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KEEPING TAXES IN

CHECK

WHAT EVERY ATHLETE NEEDS TO KNOW ABOUT SAVING ON TAXES THIS YEAR.

By Steven Piascik

The jock tax—what athlete hasn't heard of it, or felt the sting of it come April 15? Without the proper planning, of course, the sting becomes even more painful. After all, just as a foul ball, shooting over par or a fumble can cost you or your team dearly, so can fumbling your tax planning. And since Dec. 31 has already come and gone, it's a bit too late to undo that latest fumble now.

But there's always this year. When you're making your resolutions for 2005, resolve to become financially savvy about your earnings and how to hang on to money that is rightfully yours. Try to minimize the effects of the jock tax by maximizing your deductions, and taking full and proper advantage of the tax code. **Here are 10 strategies to consider.**

1 Review your state of residency. By setting up your residency in a tax-advantaged state (such as Florida or Texas), you could save up to 5 percent or even more in taxes.

2 Invest in smart businesses. Invest in businesses that can grow your income and create current tax deductions while you're still in your pro career. These businesses can provide continued income after you hang up your uniform.

3 Do a cost-segregation study on commercial real estate you own. If you own commercial real estate (which might well be the case if you've invested in smart businesses), have a cost-segregation study done on your property. It can save you tens of thousands of dollars by accelerating the depreciation of real property costs and recovering unclaimed depreciation deductions. Additionally, a study can be done AFTER Dec. 31 to affect the year just ended.

4 Document, document, document! Just as the key to good real estate is location, location, location, the key to saving on taxes is document, document, document! Keep track of all of your charitable giving as well as your on-the-road expenses, from meals and hotel bills to laundry expenses and wireless minutes. Put a system in place to document these expenses, and be sure to stick with it. One proven system is the Pro-Organizer (available at www.proathlete-cpa.com).

5 Beware of mortgage interest limitations. Be careful not to exceed \$1,100,000 of both home mortgages and equity lines in your homes. If you go over, it will result in a loss of tax-deductible interest paid. Work with a tax professional to structure your loans to maximize your tax deductions.

6 Review your allocation of state reported income. One of the most common errors is miscalculating state reported duty days and allocating state income incorrectly. Have your tax advisor review your W-2s to be sure you're not needlessly exposing yourself to penalties and mistakes.

7 Contribute to an IRA, Roth IRA or retirement plan. Take advantage of as many tax-favored (tax-free and tax-deferred) investments as possible. In most cases you can contribute after the year is over (up to April 15).

8 Create a foundation and various trusts. Foundations give back to the community and give you tax advantages. Foundations are also good marketing tools that promote your professional career. Trusts help you manage and protect many aspects of your estate.

9 Defer and structure your bonus payment. Structure your bonuses so that you can defer receipt of these payments until following years. This can reduce your taxable income for the current year and defer the payment of taxes owed until the next year.

10 Utilize your capital loss carry-forwards. You're only allowed a capital loss of up to \$3,000 per year, depending on your filing status. Rather than carry over a large loss by only \$3,000 per year, consider selling some of your investments and utilizing your capital losses to offset your capital gains. You can net your capital gains with losses, so this can be a real tax savings!

As always, before you begin any new financial fitness regimen, you should call your tax advisors. In the same way you have a coach to get you through the next game safely and victoriously, you need to rely on tax experts to help you understand and implement some of these tax moves. Effective planning and strategy now can save you the penalties from fumbled finances later when the clock runs out.

Steven Piascik, CPA, MT, is founder of Piascik & Associates in Richmond, Va., and is a Registered Players Financial Advisor with the NFLPA. For more information, call Steve by phone: (804) 527-1817; or e-mail: spiascik@piascik.com.