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All Things Athletics – NIL, NCAA Reporting, & Analyzing Program Economics

Higher Education Summer Webinar Series

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Meet the Presenters

WEBINAR

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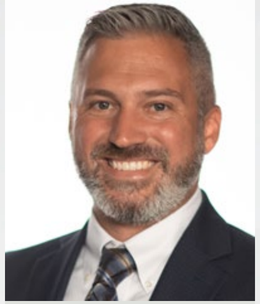

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AGENDA

- NIL & Related Tax Issues
- NCAA & Reporting Requirements
- Athletic Economic Analysis

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NIL & Related Tax Issues

Name Image & Likeness

Tax Considerations

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- What is Name Image & Likeness?
  - Also known as “NIL”
  - Term refers to the unique characteristics of a student-athlete, including their
    - Name
    - Image
    - Likeness
    - Nickname
    - Signature
    - Individual symbol
    - Design
    - Social media account(s)

Name Image & Likeness

Tax Considerations

- How did we get here?
  - 2019: States enact legislation permitting NIL payments to student-athletes
  - 2020: NCAA v. Alston case ruling
  - 2021: NCAA changes its rules, allowing athletes to profit off their NIL

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Name Image & Likeness

Tax Considerations

- Who can make NIL payments to student-athletes?
  - Collectives (tax-exempt & for-profit)
  - Businesses
- Who can't make NIL payments to student-athletes?

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Name Image & Likeness

Tax Considerations

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- What tax issues related to NIL should student-athletes & their advisors be aware of to avoid surprises?
  - Employees versus independent contractors
  - Types of income arrangements
  - Withholding requirements & estimated tax payments
  - State tax considerations

Name Image & Likeness

Tax Considerations

- How can colleges & universities help student-athletes navigate the tax issues created by NIL?
  - Student, family, advisor education sessions
  - Athletic department education sessions

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Name Image & Likeness

Other Payments to Student Athletes

- Alston Payments
  - National Collegiate Athletic Association (NCAA) v. Alston
  - Reporting of payments to student athletes
  - Alston Part 2
    - Chuba Hubbard & Keira McCarrell (& all others similarly situated) v. NCAA & Power 5 Conferences filed April 4, 2023

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IRS Office of Chief Counsel Memorandum AM 2023-004 June 9, 2023

- On June 9th, the IRS Office of Chief Counsel issued memorandum AM 2023-004
- The memorandum reviews the activities of NIL Collectives & the applicability of tax-exempt status
- The memorandum concludes
  - NIL Collectives operate for a substantial nonexempt purpose serving the private interests of student-athletes, which is more than incidental to any exempt purpose furthered by the Collective
  - NIL Collectives do not qualify for tax-exempt status under 501(c)(3), & therefore cannot receive tax deductible contributions

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NCAA & Reporting Requirements

AGENDA

1. **Agreed-Upon Procedures**
   a) Purpose
   b) Updates
   c) Timeline

2. **Membership Financial Reporting (MFRS)**
   a) Annual submission requirements
   b) Agreed-upon procedures
   c) Resources

Agreed-Upon Procedures

1. **Purpose**
   a) Consistency with financial date
   b) Comparative data points with membership (IPP)
2. **Update Guidance**
   a) Bylaws
   b) GAAP
   c) Word clarity
3. **Timeline**
   a) NCAA convention (January)
   b) Membership feedback/questions (continuous)
   c) Update AUP (March)
   d) Committee review & approval (late-April)
   e) AUP posted online (Mid-May)
   f) Procedures (Complete before MFRS submission which is due January 15)

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Membership Financial Reporting System

1. **Resources**

   a) ncaa.org > Membership > Association-Wide > under NCAA Finances > NCAA Membership Financial Reporting System

   b) Agreed-upon procedures

   c) FAQs

   d) Supplemental tool

   e) Institutional Performance Program (IPP) webpage by division

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NCAA Resources

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ncaa.org > Membership > Finance

ipp@ncaa.org (Institutional Performance Program)

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Athletic Economic Analysis

Key Questions

How Is Athletics Financed?

1. **Media** – Television, Radio, Internet/Digital, E-Commerce (including Athletic Conference revenue shares)
2. **Royalties/License Agreements** – Athletic apparel, soft drink & other food product companies & others
3. **Advertisement/Sponsorships** – Local & regional businesses
4. **Student Fees** – Either built in or charged to students separately
5. **Institutional Subsidy** – From operating budgets
6. **Contributions** – Gift-in-kind & cash donations & pledges

Key Questions

How Is Athletics Financed?

