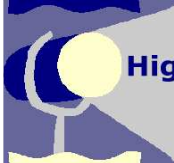


Professional Privilege Tax for Professional Athletes

Notice #09-13

Professional Privilege Tax

October 2009

**Highlights**

- *Effective July 1, 2009, new professional privilege tax for certain professional athletes*
- *NBA and NHL players are subject to the tax*
- *Tax rate is \$2,500 per game up to a maximum of three games played per tax year*
- *Returns and tax payments due no later than June 1 following tax year*

**References:**

P.C. 530 (2009)
§§ 64 & 65
T.C.A. § 67-4-1702
T.C.A. § 67-4-1703

INTRODUCTION

This notice is intended to provide information relative to the new professional privilege tax for certain professional athletes.

Effective July 1, 2009, a new professional privilege tax is levied on professional athletes in the National Hockey League (NHL) and the National Basketball Association (NBA).

DISCUSSION**Professional Privilege Tax**

Effective July 1, 2009, the Tennessee General Assembly enacted a new professional privilege tax on players in the National Hockey League (NHL) and National Basketball Association (NBA) on games played in Tennessee. The tax year is June 1 – May 31.

The tax applies both to Tennessee-based teams (Nashville Predators and Memphis Grizzlies) and their opponents on games played in Tennessee.

Persons Subject to the Tax

The new tax applies to players who are employed by NBA and NHL clubs for more than ten days during the annual tax year and who are available for participation in a game in Tennessee.

Players on minor league or “two-way” contracts only become subject to the tax when they have been on the parent club’s active roster for more than ten days during the tax year. Once a player has been on the parent club’s active roster for more than ten days, the tax is due retroactively for any games played for the parent club prior to the player having been on the active roster for the ten-day threshold.

The Rate of Tax

The tax on each player is \$2,500 per game, up to a maximum of three games per annual tax year. This means the maximum amount an individual player can be taxed per year is \$7,500 (\$2,500 x 3 games).

Any athlete who is on the club’s active roster and eligible to participate in a game is subject to the tax. It does not matter if the athlete actually participates in the game.

Filing the Return and Remitting the Tax

Individual teams will determine the method of collecting the tax from their players who owe the tax. The team will then submit a tax return with payment to the Tennessee Department of Revenue. All tax returns and payments are due no later than June 1 following the annual tax year. However, returns may be filed and tax payments may be made more frequently (i.e., following each game, at the end of each month, etc.) during the tax year if a team chooses to do so.

Adequate records must be maintained by each team to verify proper payment has been made for all players subject to the tax.

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.