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Note: This guide covers 2026 federal and general state tax guidance for NIL athletes. Tax laws change — always verify current rules with a licensed CPA.

CHAPTER 1

NIL Income Is Self-Employment Income

If you signed your first NIL deal and had no idea what to do with that 1099 form — you're not alone. Nobody sat you down and explained that the moment you accepted that check, you became a business owner in the eyes of the IRS.

NIL income is classified as **self-employment income**. That's a fundamentally different tax situation from a part-time job where an employer withholds taxes from your paycheck. Understanding this distinction is the foundation of every smart financial decision you'll make as a college athlete.

The Two Taxes You Now Owe

1. Federal Income Tax — This is the same tax everyone pays, calculated based on your total income and your tax bracket. Single filers in 2026 pay 10% on the first \$11,925, 12% up to \$48,475, 22% up to \$103,350, and so on.

2. Self-Employment (SE) Tax — This is the one most athletes don't expect. SE tax is 15.3% of your net self-employment income, covering Social Security (12.4%) and Medicare (2.9%). When you work a W-2 job, your employer pays half of this. When you're self-employed, you pay all of it.

The good news: you can deduct **half of your SE tax** from your gross income (this is called an above-the-line deduction). It partially softens the blow and reduces your taxable income before you even calculate your income tax.

W-2 Employee vs. 1099 NIL Athlete: Side-by-Side

Feature	W-2 Employee	1099 / NIL Athlete
Tax withholding	Employer withholds automatically	You pay taxes yourself
Social Security & Medicare	Split 50/50 with employer	You pay full 15.3% SE tax
Quarterly payments	Usually not required	Required if owing \$1,000+
Business deductions	Very limited	Broad deductions available

Feature	W-2 Employee	1099 / NIL Athlete
Year-end tax forms	W-2 from employer	1099-NEC from brands
Retirement accounts	401(k) through employer	SEP-IRA or Solo 401(k)
Tax planning effort	Minimal — employer handles it	Active management required

The bottom line: NIL income means you are running a business. That comes with more responsibility — but also real opportunities to reduce your tax bill through legitimate deductions. Chapters 3 and 4 cover both in detail.

Not sure how much you owe? That's exactly what we help NIL athletes figure out. Take our free NIL Tax Score quiz at nil.playbook.cpa.

Multi-State Taxes Are Real

Here's a tax reality that surprises most college athletes: if you earn income in multiple states — through away games, appearances, or sponsorship events — you may owe income taxes in each of those states. This is not a loophole or an aggressive interpretation. It's the law, and it applies to you.

The Jock Tax Explained

The informal term "jock tax" refers to the practice of states taxing non-resident athletes on income earned within their borders. Professional athletes have dealt with this for decades. Since the NCAA permitted NIL income in 2021, college athletes are now in the same boat.

The trigger is simple: if you **perform services in a state**, that state can generally tax you on the income attributable to those services. For athletes, this includes games, practices, paid appearances, autograph signings, sponsored events, and brand activations — all based on where they physically occur.

Real-World Examples

Example 1: The Road Game

A Texas A&M; basketball player earns \$80,000 in NIL income during the year. His team plays an away game in California, and he does a paid brand appearance there worth \$5,000. California will assert the right to tax him on his California-sourced income. He'll need to file a California non-resident return in addition to his Texas return. (Fortunately, Texas has no state income tax — but California absolutely does.)

Example 2: The Bowl Game

A wide receiver from Ohio plays in the Peach Bowl in Atlanta. Georgia can tax him on wages earned during games played in Georgia. If his school receives a bowl payout and allocates a portion to athletes, that Georgia-sourced income is taxable by Georgia — even if he lives in Ohio.

Example 3: The Appearance Circuit

A gymnast earns \$30,000 in paid appearance fees across five states in one year. She may need to file non-resident returns in each state where she earned income, allocating the correct amount to each jurisdiction. Five state returns. Five separate calculations. This is exactly the kind of complexity a CPA handles for you.

No-Tax-State Advantage: Athletes attending schools in states with no income tax — Texas, Florida, Nevada, Washington, Tennessee — start with a structural advantage. Their home-state income faces zero state tax. That's a real financial benefit worth knowing about before choosing a school.

