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Here's the Tax Beat broadcast for August 5

Subject Line: The Group of Taxes

On July 19, in a stadium in East Rutherford, New Jersey, Spain beat Argentina to win the World Cup for the first time since 2010. Sixteen years of hurt erased in ninety minutes. Confetti everywhere. Grown men weeping into their jerseys. Lamine Yamal hoisting a trophy he was barely out of diapers for the last time his country won it.

It was the biggest tournament the sport has ever staged: 48 teams, 104 matches, three host countries, and 78 games played on American soil across 11 states. FIFA approved $655 million in prize money, a 50% bump over Qatar in 2022. Spain's share for lifting the trophy was $50 million.

And before the confetti hit the turf, a substitute nobody wanted came jogging onto the pitch. The IRS.

Here's the thing about FIFA. Since Spain’s 2010 win, every host nation has handed the visiting players a get-out-of-tax-free card. South Africa did it. Brazil did it. Russia did it. Qatar did it. The United States looked at that arrangement, called offside, and declined.

So the IRS published a World Cup playbook confirming what tax nerds already knew. Nonresident athletes owe federal income tax on income connected to services performed in the United States. Practitioners call it the "jock tax." The default is 30% withholding on gross U.S.-source pay. A treaty or a Central Withholding Agreement can knock that number down, and the final tab gets settled on Form 1040-NR, a document roughly as thrilling as a goalless draw.

Then the states line up for their corner kick. Income gets sliced using "duty days," meaning days worked in a state divided by total days worked, times pay. New Jersey, which hosted the final, taxes visiting athletes. So does California. Meanwhile squads that set up base camp in Florida or Texas kept a clean sheet at the state level, because there’s nothing to tax in a state with no income tax. Somewhere, a team accountant who picked Fort Lauderdale over Los Angeles is quietly asking for a raise.

There's a nice wrinkle in how the money moves, too. The prize money FIFA pays to the national federations is largely exempt, because Treasury agreed to treat the qualifying associations like tax-exempt organizations. The tax doesn't disappear, though; it just waits in the tunnel. When the federation passes the money along to the players, that's when the whistle blows.

Treaty relief has holes in the net as well. It may cover the match income and skip the endorsement income entirely, which means the shoe deals, the appearances, and the sponsor handshakes get sourced and taxed separately. Ask any player who’s ever discovered his agent and his accountant weren’t on speaking terms.

Then everybody flies home and does it all again in a second language. Seventeen of Spain's 26 players are Spanish tax residents, so Spain taxes them on worldwide income. Yamal plays for Barcelona. Barcelona is in Spain. You do the math. Or, better yet, let his accountant do it while you enjoy the highlights.

None of this is unique to soccer, which is the part worth your attention. These are the same rules that catch touring musicians, traveling consultants, remote employees with two addresses, and the business owner who kept the Ohio house after retiring to Florida. Multi-state income allocation is the least glamorous position on the field, it never makes the highlight reel, and it decides more matches than anyone wants to admit.

Spain got the trophy. Argentina got the runner-up check. Everybody got a filing obligation. We can't teach you a bicycle kick, but we can keep the tax man from scoring on you. And unlike Spain, you won't have to wait sixteen years for the win!

Kevin