- **Student Fees**
- Study of 230 NCAA Schools
  - 44 **NOT** charging students (19%)
  - 186 **ARE** charging students (81%)
    - **High** of 85% of Athletic Dept Revenue ($3,340 per student)
    - **Low** of 0.10% of Athletic Dept Revenue ($100 per student)

https://www.nbcnews.com/news/education/hidden-figures-college-students-may-be-paying-thousands-athletic-fees-n1145171

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Key Questions

What Does Athletics Cost?

	Bowl Subdivision (130 Schools)	Championship Subdivision (125 Schools)	DI Without Football (94 Schools)	DII	NAIA
Median Generated Revenues	$61,994,000	$4,741,000	$3,566,000		
Median Total Revenues	$80,900,000	$19,924,000	$18,299,000		
Median Total Expenses	$80,814,000	$20,096,000	$18,211,000 Median Enrollment 9,895 537 Athletes	$5,500,000 Median Enrollment 2,436 359 Athletes	$3,200,000 Median Enrollment 1,013 273 Athletes
Median Net Generated Revenue	$(18,790,000)	$(14,316,000)	$(14,397,000)		

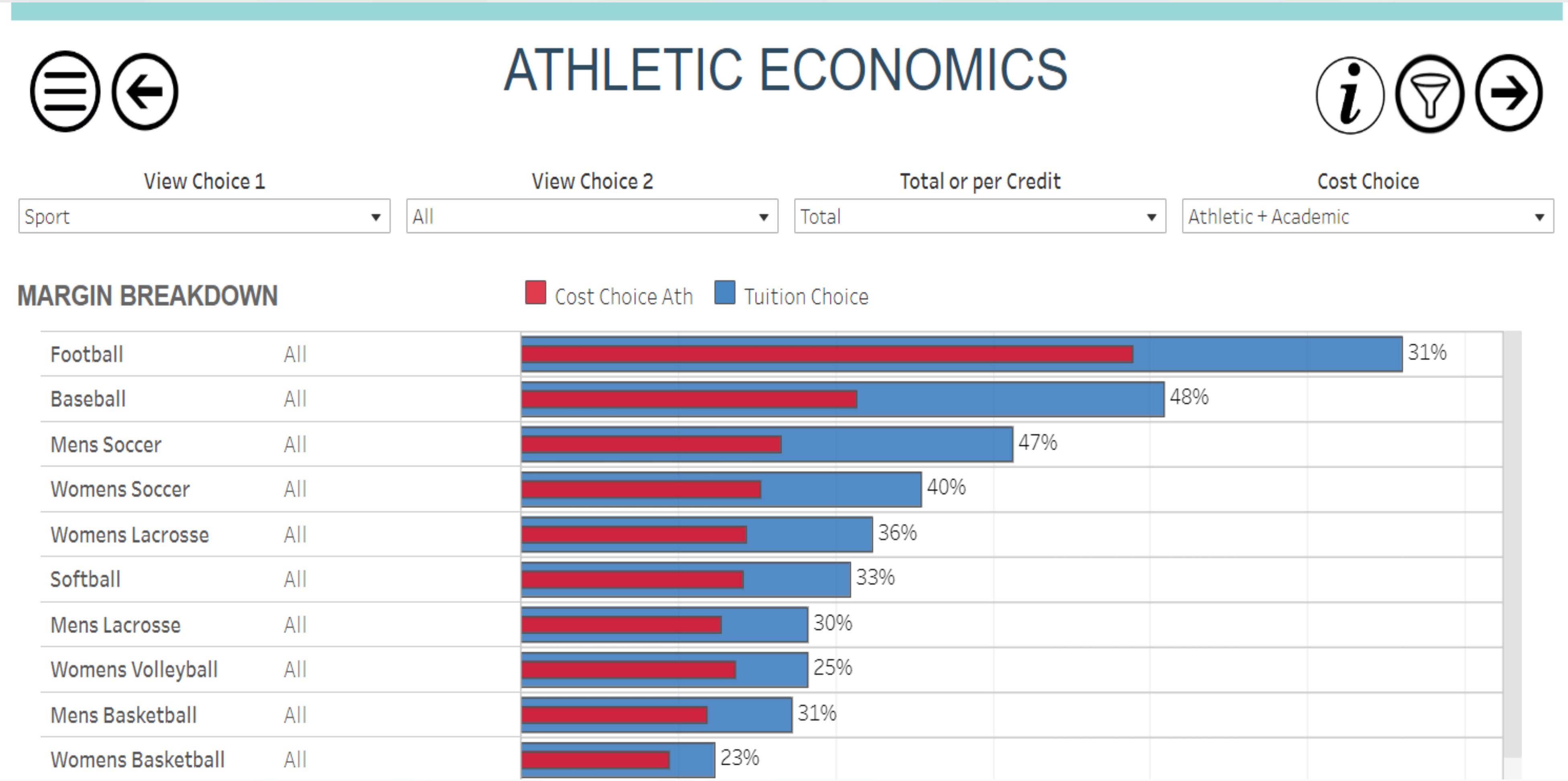
NCAA_RecruitingFactSheet.pdf (ncaaorg.s3.amazonaws.com)

