

# Chicago Daily Law Bulletin.

## Lawyers doubt if Olympic tax deal worth pursuing

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By Pat Milhizer  
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Every time U.S. Olympic athletes swim, run, hurdle, bike and tumble for a medal, they get paid.

In addition to whatever endorsements athletes may receive, the U.S. Olympic Committee pays them for every medal they win. Competitors get \$25,000 for gold, \$15,000 for silver and \$10,000 for bronze.

Then the IRS collects a percentage that depends on the athlete's total income.

Two federal lawmakers — Rep. Aaron Schock of Illinois and Sen. Marco Rubio of Florida — introduced the Olympic Tax Elimination Act last week to exempt medal winners from paying federal taxes on the cash prizes and value of the medals.

But some lawyers call it legislation seeking a problem that may not exist.

That's because wealthy Olympians — think LeBron James and Michael Phelps — can easily afford the taxes. And those who sit in lower tax brackets incur tax-deductible expenses for coaches, traveling to competitions, training and gear in amounts that could offset any tax on the prize money.

Lawyers also expressed doubt that the IRS tracks down Olympians to make sure that they pay taxes on the value of the medals.

David Cameron, associate director of the Tax Program at Northwestern University School of Law, questioned the fairness of the proposal.

"Even in the instance in which an award is taxable, I don't think the code ought to be making distinctions between taxpayers in this manner," Cameron said. "Why should someone who runs a race and wins an award for that be taxed differently than someone who goes out and gets a second job in order to put food on the table and has to pay taxes on it?"

A spokesman for Schock responded to a request for comment, but then couldn't be reached this morning.

"completely absurd."

"Everyone complains about how complicated the tax code is, but every time that we add one little tiny exception for one specific group of people, that adds that much more complexity," Brunson said.

The legislation lacks a substantive reason to support it, Brunson said, given that competitors in other events don't receive such a tax break.

"If this were, for example, a poker tournament, you would assume the winner of the poker tournament would pay taxes on his or her winnings. If it were Tiger Woods and his winnings, you expect he's going to pay taxes on it. If you go on Oprah and she gives you a car, you pay taxes on it. Prizes are taxed," Brunson said.

Thomas J. Handler of Handler, Thayer LLP represents affluent people in tax planning, estate planning and the formation of family offices. His firm represents one track competitor who won a gold medal and received a seven-figure endorsement deal.

Handler said taxing the Olympic cash payments is fair given that some athletes possess a high net worth.

"I think this is sympathy for low-end guys, which I fully understand. But as a practical matter, the vast majority of them aren't going to be paying taxes anyway," Handler said, referring to the tax-deductible training expenses.

"The underlying commentary is that Congress tends to be very reactionary. And they do things at the spur of the moment and they do things for political reasons. And I would throw this in the same basket," Handler said.

Fred O. Marcus of Horwood, Marcus & Berk Chartered handles tax matters for companies and individuals.

Saying exempting Olympic prize money from taxes doesn't make sense, Marcus offered a possible reason why the legislation surfaced now.

"It gives Congress the opportunity to actually do something so it looks like they're working," Marcus said. "These are things that don't need to be addressed when we have the problems we have."

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