Key takeaway: Track not just how much you earn, but **where** you earn it. Multi-state filing is one of the most error-prone areas for NIL athletes — and getting it wrong means either overpaying or facing notices from state tax agencies.

Multi-state filing is one of our specialties. Our NIL Tax Score quiz identifies how many states likely apply to you. Start at nil.playbook.cpa.

CHAPTER 3

Deductions You're Probably Missing

The tax code isn't just a system for collecting money — it's also a system designed to reward people who run businesses. You're running a business. Every legitimate business expense reduces your taxable income, which means more money stays in your pocket.

To qualify, a deduction must be **ordinary** (common in your industry) and **necessary** (helpful for your business). You also need records: receipts, invoices, and bank statements. A 5-minute habit of logging expenses can save you thousands.

AGENT & PROFESSIONAL FEES

- Sports agent or manager fees (percentage of NIL deals)
- Accountant / CPA fees for NIL tax preparation
- Attorney fees for contract review or negotiations
- Financial advisor fees related to NIL business

MARKETING & CONTENT CREATION

- Professional photography or videography for brand content
- Social media management software (Later, Hootsuite, etc.)
- Graphic design services for personal brand / social media
- Website hosting and domain name registration
- Video editing software subscriptions (Adobe Premiere, etc.)

TRAINING & EQUIPMENT

- Training equipment purchased for NIL fitness content
- Sport-specific gear used in sponsored content (with documentation)
- Gym memberships (if regularly used for NIL content creation)

TRAVEL & MEALS

- Flights, hotel, and rideshare for NIL appearances
- Meals during business travel (50% deductible)
- Mileage for local NIL appearances (2026 rate: 70 cents/mile)

OFFICE & ADMINISTRATION

- Home office deduction (dedicated space used exclusively for NIL business)
- Business-use percentage of phone and internet
- Subscriptions to business tools (Zoom, DocuSign, Adobe, etc.)
- Business banking fees or LLC maintenance fees
- Business cards, promotional materials, or branded merchandise

Pro Tip: Keep a simple expense spreadsheet. For each expense, log: date, amount, vendor, and business purpose. This 5-minute habit creates the documentation the IRS requires if you're ever audited.

Not sure which deductions apply to your situation? Our NIL Tax Score quiz helps identify what you're missing. nil.playbook.cpa — it takes about 5 minutes.

CHAPTER 4

LLC vs. S-Corp Decision Tree

You've probably heard "just form an LLC." But here's what most people don't tell you: an LLC alone does **not** save you taxes. An LLC is a liability protection tool, not a tax-saving tool. The real tax savings come from how your entity is **taxed** — and that depends on your income level.

Entity Types Explained

Entity Type	Liability Protection	Tax Treatment	Best For
Sole Proprietor	None	Schedule C — full SE tax	Under \$10K NIL income
Single-Member LLC	Yes	Schedule C — full SE tax (same as sole prop)	\$10K–\$75K — protection without complexity
LLC + S-Corp Election	Yes	Split: salary (payroll taxes) + distributions (no SE tax)	\$75K+ — meaningful SE tax savings
C-Corporation	Yes	Double taxation on dividends	Generally not appropriate for NIL athletes

The Decision Framework

Income Level	Recommended Structure	Key Reason
Under \$10,000	Sole Proprietor (do nothing)	Complexity and cost of forming an entity outweigh benefits at this level
\$10,000 – \$50,000	Single-Member LLC	Adds liability protection for your name/image/likeness; minimal tax impact
\$50,000 – \$150,000	LLC — evaluate S-Corp at ~\$75,000+	SE tax savings begin to outweigh the added cost of S-Corp administration
Over \$150,000	LLC + S-Corp Election (strongly consider)	Potential savings of \$5,000–\$20,000+ per year in SE tax alone

The S-Corp Math (Real Example)

An athlete earns **\$200,000** in NIL income.

Scenario	SE/Payroll Tax	Annual Savings
No entity (sole prop)	15.3% on \$200,000 = \$30,600	Baseline
LLC + S-Corp (salary \$80K)	Payroll taxes on \$80,000 = ~\$12,240 (distributions of \$120K have no SE tax)	~\$18,360/year

Important caveat: S-Corp administration requires payroll setup, quarterly payroll tax deposits, an additional tax return (Form 1120-S), and higher CPA fees — typically \$2,000–\$5,000/year in added accounting costs. Run the numbers before electing S-Corp status.

