Kinesiology 173
Modern Olympic Games

Student Learning Objectives
1. Familiarize students with the history of the modern Olympic Games.
2. Discuss Olympic scandals from a political and economic perspective.

Equipment Needed
Lecture/Discussion Only

Procedures
1. Prior to Class: Students should have read the attached article.
   a. Olympic Taxation.
2. Lecture: Modern Olympic Games.
3. Discussion: Olympic Taxation.
On July 31st 2012, the Americans for Tax Reform announced, “U.S. Olympic medal winners will owe up to $9,000 to the IRS… While 529 hardworking athletes proudly represent the United States in the 2012 Olympics, any medals and money they earn wearing red, white and blue will be taxed by the IRS…”

Florida Republican Sen. Marco Rubio proposed on August 1st 2012 to exclude Olympic medal winners from paying taxes on thousands of dollars in cash bonuses that are attached to their top finishes.

The US Olympic Committee awards bonus money for winning a medal at the Olympics -- being a champion comes with a cash prize: $25,000 for gold; $15,000 for silver and $10,000 for bronze.

Under the proposed Olympic Elimination Tax Act, Rubio is seeking to exempt medal winners from paying taxes on gold medal performances worth, for example, $25,000 for gold, $15,000 for silver and $10,000 for bronze. The USOC and several national governing bodies for individual sports pay for medals. USA Wrestling is paying up to $250,000 for a gold medal, USA Cycling $100,000.

"Our tax code is a complicated and burdensome mess that too often punishes success, and the tax imposed on Olympic medal winners is a classic example of this madness," Rubio said after introducing the bill this week. "Athletes representing our nation overseas in the Olympics shouldn't have to worry about an extra tax bill waiting for them back home.

"We need a fundamental overhaul of our tax code, but we shouldn't wait any time we have a chance to aggressively fix ridiculous tax laws like this tax on Olympians' prize money. We can all agree that these Olympians who dedicate their lives to athletic excellence should not be punished when they achieve it."

As for the USOC, spokesman Patrick Sandusky said, "We haven't taken a position on that."

When it comes to taxing athletes, the U.S. isn't alone. In order to avoid controversy at the Games, British officials agreed to drop a tax they traditionally collect from international athletes competing on their soil.

The Americans for Tax Reform suggests that American medalists will face a top income tax rate of 35 percent.

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<tr>
<th>Medal</th>
<th>Prize Money</th>
<th>Prize Tax</th>
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<tbody>
<tr>
<td>Gold</td>
<td>$25,000</td>
<td>$8,750</td>
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<td>Silver</td>
<td>$15,000</td>
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<td>Bronze</td>
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The Tampa Bay Times’s Politifact reports, “the experts we spoke to suggested that a $9,000 tax payment was unrealistically high. For most athletes, the payment will be less, and possibly quite a bit less… Any accountant worth their salt should be able to get the rate of tax on medal winnings much below $9,000, and maybe even to zero.”

The 35% tax rate would be the rate paid only for someone whose taxable income is already over $388,350 in 2012.

As reported by ThinkProgress, “a loophole in the Rubio legislation would allow sports agents to tie Senator Rubio’s exemption to big cash bonuses. In effect, a decent lawyer or tax accountant would be able to craft endorsement deals in a way that make large sums of compensation seem tied to Olympic performance, giving
athletes like Phelps and [Ryan] Lochte huge tax breaks, all due to some faux outrage on the part of conservative tax activists.”

They go on to quote: “For Phelps, this would include bonuses from Subway, Hilton, Omega, Speedo, Visa, Proctor and Gamble and Under Armour, and at least three others. Lochte would receive bonuses from Sprint, Gatorage, Gillette, Nissan, Speedo, AT&T, Proctor and Gamble, Mutual of Omaha and Ralph Lauren. Assuming each of Phelps’ and Lochte’s endorsers match the USOC’s medal bonuses of $25,000, Phelps could receive $300,000 tax-free from the USOC and his eleven endorsers for each gold he wins (two as of this publication) and Lochte could receive $250,000 for each of his two golds. Lochte and Phelps also have two silvers each and Lochte a bronze and each will receive bonuses from the USOC and likely from endorsers for those.”