

# The Gold Standard

By Reg P. Wydeven  
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Every four years, my family and I are glued to the TV to watch the Summer Olympics. It's hard to believe that I can get so invested in athletes I had typically never heard of compete in sports I usually don't follow. And of course, I'm a huge sucker for the athletes' back stories, which usually involve overcoming personal tragedy or huge setbacks to achieve success.

Overcoming these odds make the athletes' success that much sweeter. No matter how many times I hear 'The Star Spangled Banner' and see old stars and stripes unfurl when an American wins gold, I still get choked up. It's awesome to see a lifetime of effort pay such huge dividends.

And like dividends, Olympic medals are subject to taxes.

In addition to the hardware, American athletes that win Olympic medals are paid by the United States Olympic Committee. Athletes that earn a gold medal get \$25,000, a silver medal earns \$15,000 and \$10,000 is awarded for a bronze. So, Michael Phelps' five gold medals and one silver this year earned him \$140,000. Not too shabby.

But, just like lottery jackpots and Nobel Prizes, the cash awards paid to athletes are considered prizes, and therefore, are subject to income taxes. And not just the cash – the medals are taxed, too. Shockingly, the medals are not worth anywhere close to what I would guess they would be. Based on the value of the metals they are comprised of, gold medals are worth about \$600, silvers about \$300 and bronze medals are worth less than \$10.

So, due to lucrative endorsement deals with the likes of Under Armour and Visa, Phelps is in America's highest tax bracket of 36.9%, as he will earn more than \$415,000 this year. If he gets married yet in 2016 and files jointly with fiancée Nicole Johnson, they could earn up to a combined \$465,000 before hitting the top tax bracket, which is a safe bet. So, in the top bracket, Phelps will pay just under \$10,000 of what's commonly called the "victory tax" for each gold medal he won.

The average American Olympian, however, will not be in the top tax bracket. Because the U.S. is one of the only countries that doesn't provide government funding to its Olympians, our athletes have to rely on small stipends from the USOC. They typically do not have major endorsement deals. They train continuously, so they work part-time, if at all. In addition, a good portion of their tremendous training expenses is typically tax deductible.

For this reason, Congress has tried to give Olympic athletes a tax break. Sen. Marco Rubio introduced legislation in 2012 to exclude Olympic bonuses and medals from taxation. Rubio claimed, "We can all agree that these Olympians who dedicate their lives to athletic excellence should not be punished when they achieve it." The bill didn't pass.

Like the Olympics, four years later the measure came back. In July, the Senate passed a bill sponsored by Sens. John Thune and Chuck Schumer to eliminate taxes on Olympic and Paralympic athletes. Schumer said, "Our Olympian and Paralympic athletes should be worried about breaking world records, not breaking the bank, when they earn a medal." If it passes in the House and is signed into law by President Obama, the exemption would apply to earnings from January 1, 2016 to January 1, 2021.

Listening to the athletes' back stories about missing proms and graduation ceremonies to train, I think they've been taxed enough.

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