

# PARENT GUIDE

Understanding NIL and your taxes



Name, Image, and Likeness (NIL) deals have quickly taken the school-sports world by storm. With such a quick rise in use, it's only natural that questions about the tax implications would follow. One of the most common tax questions arising from using NIL deals is whether student-athletes earning NIL income can still be claimed as dependents. Learn more about NIL and taxes in this guide.

## What do you need to know when your child accepts NIL income, and what are the unintended tax consequences?

- ✓ Parents that claim their student athlete dependents on their annual tax return may no longer be able to do so.
- ✓ Many of the dependent tax benefits a parent uses to reduce their taxable income are no longer available to you.
- ✓ Student athletes that have never filed a tax return in their young adult lives are now responsible for timely filing and paying their federal and state taxes.
- ✓ A student athlete may receive less financial aid from FAFSA because their income has increased from NIL deals.

## 4 things you should do as a parent of a student athlete:

- 1 Educate yourself about the affects of NIL by talking to a tax professional.
- 2 Help your child keep track of any expenses related to the NIL income.
- 3 Work with Liberty Tax through the year so your tax bill is not a huge surprise that cannot be paid.
- 4 Understand that you may still be able to claim your child as a dependent and retain some tax benefits, albeit with a lower standard deduction.



## Does my child have to file?

Yes. If your child fails to file required tax returns or fails to pay the tax due, they could be subject to IRS penalties.

*The IRS has various options for making payments, and Liberty Tax can help your child enroll in a payment plan with the IRS.*



## Got Questions?

Contact Liberty Tax: (866) 871-1040