

February, 2022

Taxation of Olympic Gold

The 2022 Winter Olympic Games are set to open in Beijing, China on February 3, 2022. The United States will not be sending government representatives to the Games in a diplomatic boycott over human rights issues, but Team USA athletes will be allowed to compete with athletes from all over the world to be victorious and stand on the podium in their respective sports. The International Olympic Committee awards the gold, silver and bronze medals to the top three athletes in each sport. But did you know that each country has their own decision making authority to award monetary prizes to the winners?

The United States Olympic Committee awards \$37,500 in cash compensation for each gold medal, \$22,000 for silver, and \$15,000 for bronze. Before 2016, these cash awards along with the value of the medal itself were subject to U.S. taxation as ordinary income. However, the passage of the United States Appreciation for Olympians and Paralympians Act in 2016 changed the tax law for compensation won only at the Olympic Games. The tax law did not affect the taxation of prize income from other competitions. The Olympic medal value and cash awards only become taxable if an athlete earns more than \$1 million dollars that year. Many Olympic athletes achieve that level of success, but many fall short. They may earn income from prize money, endorsement and sponsorship deals that total greater than \$1 million dollars, but they also may have deductible expenses such as travel, equipment, training, management and coaching fees, and dues and subscription costs, among others.

Are U.S. athletes responsible for paying taxes to China for prizes earned at the games? A prize won at the Beijing 2022 Olympic Games will not be considered China source income and taxable by China unless the athlete has spent more than 183 days in China.

Here is a summary, according to Forbes Magazine, of how a range of countries across the globe award their athletes:

- Singapore has the highest award, paying 1 million Singapore dollars to a gold medalist, or roughly \$743,000 using today's exchange rate. Singapore has a territorial tax system so that only income earned within Singapore is subject to taxation. A prize earned in Beijing would not be taxable in Singapore.
- Taiwan awards 20 million New Taiwan dollars, or roughly \$720,000 US dollars in today's exchange rate.
- Italy pays 200,000 Euros for gold, 90,000 for silver, and 60,000 for bronze. That translates to roughly \$225,000, \$102,000, and \$ 68,000 in US dollars.
- Canada, Australia, Brazil, Finland all pay similar amounts as the United States while Great Britain and New Zealand do not award any prize money for medals won.

I found these trivia tidbits particularly interesting about the Olympic Games. Did you know:

- The winter Olympic games lasts 19 days and covers competitions in 15 different sports
- 2,871 athletes will compete in the Winter games.
- Team USA consists of 225 athletes: 115 men, 109 women, and one non-binary athlete.
- Kamila Valieva, 15, of Russia and Alysa Liu, 16, of the United States are two of the youngest athletes competing at the 2022 Winter Games. They will face off for gold in figure skating.
- Matei Michkov, 17, is one of the youngest ice hockey players on the Russian team. He is eligible to be drafted by an NHL team once he reaches the minimum age of 18.
- There are three female athletes over the age of forty competing at the Games. Claudia Pechstein, 49, is the oldest female Olympian at this year's Winter Games. She will compete in speed skating for Germany.
- Nick Baumgartner is the oldest member of Team USA, a forty year old snowboarder from Michigan.
- Local athletes to watch: Hakeem Abdul-Saboor and Charlie Volker are both members of the USA Bobsled Team with ties to New Jersey.
- Three figure skaters who will represent Israel at the 2022 Beijing Winter Games all live locally in New Jersey.
- Taiwan will compete under the name 'Chinese Taipei' and almost did not send athletes over controversies between Taiwan and China.
- A 1980 "Miracle on Ice" Winter Olympics ice hockey team gold medal sold for \$262,900 in 2014 (source Kiplinger August 2021)

If you have questions about the topic discussed in this newsletter, want to share your favorite Olympic Winter sport, or ask a question in regards to the upcoming tax season, please feel free to call us. Remember, We're Here For You.

Sincerely yours,

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