consider filing anyway – you may get some money back.

What do I need to account for when completing my tax return?

Money earned from NIL deals is taxable income and should be reported on tax returns. This includes money, goods, property, or services received.

NIL income is no different from income that’s reported on a W-2 (for employees) or a Form 1099 (for independent contractors).

Am I considered an employee or independent contractor?

You will most likely be treated as an independent contractor, but you should always confirm this classification with the entity you work with. Employees will complete a W-4, and receive a W-2, while independent contractors will complete a W-9, and receive a Form 1099. These forms will keep track of income and any taxes withheld and will be used to complete your tax return.

Do I need to pay taxes throughout the year?

It’s smart to think ahead – if you anticipate owing more than \$1,000 in taxes at the end of the year, schedule estimated payments at a regular frequency (e.g., quarterly) to avoid underpayment penalties. This is especially important for student-athletes with independent contractor status.

How much should I be paying throughout the year?

The NIL income tax rate is the same as the self-employment tax rate, which is 15.3% in 2024. This number may change from year-to-year, so be sure to confirm before preparing or submitting any tax returns.

How do I file my tax return?

State and local tax laws may vary in their treatment of NIL income, requiring athletes to consider jurisdiction-specific tax obligations. Importantly, where student athletes report their income is based on where they attend school, not necessarily where they live. Speak to a tax professional or an accountant to determine the best way to report and file your taxes.

Does NIL income affect my student aid?

Yes, NIL income is treated the same as any other type of student income for financial aid purposes. This means that students who complete the Free Application for Federal Student Aid (FAFSA) must report NIL compensation as part of their adjusted gross



income. The amount of income earned may affect the amount of aid the student athlete is eligible to receive. Note: NIL income would not prevent a student-athlete from seeking private student loans if necessary.

Can I deduct any expenses related to NIL deals?

Student-athletes may deduct marketing expenses and other eligible expenses from their taxable income if those expenses are related to NIL activities. It is important to keep an accurate record of any expenses you incur and provide documentation such as receipts, bank statements, or other proof to back up your deductions. This would include things like travel expenses, meals, mileage, website hosting, etc.

The above FAQs are for general informational purposes and may not address your specific situation. Consult an accountant or tax attorney for more specific guidance on tax considerations relating to any NIL activities in which you receive compensation.