

Taxation of U.S. Olympic Medal Winners

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As U.S. athletes are finishing up competing in the 2016 Summer Olympics, Congress is considering tax relief for medal-winning Olympians. Specifically, proposed legislation (discussed below) would exclude from taxable income awards made by the U.S. Olympic Committee (USOC) to Olympic medalists. Currently, the USOC awards U.S. Olympic medalists a "victory" bonus of \$25,000 for gold, \$15,000 for silver, and \$10,000 for bronze (each member of a medal-winning team receives a full bonus). In addition, awards may also be made by an athlete's respective sporting federation (e.g., USA Swimming for athletes competing in swimming events).

These awards are currently considered taxable income under [Section 74](#) of the Internal Revenue Code. Essentially, Section 74 states that gross income, for the purposes of determining tax liability, includes amounts received as prizes and awards. At the top marginal tax rate of 39.6%, Olympic "victory" bonus awards could result in a tax of up to \$9,900 for each gold, \$5,940 for each silver, and \$3,960 for each bronze. (The value of awards from sporting federations and from the metal in an Olympic medal are also considered taxable income, but not included in the calculation above.) For most U.S. Olympic medal winners, who lack substantial outside income, the tax on each medal would likely be considerably lower. In addition, some training and travel expenses may be claimed as tax deductible business expenses.

In the 114th Congress, efforts have been made to provide tax relief to U.S. Olympic medal winners. The United States Appreciation for Olympians and Paralympians Act ([S. 2650](#)) would amend Section 74 to exclude prizes awarded by the USOC to U.S. competitors in the Olympics or the Paralympic Games and the value of the medals themselves from taxation (but not awards from sporting federations). [S. 2650](#) passed the Senate by unanimous consent on July 12, 2016. A [companion measure](#) being introduced by Representatives Dold and Farenthold in the House of Representatives is expected to have a Ways and Means Committee Markup in September. Similar legislation was introduced by Representatives Farenthold and Butterfield in the House earlier in the 114th Congress ([H.R. 2628](#)).

From an economic perspective, the proposal raises a number of possible concerns. In terms of horizontal equity, the proposal would treat Olympic medalists differently from winners of other awards (e.g., Nobel Prize or spelling bee winners) by only providing an exclusion of Olympic medalists while the value of other awards remains taxable. Concerns about vertical equity may also be raised as the value of the exclusion is higher for athletes with higher income (e.g., from spousal income, endorsements, or professional contracts) due to the progressive rate structure of the individual income tax. Finally, the provision adds complexity to the tax code which increases the cost of complying with and administering the tax code.