Warning: Forming an entity in the wrong state, or failing to properly maintain it (annual filings, separate bank account, meeting minutes), can create more problems than it solves. Always consult a CPA before forming any business entity.

Wondering if an LLC or S-Corp makes sense for your income level? That's one of the first things we assess. Book a consultation at nil.playbook.cpa.

CHAPTER 5

Quarterly Estimated Taxes

The US tax system is designed for you to pay taxes **throughout the year** as you earn, not all at once in April. W-2 employees do this automatically through employer withholding. As a self-employed NIL athlete, you do it through **quarterly estimated tax payments**.

If you expect to owe **\$1,000 or more** in federal income tax for the year, you are generally required to make estimated tax payments. Skip them and the IRS adds an underpayment penalty on top of everything you already owe.

2026 Quarterly Due Dates

Payment	Income Covered	Due Date	Action
Q1 Payment	Jan 1 – Mar 31, 2026	April 15, 2026	Pay via IRS Direct Pay or EFTPS
Q2 Payment	Apr 1 – May 31, 2026	June 16, 2026	Pay via IRS Direct Pay or EFTPS
Q3 Payment	Jun 1 – Aug 31, 2026	September 15, 2026	Pay via IRS Direct Pay or EFTPS
Q4 Payment	Sep 1 – Dec 31, 2026	January 15, 2027	Pay via IRS Direct Pay or EFTPS

Simple Calculation Example

Athlete earns **\$5,000/month** in NIL income = \$60,000/year.

Tax Component	Calculation	Amount
Gross NIL Income	$\$5,000 \times 12 \text{ months}$	\$60,000
SE Tax Deduction (1/2 SE)	$\$60,000 \times 14.13\% \times 50\%$	- \$4,239
Adjusted Gross Income	$\$60,000 - \$4,239$	\$55,761
Standard Deduction (2026, single)	—	- \$15,000
Estimated Federal Income Tax (22%)	Approx. on \$40,761	~ \$6,600
Self-Employment Tax (15.3%)	$\$60,000 \times 92.35\% \times 15.3\%$	~ \$8,478

Tax Component	Calculation	Amount
Total Estimated Annual Tax	Income tax + SE tax	~ \$15,078
Estimated Quarterly Payment	\$15,078 / 4	~ \$3,770

Rule of Thumb: Set aside 25–30% of every NIL payment for taxes. Open a separate savings account labeled 'Tax Reserve' and transfer that percentage immediately every time you get paid. This one habit eliminates almost all tax-related financial stress.

Safe Harbor Rule: To avoid the underpayment penalty, pay at least 100% of last year's total tax liability through quarterly payments (or 110% if last year's AGI exceeded \$150,000). Even if you end up owing more in April, no penalty applies.

We set up quarterly payment schedules for all NIL clients. No surprises, no penalties. Get started at nil.playbook.cpa.

What to Do If You Didn't File Last Year

If you earned NIL income last year and didn't file a tax return — you're not alone, and you're not in serious trouble. But you do need to act. Many athletes received their first NIL check with zero guidance, no one explained what to do, and the whole system felt overwhelming. That's understandable. Here's the reality, without judgment.

What Actually Happens When You Don't File

Failure to file a tax return is **not a criminal offense** for most people — it becomes a legal issue only when it's intentional and repeated over many years with large amounts owed. For a college athlete with a year or two of unfiled returns, this is a fixable administrative situation.

The IRS does charge two penalties that accumulate over time:

Penalty Type	Rate	Maximum	Stops When
Failure to File	5% of unpaid tax per month	25% of unpaid tax	You file the return
Failure to Pay	0.5% of unpaid tax per month	25% of unpaid tax	You pay the balance
Interest	Federal short-term rate + 3%	No maximum — it compounds	Balance is paid in full

Your Step-by-Step Recovery Plan

Step 1: Don't Panic

The IRS is not going to show up at your door because you missed a filing. You have time to address this, and the outcome is almost always manageable when you come forward voluntarily.