A Closer Look – NAIA & NCAA DII – NAIA

PowerPoint Presentation (ncaaorg.s3.amazonaws.com)

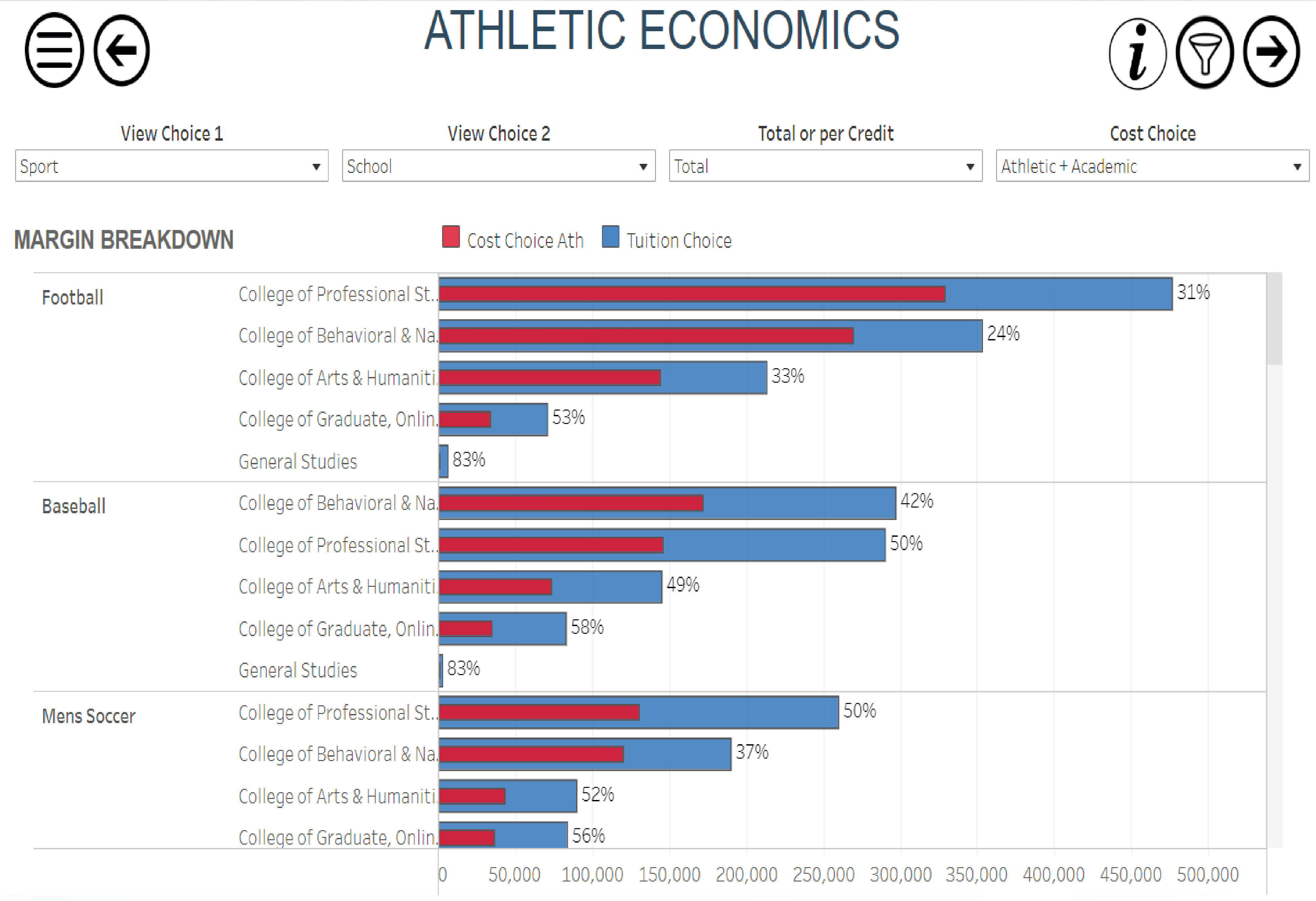
Key Questions

How Do I Evaluate It?



Key Questions

How Do I Evaluate It?



Questions?

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