



California: Proposal to end the victory tax on Olympic earnings stalls in committee

TAX AND BENEFITS CHALLENGES | AUG 22, 2016

In February, California Assemblyman Brian Jones, who represents the 71st Assembly District, which includes the communities of eastern San Diego County and others, introduced [legislation](#) that would have excluded the value of medals, prize money and honoraria from the gross income of California based medalists of the summer 2016 Olympic or Paralympic Games. On August 11, 2016, it stalled without explanation, as the Senate Appropriations Committee held it under submission.

The U.S. Olympic Committee awarded athletes \$25,000 for gold medals, \$15,000 for silver and \$10,000 for bronze. Based on historical athlete performance, the Franchise Tax Board (FTB) estimated that the fiscal impact of the legislation would have been negligible. More specifically, it would have resulted in General Fund revenue losses of \$100,000 in 2016-17; \$6,000 in 2017-18; and \$4,000 in 2018-19.

In his [Twitter feed](#), sponsor Jones promises to keep fighting to end the so-called victory tax, lamenting, by way of a [press release](#), the Senate Committee's decision "not to honor our current and future American Olympians during the height of the current Olympic Games."

Moreover, he argued:

Only a handful of Olympian and Paralympian winners receive marketing endorsements for winning a medal, but the vast majority of athletes eke out a very modest living after the games often through coaching or training for the next competition. This legislation was a small step to saying a big thank you to our Olympian and Paralympian victors.

Assemblyman Jones continues to use Twitter to urge Californians to get active: "We still NEED your help. Please call your local legislator to bring back and support #AB1944 that would give relief to #TeamUSA #Olympians." In addition, he thanked *The San Francisco Chronicle* for an [editorial](#) underscoring his contention that his proposal was "more than just a feel-good bill" because so few athletes have the opportunity to make millions in endorsements and speaking fees that a competitor like Michael Phelps does.

The editorial further argues that "[a]fter investing their youth in expensive training and coaching, [the athletes] often spend their adulthood scrambling for paychecks. Olympic careers are short, and a large percentage of athletes only have the opportunity to participate in a single Games. All the more reason, then, for these athletes to keep as much of their prize money as they can."

The U.S. Olympic Committee's roster reveals 124 athletes from California. They competed in a variety of sports, including badminton, basketball, boxing, cycling, equestrian, field hockey, fencing, golf, gymnastics, rowing, rugby, sailing, shooting, soccer, swimming, synchronized swimming, tennis, table tennis, track and field, water polo, weight lifting, indoor and beach volleyball and wrestling.

FEDERAL TAX BREAK

New York Senator Chuck Schumer has [proposed](#) a similar exemption on Olympians' earnings, on largely the same grounds: "it is unfair to tax the winnings of these medalists who work hard year-round to represent their country on the world stage and achieve victory...the U.S. tax system should recognize the sacrifices made by our Olympic and Paralympic athletes. Most countries subsidize their athletes...the very least the U.S. can do is make sure that our athletes don't get hit with a victory penalty."

Senator Schumer's bill passed in the Senate, but it did not pass in the House.

[Click here](#) for more information on federal lawmakers' efforts to pass an Olympic tax break.

SOME SAY THE VICTORY TAX EXEMPTION IS THE "GOLD MEDAL OF BAD IDEAS"

Despite the popularity of a victory tax exemption, the Tax Policy Center (Center) [contends](#) that even if it sounds great at first, it is a very bad idea, nothing but a "way for politicians to use the tax code to make it appear they are supporting deserving Olympians when they really are not... In reality, much of this shameless subsidy would help professional athletes who need it the least, and do almost nothing for the true amateurs who are desperate for financial support. But unlike past years, it appears this bill may actually pass."

The Center argues that the athletes who would benefit the most, like Michael Phelps, would barely notice the break because these world class stars have so many other deductions already, like for coaching, travel and equipment. On the other hand, some medal-earning athletes make so little from their endeavors that they are not in a position to itemize their deductions in the first place. For them, the exemption would make no difference.

The Center has a better idea than the victory tax exemption:

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If Congress wants to provide financial assistance to truly struggling athletes, it should just man up and establish some sort of fund aimed at helping those who need it most. They could pay for it by cutting the tax exemption of the U.S. Olympic Committee, which does remarkably little to support individual athletes. Passing a tax cut that would mostly help those who need it the least is little more than shameless pandering.



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