

Proposed Senate Bill Would Deny Deductions for NIL Contributions

Article By:

Richard T. Hewlett

Shawn A. Strand

Jessica E. Visser

On September 28, 2022, U.S. Senators Ben Cardin (D-Md.), a member of the Senate Finance Subcommittee on Taxation and Internal Revenue Service (IRS) Oversight, and John Thune (R-S.D.), ranking member of the Subcommittee on Taxation and IRS Oversight, introduced the Athlete Opportunity and Taxpayer Integrity Act, which seeks to deny charitable deductions for any contribution used by the donee to compensate college athletes for the use of their name, image, or likeness (“NIL”) by reason of their status as athletes.

One entity type that is impacted by the Athlete Opportunity and Taxpayer Integrity Act are “NIL collectives” that have been established as 501(c)(3) organizations. These types of NIL collectives have been used to allow donors to make tax deductible contributions that are then used to fund NIL opportunities for college athletes, for example, by having a college athlete provide services to a separate charity in exchange for payment from the NIL collective. A press release from Senator Cardin noted that “[s]uch activity is inconsistent with the intended purpose of the charitable tax deduction, and it forces taxpayers to subsidize the potential recruitment of – or payment to – college athletes based on their NIL status.”

Notably, the Opportunity and Taxpayer Integrity Act would only apply to charitable deductions. A person engaged in a trade or business would still be able to deduct payments to college athletes for the use of their name, image, or likeness if such payments qualify as ordinary and necessary business expenses.

Although it is not clear at this time whether the Opportunity and Taxpayer Integrity Act will pass, it does indicate increased scrutiny over nonprofit NIL collectives and possibly other NIL arrangements.

© 2025 Varnum LLP

Source URL: <https://natlawreview.com/article/proposed-senate-bill-would-deny-deductions-nil-contributions>