

NewsRoom

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Maybe Jordan Poyer has a point: If you think your taxes are complicated, try being a pro athlete

Michael Petro; The Buffalo News, N.Y.

Mar. 13—Buffalo Bills safety Jordan Poyer is heading into free agency, and he's making it clear that New York's income tax will influence his decision on where to sign.

Poyer said recently on his podcast that if he does not return to the team he "would love to go to a state that doesn't take half my money."

That's an exaggeration, but the differences in state income rates — and in some cases the absence of them — can be a factor in the decisions by professional athletes on where they want to play.

For athletes earning millions of dollars a year, the difference between a high-tax state, such as New York, and one such as Florida, where there is no state income tax, can add up to hundreds of thousands of dollars over the course of a deal. For really high earners, that type of savings can occur annually.

In fact, when Buffalo native Rob Gronkowski came out of retirement and was traded from New England to Tampa Bay — going from playing for a team in a state with an income tax to one without — it reportedly saved him around \$500,000 on his \$10 million salary during the 2020 NFL season.

"I get where Jordan Poyer is coming from," said Cheryl Meyers Buth, a Buffalo attorney working as a sports and entertainment agent. "When you have conversations with clients, it is always something you try to frontload with them. Like, 'OK, here is the number you're being offered but what does it really mean?' "

"But it's not just salary that drives these decisions, it's also having these other opportunities available through playing on these higher profile teams. It's one piece of an overall financial plan," she added.

For its part, New York also isn't shy about lauding the \$27 million it receives in taxes each year from the Bills and NFL players. In fact, it was used as a selling point for the deal the state reached with the team on a \$1.4 billion stadium. Those taxes allow states to recoup some of the money that it costs to support professional teams.

When asked about it at the NFL scouting combine, Bills General Manager Brandon Beane joked that someone should call Gov. Kathy Hochul to get state taxes reduced, not just to help sell Buffalo as a destination, but to lower the amount he pays on his own income.

"There's always things you fight — whether it's the weather, the taxes, whatever," he said. "And, to me, as long as you have a winning program, that will supersede some of those things. If you're a player you got to look at everything, (and) I'm sure they all have the financial guys as well. And so, you control what you can control."

Taxes are especially complicated for professional athletes. An athlete must pay taxes in every state where they play their games and practice if that state has a tax on income.

Those taxes are based on "duty days" — any time an athlete is actively participating in services for the team in a certain state. That also includes mini camps, training camps, meeting days and travel days.

So a Bills or Buffalo Sabres player not only has to pay New York State taxes on what they earn while playing in Western New York, they also have to pay state taxes in some of the other places they play games.

Likewise, players on visiting teams have to pay New York State income tax on the portion of their earnings that are generated while they are practicing or playing here.

For NHL players, that can mean they have to file a dozen or more state tax returns. For NFL players, it can be closer to 10, depending on where they play away games and where they live during the offseason.

It is also true that athletes playing for teams in states without a personal income tax can make out better than those who play in places like New York.

Even if a player establishes residency in a nonpersonal income taxing state — and Poyer likely does that since he spends his offseasons in Florida — a large portion of the athlete's income is still taxable in New York. Athletes are officially considered a New York resident if they maintain a permanent abode or spend in excess of 183 days in the state.

"If you're in Florida, but you're a professional athlete that plays for a New York team, you're still going to wind up paying significant New York tax on your earnings," said Dan Kelly, a partner in the tax practice at Hodgson Russ, who deals in multistate athlete compensation tax rules.

But playing for a team in Florida certainly doesn't mean an athlete gets out of paying taxes entirely. In addition to duty days, federal income taxes are the same regardless of where an athlete plays, and that can be a large chunk of their earnings given the salaries some make.

The top federal tax rate is 37% for income above \$647,000 for married couples who file a joint return. New York taxes earnings above \$2.15 million at rates of around 10%. In the NFL, the minimum salary for rookies is \$750,000 and it goes up from there, based on years of experience.

Poyer reportedly has not been offered a contract extension by the Bills nor has he closed off the possibility of returning as the NFL free agency period begins Wednesday after a two-day window for negotiations opened on Monday . He signed a four-year, \$13 million deal in 2017 and then was given a two-year extension worth \$19.5 million.

Endorsement deals and other sources of income also play into how much athletes pay in taxes annually. Bonuses — a big part of many NFL contracts — are generally taxable only by the recipient's resident state, making it pay off even more to establish residence in a non-income tax state.

And because players are taxed by other states where they play games, they will earn a credit and pay less than 100% of their total income in their home team's state if that state has an income tax.

"It's crazy to me how taxes work," Poyer said on his "The Jordan Poyer Show" podcast. "Some people will say, 'You're already making X amount of money.' Taxes play a big part in all of our lives, especially at the level we play at. You look at some of your checks and some places you go take half of your check away. You are wondering, 'Where is that money even going?'"

The state is providing \$600 million up front for the construction of the new Bills stadium, scheduled to be completed in 2026, but Hochul has been quick to point out that the franchise is a "proven economic driver for the Buffalo region and the state."

The Bills generate \$27 million annually in direct income, sales and use taxes for the state, Erie County and Buffalo. These revenues will grow and amount to more than \$1.6 billion over the 30-year lease period, Hochul said.

While taxes have certainly become an increasing part of the analysis for players deciding where to play in free agency, there are numerous other factors to consider as well.

For example, some athletes may prioritize being a part of a winning team — a positive for the Super Bowl-contending Bills. Others may take into account the availability of potential endorsement opportunities — which often favors bigger markets — or quality of life factors.

Most professional sports franchises are located in states with a personal income tax. California may have one of the highest rates of state income tax but there are 28 professional sports teams there that plenty of athletes seem willing to play for.

Meanwhile, Poyer's wife, Rachel Bush, took to Twitter to defend her husband as the tax comment rankled some fans.

"He's gonna go where the best business decision takes him," she wrote. "Of course while still considering the other topics at hand — like quality of life, taxes, success rate etc to make it worth it. Nobody has been ruled out."

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