

**ANALYSIS OF ORIGINAL BILL**

Author: Jones Analyst: Diane Deatherage Bill Number: AB 1944  
See Legislative  
Related Bills: History Telephone: 845-4783 Introduced Date: February 12, 2016  
Attorney: Bruce Langston Sponsor \_\_\_\_\_

**SUBJECT:** Exclusion/Medals, Prize Money or Honoraria from Olympic or Paralympic Games

**SUMMARY**

This bill would provide an exclusion from gross income under the Personal Income Tax Law.

**RECOMMENDATION**

No position.

**REASON FOR THE BILL**

The reason for this bill is to provide modest tax relief for successful athletes, many of whom have made enormous sacrifices in pursuit of Olympic and Paralympic success.

**EFFECTIVE/OPERATIVE DATE**

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2016, and before January 1, 2025.

**FEDERAL/STATE LAW**

Under federal and state law, gross income generally includes income from all sources, including amounts received as awards and prizes, unless a specific exemption is provided to exclude such amounts from gross income. There is no specific gross income exclusion for Olympic or Paralympic awards and prizes under current federal or state law.

**THIS BILL**

For taxable years beginning on or after January 1, 2016, and before January 1, 2025, this bill would exclude from gross income the value of any medal given by the International Olympic Committee, and any prize money or honoraria received from the United States Olympic Committee on account of the Olympic or Paralympic Games.

This exclusion would be repealed by its own terms as of December 1, 2025, unless a later enacted statute deletes or extends that date.

## IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

## LEGISLATIVE HISTORY

AB 2323 (Gorell, et al., 2013/2014), similar to this bill, would have excluded from gross income any prize or award won by an individual in athletic competition at the Olympic Games. AB 2323 was held in the Senate Appropriations Committee.

AB 1786 (Mansoor, Norby, et al., 2011/2012), similar to this bill, would have excluded from gross income any prize or award won by an individual in athletic competition at the Olympic Games. AB 1786 was held in the Assembly Revenue and Taxation Committee.

## OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

*Florida* does not impose personal income tax, so a comparison to *Florida* is not relevant. A review of the laws of the remaining states found that none currently exempt Olympic or Paralympic prize money or awards from gross income.

## FISCAL IMPACT

This bill would not impact the department's costs.

## ECONOMIC IMPACT

### Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1944 As Introduced February 12, 2016 Assumed Enactment After June 30, 2016		
2016-17	2017-18	2018-19
- \$100,000	- \$6,000	- \$4,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

## **Revenue Discussion**

Based upon data from the United States Olympic Committee, the FTB estimates California athletes will receive medals, prize money, and honoraria valued at approximately \$1.3 million during the Summer Olympics/ Paralympic games that will be held in 2016 and approximately \$120,000 during the Winter Olympics/Paralympic games that will be held during 2018. Applying an eight percent marginal tax rate would result in an estimated revenue loss of \$100,000 in 2016 and \$10,000 in 2018. The estimate assumes future Summer and Winter Olympic/Paralympic performances for California athletes will be comparable to past performances. The tax year estimates are converted to fiscal year estimates and are reflected in the table above.

## **SUPPORT/OPPOSITION**

Support: None provided.

Opposition: None provided.

## **ARGUMENTS**

Proponents: Some would argue that United States Olympic and Paralympic medal winners who dedicate their lives to athletic excellence should not be subject to income tax on their hard-earned winnings.

Opponents: Some would argue that prize money or awards received by Olympic and Paralympic athletes should be taxed as any other earned income.

## **LEGISLATIVE STAFF CONTACT**

Diane Deatherage  
Legislative Analyst, FTB  
(916) 845-4783  
[diane.deatherage@ftb.ca.gov](mailto:diane.deatherage@ftb.ca.gov)

Jame Eiserman  
Revenue Manager, FTB  
(916) 845-7484  
[jame.eiserman@ftb.ca.gov](mailto:jame.eiserman@ftb.ca.gov)

Gail Hall  
Legislative Director, FTB  
(916) 845-6333  
[gail.hall@ftb.ca.gov](mailto:gail.hall@ftb.ca.gov)