

Whoa, Cowboy: Tax laws may make Romo highest paid NFL player

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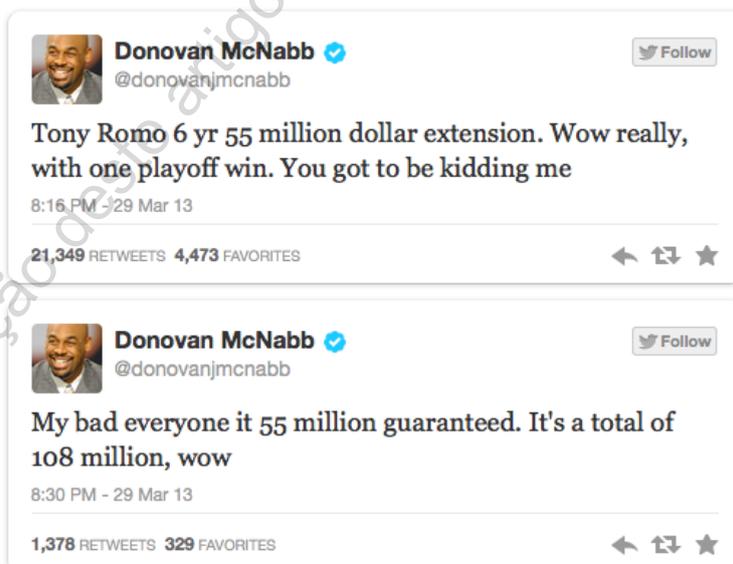
Arlington, TX - November 24: Tony Romo #9 of the Dallas Cowboys celebrates with Dan Bailey #5 of the Dallas Cowboys at Cowboys Stadium on November 24, 2011 in Arlington, Texas. (Image credit: Getty Images via @daylife)

Who had the best holiday weekend? Looks like it might have been Dallas Cowboys quarterback Tony Romo, who signed a 6-year \$108 million contract extension. Jerry Jones, Cowboys owner, president and general manager said about the signing:

"In today's game, every NFL franchise understands the importance of production and continuity at the quarterback position, and, historically, few franchises have enjoyed those benefits more than the Dallas Cowboys. We are very confident in this investment and commitment.

Um, sure.

Former Philadelphia Eagles quarterback – and current NFL network sports analyst Donovan McNabb – had a different take, tweeting:



The twitterverse appeared to agree. Nonetheless, the extension makes Romo the fifth highest paid player in the NFL based purely on salary alone. But Romo has an edge: he lives in Texas. That make him, according to Americans for Tax Reform, the new highest paid NFL player after taxes. He takes the spot previously held by Drew Brees of the New Orleans Saints.

Who else was in the running? Baltimore Ravens quarterback Joe Flacco earned a Super Bowl ring, Pete Rozelle Trophy and a six-year, \$120.6-million contract this year. That makes him the highest-paid player in NFL history. Maryland, however, has a so-called "millionaire's tax" which imposes a higher tax on taxpayers in upper brackets. Flacco would likely be subject to a 5.75% tax on his earnings in the state of Maryland and a potential 2.75% local tax.

McNabb knows a little something about combined state and local tax burdens, too. In Philadelphia, McNabb would have been subject to federal income taxes at the top rate, plus state and local taxes. Philadelphia, like many municipalities, imposes a tax on income (earned and unearned) at the local level. City residents pay 3.928%; non-residents who work in the City pay 3.4985%. Together with the tax from the Commonwealth, McNabb would have likely paid close to \$7 million in taxes for the same contract as Romo (to be fair, they have the same number of Super Bowl rings).

So why don't all athletes pick up and move to states like Texas and Florida? Some do. Tiger Woods allegedly left the high tax state of California for the much less tax heavy state of Florida; Phil Mickelson threatened to leave California for the same reasons. But unlike other athletes that can choose where to perform, NFL athletes are more or less at the mercy of their schedules.

Residency means something when it comes to tax but it doesn't mean everything. Throwing up a new manse in a tax free (or tax light) state doesn't mean that you aren't subject to taxes in other locales. Taxes can be imposed when you do business in another place – the legal concept of nexus or connection – even when you live somewhere else (just ask Usain Bolt and Rafael Nadal).

Athletes who can control both residency and venue often do. Filipino native and world champion boxer Manny Pacquiao, for example, recently made noise about boxing his next match in Macau instead of Vegas because doesn't want to pay U.S. taxes. His manager defended the move, asking, "Manny can go back to Las Vegas and make \$25 million, but how much of it will he end up with – \$15 million?"

NFL players don't have that luxury, however. Players are generally subject to tax wherever they play and practice – in cases where home field is located in a high tax area, it might not be such an advantage. That can result in a pretty convoluted tax computation, even if a player lives in an income tax free state otherwise.

That doesn't mean that taxes don't matter at all in team sports. They do. Speculation ran high that LeBron would move to Miami to play basketball rather than tax heavy New York and he did. But taxes aren't everything: that same logic didn't apply to Peyton Manning who was rumored to consider a tax-based move after his ouster from Indianapolis.

When it comes to Romo, the quarterback has a lot of reasons to stay in Texas that aren't tax related. He has a home and family in the Lone Star state – and a pretty considerable history. He's played for the Cowboys for about ten years and has owned a home in the state for the last five. He has also has ties further back than the Cowboys: his grandfather, Ramiro Romo Sr., immigrated to Texas from Mexico many years ago, giving Romo Texan roots.

Clearly, taxes influence our choices and athletes are no different. That doesn't mean, however, that every choice is about tax dollars or the sports landscape would be very different. Let's face it: if signing on the dotted line was really all about tax positioning, we'd all be pulling for a team in Delaware.

Fonte: Forbes, New York. Disponível em:

<<http://www.forbes.com/sites/kellyphillipserb/2013/04/04/whoa-cowboy-tax-laws-may-make-romo-highest-paid-nfl-player/>>. Acesso em: 4 Abr. 2013.