

DO STATE AND LOCAL TAXES AFFECT
NBA ALL-STARS' MIGRATORY
DECISIONS?

by

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ABSTRACT

As high earning individuals who compete in dozens of jurisdictions, professional athletes in the U.S. are highly targeted by tax regimes. In most major American sports leagues, franchises vying for a player's talent equalize their salary offers to compensate the player for differences in state and local income taxes. However, due to the NBA's luxury tax system, franchises' abilities to equalize salaries has become very costly for franchises, putting the burden of state and local income taxes on the player. This paper examines the effect state and local income taxes have on the National Basketball Association's All-Star free agents' migratory decisions.

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INTRODUCTION

On June 28th, 2007 Greg Oden was selected as the number one overall pick in the NBA draft. Plagued with injuries since his rookie season, Oden was dropped by the Portland Trailblazers in March of 2012. Oden then spent almost a year focusing on rehab efforts before attempting to rejoin the league again in 2013 as a free agent. Several teams were interested in Oden, but Oden narrowed down his choices to the San Antonio Spurs, Dallas Mavericks, and Miami Heat. All three of these teams are located in income tax-free states. There's a definite advantage to living in income tax-free states; there's plenty of money to be saved. Doc Rivers, the head coach of the Orlando Magic, would give his pitch from the sideline to free agents on opposing teams yelling, "We have no state taxes, and it's always 80 degrees."

Migrating to principalities with lower income taxes has been a simple way to reduce one's taxes, but are professional athletes as likely as other individuals to avoid taxes when making labor migration decisions? Unlike most taxpayers, professional athletes often have complicated compensation and tax structures, which may affect their ability to engage in tax avoidance behavior. Professional athletes often play for various franchises located in various states and cities throughout their careers. America's four major sports leagues, the National Basketball Association (NBA), the National Football League (NFL), the National Hockey League (NHL), and Major League Baseball (MLB) all have active free agencies. During free agency, dozens of players review offers from varying teams before deciding where to play. Each of the professional sports leagues is set up and regulated in a unique way, meaning there are different factors in each of the four

free agencies that can sway a player's decision on where to play. Teams bidding for players are constantly searching for more ways to attract the best players. One of these factors affecting NBA free agents is state and local income tax rates (Kopkin, 2011).

Kopkin's study focused on every free agent's location decision over the course of seven NBA seasons, and concluded that teams located in lower taxed principalities attract better players. Does Kopkin's conclusion represent the decisions of the NBA's best players, the All-Stars? In this paper, I examine whether or not the NBA's All-Star free agents are as responsive to changes in income tax rates as the population in Kopkin's study.

REVIEW OF LITERATURE

The United States tax system frustrates the majority of Americans. Nina Olson, the Internal Revenue Service's (IRS) national taxpayer advocate, finds the current system's complexity to be the "most serious problem" facing taxpayers today (Russell, 2005). According to Olson, it takes the average American taxpayer 26 hours and 40 minutes to successfully complete a Form 1040. U.S. taxpayers spend approximately \$193 billion a year simply trying to complete their tax returns. This figure equates to 14% of all tax revenue the IRS collects. Paying taxes is likely a frustrating experience for many Americans; however, American professional athletes go through an entirely different tax paying experience. Packard (2013) explains that the tax paying experiences for most individuals are quite tame compared to a professional athletes' tax paying experiences.

THE HISTORY OF TAXING ATHLETES

Up until the late 1980's, states' pursuit of nonresident taxpayers primarily focused on highly paid entertainers who performed shows in their jurisdictions (Difrischia, 1999). This group of highly compensated individuals rarely included athletes. Thus, prior to the late 1980's athletes filed returns in no more than two states: the state in which they played and the state in which they resided during the offseason. In the late 1980's, athletes' salaries began to increase rapidly, making them ideal targets for states looking to increase tax revenues. The tax pursuit of professional athletes gained momentum, as Baxter (2009) explains, when the state of California surprised both the tax and athletic worlds by taxing the Chicago Bulls after playing three games in Los Angeles to defeat the Lakers in the NBA Finals. This targeting of athletes soon became known as the "jock tax" (Difrischia, 1999). State officials simply read their local sports page in order to identify teams and specific players visiting their jurisdiction.