Step 2: Gather Your Documents

Collect all 1099-NEC forms, Venmo/PayPal/Zelle records, brand payment confirmations, and any bank statements showing NIL deposits. Check your email — many brands send digital 1099s. If you can't find a 1099, estimate from your records.

Step 3: File As Soon As Possible

A late return is always better than no return. The Failure to File penalty is 10x higher than the Failure to Pay penalty. Filing stops the larger penalty immediately, even if you can't pay everything owed.

Step 4: Request First-Time Abatement (FTA)

If this is your first time missing a deadline and you've otherwise had a clean filing history, you likely qualify for First-Time Abatement — the IRS will waive the penalties. This must be requested in writing after your return is filed.

Step 5: Set Up a Payment Plan If Needed

If you owe more than you can pay at once, the IRS offers installment agreements. You can set one up online at irs.gov for amounts under \$50,000. Interest continues to accrue, but you stay in compliance while paying over time.

Key Message: The IRS prefers that you come forward voluntarily. Filing late — even years late — almost always leads to better outcomes than waiting to receive an IRS notice. It's a paperwork problem. It has a solution.

We've helped NIL athletes file late returns and clean up their tax situation. It's a safe, judgment-free process. Start at nil.playbook.cpa.

CHAPTER 7

Build Your Financial Team Early

You've worked your entire life for this opportunity. The athletes who protect their NIL money — and build real wealth from it — almost always have one thing in common: they built their financial team early. Before the first big check cleared.

Most college athletes don't think about assembling a financial team until something goes wrong: an unexpected tax bill, a contract dispute, or a financial advisor who sold them the wrong product. You don't have to learn those lessons the hard way.

The Four Positions on Your Financial Team

Role	What They Do	When You Need Them
CPA (Start Here)	Tax compliance, entity setup, quarterly planning, As-to-state filing, a SE tax firm in your	As soon as you get a SE tax firm in your
Financial Advisor / Wealth Manager	Investment strategy, retirement accounts, emergency planning, wealth building	Once you have income, start building to invest
Sports Agent / NIL Consultant	Deal negotiation, contract structure, brand relationships, marketing, NIL deals	Before signing significant NIL deals
Attorney	Contract review, IP protection (your name/image), business, dispute resolution, disputes	File deals, business, dispute resolution, disputes

Why a CPA Should Be Your First Call

- Tax compliance must happen first — before entity formation, before investment, before spending.
- A CPA helps you understand how much of each check is actually yours to keep after taxes.
- A CPA coordinates with your other advisors to ensure every decision is tax-efficient.
- The cost of bad tax advice far exceeds the cost of a good CPA. One mistake at \$150K income can cost more than \$20K.
- CPAs can also help structure NIL deals to minimize tax exposure before you sign.

About NIL Tax Playbook

Larry Hay, CPA built NIL Tax Playbook specifically for the NIL era — athletes who need real expertise, fast turnaround, and a team that understands their world. Based in Houston, TX, with active licenses in Texas and California, Larry works with athletes across sports, income levels, and filing situations.

Whether you're a freshman earning your first \$2,000 or a junior with \$300,000 in NIL income and five state returns, there's a service tier designed for exactly where you are.

Ready to get your tax situation dialed in? Take the free NIL Tax Score quiz at nil.playbook.cpa — we'll assess where you stand and tell you exactly what you need.

About the Author

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Larry Hay is a licensed Certified Public Accountant with active licenses in Texas (License #118387) and California (License #143304). He is the founder of Hay CPA Firm, PC, based in Houston, Texas, and the creator of NIL Tax Playbook — a specialized practice built to serve college athletes navigating the unique tax landscape of NIL income.

Larry works with self-employed individuals, small business owners, and NIL athletes at every income level. He understands that most athletes receive their first NIL payment with zero guidance on what to do next — and he built NIL Tax Playbook to change that. His goal is simple: make professional tax guidance accessible, understandable, and actionable for every college athlete who earns NIL income.

Credentials & Affiliations

- Certified Public Accountant — State of Texas, License #118387
- Certified Public Accountant — State of California, License #143304
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or Larry Hay, CPA. Consult a licensed professional for advice specific to your situation. NIL Tax Playbook and Playbook.CPA are service brands of Hay CPA Firm, PC, Houston, TX.

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- + Basic guidance
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- + Quarterly planning

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