Athlete NIL Earnings & Entity Planning

What is Entity Planning?

Entity planning refers to the process of creating a legal business structure, like an LLC (Limited Liability Company) or S-Corp (S Corporation), to manage your NIL income, protect your assets, and potentially reduce your tax liability. If you're earning consistent NIL income, sponsorships, appearance fees, or operating like a small business, then forming a legal entity could be a smart move. Signing NIL deals personally instead of through an entity can expose you to liability and tax inefficiencies.

When Should I Seriously Consider It?

1. You're signing multiple NIL or sponsorship deals.
2. You're hosting clinics, selling merchandise, or creating content for profit
3. You want to start building your long-term brand
4. You're earning more than $10K+/year from business-like activities.

Why Should Athletes Consider Forming an Entity?

Benefit	Why it Matters for Athletes
Liability Protection	Separates your personal assets from your business risks
Tax Efficiency	Lets you deduct business expenses (travel, gear, marketing, legal fees)
Professionalism	Enhances credibility with brands and sponsors.
Clean Recordkeeping	Easier to track income, pay taxes, and manage expenses.
Banking & Credit	Allows you to open a **business bank account**, apply for loans/credit cards.

LLC vs. S-Corp: What’s the Difference?

LLC: a type of legal business structure. It separates you personally from your business activities

How it Works:

- You earn NIL income under your LLC (e.g., "John Smith Athletics, LLC")
- The LLC can open a business bank account
- You still file taxes as an individual, but you may be able to deduct expenses like travel, gear, branding, etc.

  Ideal For:
  - Athletes just starting to monetize their brand
  - Side income through NIL, appearances, or social media

S-Corp: Tax status you can elect (not a separate entity). Often used after you’ve already formed an LLC and your income has grown. Allows you to pay yourself a reasonable salary, with any extra income taxed at a lower rate.

Ideal For:

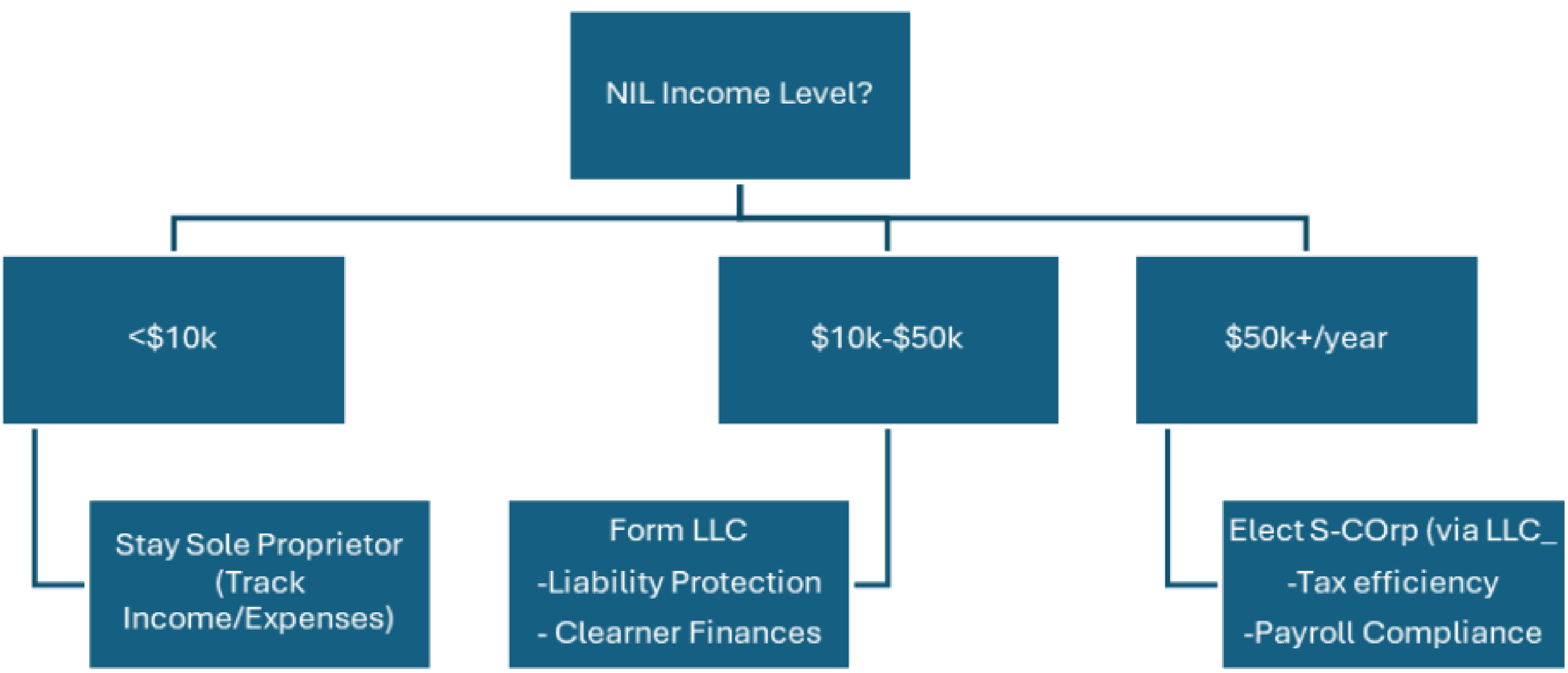
- Athletes earning $50,000+ per year consistently from NIL or business
- Those who have already formed an LLC and want to optimize tax structure

