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C O U N S E L L O R S A T L A W

LeBron James Team Selection for Tax Purposes Revisited

September 27, 2010 by Deirdre Wheatley-Liss

I blog because I enjoy talking to people about things that interest me - including how tax policy drives individual behavior (everyone has to have their passions after all). The best feedback is to get a dialog from another person who not only reads the blog (thank you very much) but is generous enough with their time to respond to a post with their own analysis. Such a compliment happened recently on my post "Playing the State Income Tax Game". Gregory A. Viggiano, Senior Director of Taxes, Corporate Finance, at Maersk Inc. in Madison was kind enough to send me some thoughts about points that I overlooked in my "35,000 view" of the issues raised.

I came across your blog while surfing the net and found it very interesting.

I did have one comment on the post of August 10 on the state income tax considerations LeBron James might have had in choosing the Miami Heat over NBA teams. You mention (or quote another blog) that LeBron's state income tax bill will be "zero, nothing, nada," as a result of this choice.

Perhaps you did not want to confuse your readership, but while LeBron will reap considerable state income tax benefits from living and playing in Miami, he will not entirely escape state income tax since the other states with income taxes in which he plays will tax him. Since half of his games and all or most of his practice time will be in Florida, this means that the majority of LeBron's salary will not be taxed, but a substantial portion will. Of course, he will save a lot more money when endorsements, which can dwarf the salary of a superstar like LeBron, are considered as well.

Moreover, I thought the tax figure for New York was low. You mention that it is only for New York State income tax, but you must be aware that New York City imposes its own hefty income tax that, in combination with the state levy, give the total for New Jersey a run for its money.

Greg, you are correct on all points. A key point relevant even for non-superstar basketball players is that when you earn money in another state, those earnings are subject to the tax laws of other states. And if that money is earned in New York City, the income taxes are even higher.

Thank you for the feedback!

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