FINANCIAL LITERACY SERIES — LESSON 2

Taxes 101

You're a business owner now.
Here's what that means for your money.

IRONCLAD NIL
ATHLETIC WEALTH ADVISORY

3–4 MIN READ • LESSON 2 OF 6

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THE BIG SHIFT

Sign an NIL deal?

You're now self-employed. Here's what that means for taxes.

No Employer Withholding

Nobody withholds taxes from your check.
The IRS expects YOU to handle it.

15.3% Self-Employment (SE) Tax

On top of regular state and federal income tax, you pay 7.65% Social Security + Medicare for yourself. You also have to pay 7.65% as the employer

You Decide

How you structure your business and file taxes determines how much you owe.

⚠️ **Most NIL athletes get a surprise tax bill in April because nobody told them this. You're different.**

DEDUCTIONS

Deductions

The IRS lets you subtract real business expenses from income before calculating what you owe.

$700,000	– $100,000	= $600,000
NIL Income Earned	Business Deductions	Taxable Income

Example:

- $700,000 with 15.3% FICA/self-employment tax, 28% federal tax and 5% state tax = $338,100 tax bill
- **$600,000 with 15.3% FICA/self-employment tax, 28% federal tax and 5% state tax= $289,800 tax bill**

YOUR DEDUCTIONS

What NIL athletes can potentially write off

📁 **Rule: Expenses must be 'ordinary and necessary' for your business. Link expenses to your business account for tracking.**

- 🏋 **Training, Coaching & Agent**
  Personal trainers, sport coaches, skill coaches,, agent commissions
- ✈️ **Travel to Appearances**
  Flights, hotel, Uber to events, signings, camps
- 📱 **Phone & Internet**
  Business % of your phone bill & data plan
- 🎥 **Content Creation**
  Camera gear, lighting, editing software
- 👕 **Gear & Uniforms**
  Equipment, uniforms used for brand appearances
- 💼 **Retirement Contributions**
  Some investment accounts are tax deductible (discussed in future lesson)
- 📣 **Marketing & Promo**
  Logo design, website, social media tools
- 🏠 **Home Office**
  % of rent if you work from home regularly
- 📚 **Education & Courses**
  Business, finance, or sport-related courses
- ⚖️ **Legal & Accounting**
  Tax prep, business formation, legal fees

**Consult your CPA. This is not tax advice.

QUARTERLY TAXES

The IRS wants their money 4 times a year

As a self-employed athlete, you must pay estimated taxes every quarter — or be penalized thousands of dollars.

Q1	Q2	Q3	Q4
Jan 1 – Mar 31	Apr 1 – May 31	Jun 1 – Aug 31	Sep 1 – Dec 31
Due April 15	**Due June 15**	**Due Sept 15**	**Due Jan 15**

Miss a payment?

- ✗ **IRS charges a penalty**
- ✗ **Interest stacks on top**
- ✗ **Bill hits in April — and it's MUCH bigger**
- ✗ **No extension on quarterly payments**

💡 **A good rule: set aside appropriate tax withholding amount on every NIL payment the DAY it hits your account. Your CPA will calculate this for you. You pay directly to the IRS and your state**

BUSINESS STRUCTURE

How you set up your business changes how much you pay in taxes.

Sole Proprietor

Simplest to start.

- You ARE the business
- All income = personal income
- Self-employment tax on 100% of profit
- No legal separation
- Zero setup cost

→ This is the default option

LLC (Limited Liability Co.)

Adds legal protection.

- Legal shield from lawsuits
- Same tax as sole prop by default
- Self-employment tax on 100% of profit
- Can elect S-Corp tax treatment
- $50–$500 to set up

→ Most NIL athletes start here

S-Corp (Election)

Bigger tax savings.

- Pay yourself a salary
- FICA/Self-employment tax on salary ONLY
- Rest = distribution (no self-employment tax)
- More paperwork + cost
- Worth it at higher income

→ Best at $80K+ profit

EXAMPLE

Meet Travis — $700,000 in NIL income

Assumptions: $100,000 in deductible business expenses → $600,000 net taxable income | Single filer

LLC / Sole Proprietor

NIL Income	**$700,000**
Business Deductions	**− $100,000**
Net Business Income	**$600,000**
FICA + SE Tax (on ALL $600K)	**≈ − $43,800**
Federal Income Tax	**≈ − $167,000**
Total Tax Bill	**≈ $210,000**

VS

S-Corp

NIL Income	**$700,000**
Business Deductions	**− $100,000**
Net Business Income	**$600,000**
Reasonable Salary (to Travis)	**$200,000**
FICA + SE Tax (SE paid on $200k salary)	**≈ − $29,000**
Federal Income Tax	**≈ − $168,000**
Total Tax Bill	**≈ $197,000**

This is not tax advice. Consult your tax professional.

🏆 **S-Corp saves Travis ≈ $38,250/year vs LLC**

THE BIG PICTURE

$13,000 a year doesn't sound like a lot.

Until you do the math.

The right structure is about keeping what you earned and doing something lasting with it.

1 year of S-Corp savings	**$13,000**
4-year college NIL career	**$52,000**
Invested at 7% over 20 years	**$225,000+**

Every athlete who earns NIL money should:

+ Track every deductible expense
+ Set aside 25-30% every payment
+ Pay quarterly taxes on time
+ Have a CPA review their structure

You focus on your sport.

We handle the taxes.

IroncladNIL partners with a licensed CPA or your tax advisor who specializes in NIL athlete taxes.
We work together to make sure you're covered on all of it.

- **Maximize every legal deduction**
- **Set up and file your quarterly taxes**
- **Structure your business the right way**
- **Make sure you're never surprised by a bill**

Book Your Free Consultation

What's in This Series

- ✅ Lesson 1 — Budgeting
- ▶ **Lesson 2 — Taxes (you are here)**
- ○ Lesson 3 — Think and act like a CEO
- ○ Lesson 4 — Investing 101
- ○ Lesson 5 — Investing 102
- ○ Lesson 6 — Protecting your plan

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