Feature	LLC	S-Corp(via LLC)
Setup	Simple & Low Cost	Must elect with IRS
Taxes	Pass-through (Schedule C)	Lower taxes on profits
Payroll Required?	No	Yes – pay yourself a salary
Flexibility	High	More rules & paperwork
Best For	$0–$50K income range	$50K+ and consistent income

Steps to Set Up Your Entity (LLC)

1. **Pick a Name** — Can be your own name or your athlete brand (e.g., "John Smith Athletics, LLC"
2. **Choose a State** — Most athletes form an LLC in their home state
3. **File with the State** — Usually through the Secretary of State website (fees range from $50–$300)
   - **State Fees and Franchise Taxes:** Be aware of annual state fees. States like California charge an $800 annual franchise tax even for small LLCs
4. **Get an EIN** — Employer Identification Number from the IRS (free via irs.gov)
5. **Create an Operating Agreement** — Optional for single-member LLCs, but helpful
6. **Open a Business Bank Account** — Keep NIL earnings separate from personal income
7. **Hire an Accountant or Advisor —** Especially helpful during tax season or before electing S-Corp

Choosing the Right Business Structure for Your NIL Income



Tax Implications of an Entity

With an LLC, you still pay self-employment tax (15.3%) but can deduct:

- Travel & lodging for brand events
- Website & content creation costs
- Legal/marketing/professional fees
- Equipment or gear (used in promotions)

With an S-Corp, you can:

- Pay yourself a reasonable salary (subject to payroll tax)
- Take additional income as dividends, which avoids self-employment tax
- Must file Form 1120S and issue yourself a W-2

Quarterly Tax Safe Harbor Guidance

- Pay at least 100% of last year's tax or 90% of current year's projected tax to avoid IRS penalties.
- Set aside 25–30% of income into a separate account to cover quarterly estimates.

*****Caution:** S-Corps require more compliance, like running payroll and separate tax filings, not worth it until you're earning consistently at scale. Consider hiring a CPA or tax advisor familiar with athlete taxation to avoid underpayment penalties and to maximize deductions.

Common Mistakes to Avoid

- Mixing personal and business finances
- Forgetting to set aside money for quarterly taxes
- Signing NIL deals personally (instead of through your business)
- Ignoring state filing requirements or deadlines
- Not keeping receipts and documentation for deductions
- Failing to create a system for tracking income and expenses year-round
- **Hobby Loss Rule Awareness:** The IRS may reclassify your NIL activities as a hobby if you don't show a profit 3 out of 5 years. Keep organized books and demonstrate a business intent to maintain deductions
- **Multi-State and International Income:** Competing, appearing, or earning in multiple states, or abroad, can trigger filing or tax obligations in those jurisdictions.

Brand & IP Protection

- As your athlete brand grows, so does the value of your name, logo, likeness, and content
- Consider trademarking your brand name, logo, or social handle
- Ensure your content is protected from unauthorized use
- Monitor for unauthorized use of your name, image, or content online
- Use trademark registration for your brand elements early to protect future value.

Financial Management & Growth Strategy

- Entity formation is just one step—managing cash flow, reinvestment, and long-term financial health is critical
- Meet with a financial advisor or wealth manager to create a budget, save for taxes, invest profits, and plan for post-athlete life
- Set financial goals: emergency fund, retirement, or business reinvestment.

Tools to Help You Get Started

- Secretary of State Website: To register your LLC (varies by state)
- IRS.gov: For an Employer Identification Number (EIN)
- A CPA or tax attorney familiar with athlete NIL: For help with tax filings and business setup
- **Bookkeeping and Payroll Tools:**
  - Bookkeeping: QuickBooks, Wave, or Bench for tracking income/expenses.
  - Payroll: Gusto or ADP if you elect S-Corp and need to pay yourself a salary.

Whether you're hosting a camp, doing brand deals, or creating content, having a structure in place gives you more control and credibility and sets you up for long-term success. Even if you don't form an entity now, keep good records and consider talking to a financial advisor or tax pro. As your NIL earnings grow, so will your need for structure and protection.

DISCLAIMER: ALL RESOURCES PROVIDED BY THE TEAM USA AC ARE INTENDED FOR EDUCATIONAL PURPOSES. NONE OF THIS DISCUSSION OR COMMENTARY CONSTITUTES LEGAL ADVICE, AND IT SHOULD NOT BE SUBSTITUTED FOR LEGAL ADVICE. ATHLETES SHOULD CONTACT AN ATTORNEY TO OBTAIN ADVICE WITH RESPECT TO ANY PARTICULAR LEGAL MATTER.

Contact Us teamusa.ac@teamusa-ac.org