



PROGRAM MATERIALS
Program #35184
September 18, 2025

Navigating the NIL Minefield: Tax Traps and Compliance Tips

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NIL MINEFIELD: TAX TRAPS AND COMPLIANCE TIPS

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Agenda

NIL Generally

Student-Athlete Status

Pure vs. Third-Party NIL

Other Tax Considerations

Final tips & takeaways

NIL GENERALLY





N I L Defined

Name, Image, and Likeness



Prior NIL Rules

Previously, student-athletes were prohibited from profiting off their name, image, and likeness while in school.

Attempts to profit off one's NIL could result in the student jeopardizing one's National College Athletics Association (NCAA) eligibility.



Current NIL Rules

Student-athletes are no longer prohibited from profiting off their name, image, and likeness while in school.

NIL rules refer to a student athlete's right and ability to be paid for certain activities or appearances. If the student athlete receives any monetary or financial gain, in cash or non-cash, from a transaction in which the student benefits from the use of the student's name, image or likeness, that gain is Name, Image and Likeness (NIL) income.

NIL

Timeline

How did we get here?



Sources of Income

Name, Image, and Likeness

NIL Income Sources

Student athlete activities that can trigger NIL income include:

- Content creator/social media influencer
- Brand endorsements
- Sponsorship deals
- Autograph fees
- Promotional appearances
- Marketing brands
- Guest appearances at clubs and schools
- Exhibitions
- Endorsements
- Gifts
- Giveaways (gift cards)

Generally, all income from NIL activities is considered taxable income, including non-cash compensation, like merchandise or gift cards.

STUDENT-ATHLETE STATUS

Student-Athlete Status

Student-athlete status is a designation for individuals who are enrolled in postsecondary educational institutions and participate in organized competitive sports sponsored by those institutions.

What is Student-Athlete Status

They are responsible for maintaining a certain GPA and following their school's honor code.

Definition for NCAA Purposes

Considerations

The following are areas
advisors of student-athletes
need to consider:

Items of Concern regarding Student-Athlete Status

Worker-classification

- Employee
- Independent Contractor

Financial Aid

Foreign Student

- Visa Concerns

Taxable Income

Considerations Student-Athlete Status

Worker Classification

Student-athletes are generally considered independent contractors for tax purposes and receive Forms 1099 if their income is \$600 or more from one source.

File a Schedule C, Profit or Loss from Business, with Form 1040 to report self-employment income and related expenses.

Considerations

Student-Athlete Status

Financial Aid

Income or benefits you received as a student-athlete must be included in taxable income on the FAFSA (Free Application for Federal Student Aid) application and could impact the amount of financial aid granted. Pell grants are based on other factors but can also be

Considerations Student-Athlete Status

Generally, if you're from another country and getting payments from NIL activities in the U.S., you'll have to pay taxes on income earned. Non-residents must report all income — including NIL payments — to the Internal Revenue Service (IRS) regardless of immigration status.

Foreign Student-Athletes

Current U.S. immigration laws strictly limit employment for F-1 visa holders, creating a direct conflict with the NCAA's evolving NIL framework and new revenue-sharing models.

For student-athletes, engaging in unauthorized NIL activities could result the loss of their F-1 visa status, ineligibility for future immigration benefits, and potential removal from the United States.

Third-Party

N I L

Pure NIL vs. Third Party NIL

BACKGROUND

Difference in NIL Deals

PURE NIL

PURE NIL DEALS INVOLVE THE STUDENT-ATHLETES' ENTERING INTO AGREEMENTS ON THEIR OWN BEHALF REGARDING THEIR NAME, IMAGE, AND LIKENESS

THIRD PARTY NIL

THIRD-PARTY NIL DEALS INVOLVE THIRD PARTIES WHO LEVERAGE THE STUDENT-ATHLETE'S NIL FOR COMMERCIAL PURPOSES.

IRS Nonprofit Challenges

NIL Collectives

Often organizations, independent of the universities, that aggregate resources from donors, alumni, and fans to create NIL opportunities for student-athletes. Previously, collectives received nonprofit status with the IRS.

501(c)(3) status since NIL Income laws

- Chief Counsel Memorandum AM 2023-004
- PLR 202428008;
- PLR 202416015;
- PLR 202414007; and
- PLR 202504020

Generally, IRS has scrutinized NIL Collectives claims regarding nonprofit status.

Pure NIL vs. Third Party NIL

Other Tax Considerations

Dependency Issues

You need to file a tax return if you made at least \$400 in NIL self-employment activities (to report your self-employment tax) or if your total income is more than the standard deduction. The amount of the standard deduction depends on your income and whether anyone can claim you as a dependent.

Self-Employment Taxes

Parent(s) or legal guardian(s) can still claim a student-athlete as a dependent on their tax return, if the following requirements are met:

Student-athlete is a full-time college student.

Student-athlete is under 24 years old.

Student-athlete relies on parent or guardian for at least half of your financial support.

Student-athlete does not file a joint return with a spouse.

Qualified Business Income Deduction

A qualified business income (QBI) deduction allows eligible taxpayers to deduct up to 20 percent of their QBI, plus 20 percent of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income.

If the athlete sets things up as a business and all things are outlined on a Schedule C, the net income may be subject to a QBI deduction.

Final Tips & Takeaways

01

NIL Income is here to stay.

02

One must know the worker classification and residency status of student-athletes.

03

There are numerous tax implications and considerations related to NIL Income.

04

Additionally legislative regarding NIL Income is likely.

05

If you have additional questions, please contact a qualified tax professional.

THANK YOU

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