In order to allocate the taxable portion of a professional athlete's income, states traditionally use one of two formulas: the "games played" formula and the "duty days" formula (Difrischia, 1999). These formulas apply to all four of America's professional sports leagues, and states are known to use different methods for different leagues visiting the same state. The games played formula is fairly simple to calculate. A state need only divide the number of games played in a given tax principality by the total number of regular season games, and multiply that figure by the player's salary. The formula seems simple, but problems arise when uncertainty exists as to whether or not to include preseason, postseason, and other non-regular

games in the formula's denominator. The more common of the two formulas, the duty days formula, does not focus solely on the number of games an individual plays. Instead, the formula focuses on an athlete's contractual obligations throughout the season rather than the number of games played. These obligations often include team practices and meetings, travel time, public appearances, and All-Star games (Difrischia, 1999). All in all, the duty days formula reduces an athlete's tax liability to nonresident states, making it the favorable of the two formulas for professional athletes. However, which formula to use in order to calculate an athlete's taxable income attributable to a state depends entirely on what method the state uses (Packard, 2013). The burden of the jock tax ultimately lands on the athlete in the form of higher taxes paid and higher tax preparation fees. The advent and increased enforcement of the jock tax has not been popular with professional athletes, who as high earners are already paying high taxes as members of the top federal tax bracket.

Critics believe that the professional athletes' tax burdens are arbitrarily enforced, poorly targeted, and overly burdensome. For example, Ichiro Suzuki played 25 Major League Baseball games in the state of California in the summer of 2008. The following April, Suzuki owed the state of California \$218,000 even though he was a resident of Washington (Baxter, 2009). Some states, most notably California, have Tax Board employees who work full time tracking athletes. California certainly is not the only state taxing visiting professional athletes. Tennessee recently implemented an innovative tax that charges hockey and basketball players a flat \$2,500 per game played in the state (Baxter, 2009).

TAX AVOIDANCE AND SALARY EQUALIZATION

Clearly, such high taxes paid to states and the federal government can frustrate young athletes. Kopkin (2011) argues that, “working males in their peak earning years are detracted by high income taxes in migration decisions” (pg. 572), contributing to tax avoidance among the various professional free agents. Tax avoidance, not to be confused with tax evasion, is the legal means by which to pay less tax (Douglas, 2014). Athletes have an opportunity to avoid taxes every few years when the contract with their current franchise expires, placing them in free agency. While in free agency, star athletes often have multiple teams presenting them with bids to play for them. Athletes will often gravitate toward talented teams that win. However, assuming equal contract offers, what prevents an athlete from choosing the team that resides in a lower taxed principality? Half of one’s games are played at their home venue, so an athlete can save taxes by having half of his revenue taxed at lower rates. Players can save thousands and sometimes millions of dollars by choosing to play in a lower taxed jurisdiction. Several teams reside in tax-free states, and if a player happens to relocate to a state with no income tax, the majority of that player’s income would not be subject to state income taxes. There is clearly a benefit to locating to tax-free states (Kopkin, 2011).

Teams located in higher tax states are at a disadvantage when signing desirable free agents since their salary offers must be higher to result in similar after-tax income for the desired free agent (Alm, Kaempfer, Sennoga, 2012). Veliotis (2013) notes that this process confirms Adam Smith’s theories about taxation and labor in *The Wealth of Nations*: “a direct tax upon the wages of labour can have no

other effect than to raise them somewhat higher than the tax.” This process in the free agent market in professional sports is known as salary equalization, and is a common practice in all types of labor migrations. In essence, salary equalization in sports is the process of adjusting a player’s contracted salary offer to help compensate him for his state and local income taxes. Thus, a team located in a city with higher state and local taxes can offer a larger salary to the player in order to compensate for the differences in tax costs between two separately located teams. The reverse is also possible. Cliff Lee is one of major league baseball’s top pitchers. In 2010, Lee had a tough decision to make between playing for the New York Yankees and the Texas Rangers. The Rangers knew they probably could not outbid the offer placed by the Yankees at roughly \$140 million. However, because Texas has no individual income tax, the Rangers were able to successfully match the Yankees’ offer on an after tax basis. Cliff Lee signed with the Rangers (Costa, 2010).

The best professional athletes in their respective sports also earn large amounts of income through sponsorship and endorsement deals. These endorsement deals can significantly increase an athlete’s total taxable income, further affecting the after tax implications of an athlete’s decision on where to play. In many cases, athletes earn more income through endorsement deals than through their salary income or earnings. In 2008, Kobe Bryant earned an estimated \$20 million of endorsement income, \$1 million more than the Los Angeles Lakers paid him that year (Badenhausen, 2008). A more extreme case can be found that same year with the Professional Golf Association’s Tiger Woods, who earned an estimated \$90 million through endorsement deals, while earning only \$25 million in tour

winnings (Badenhausen, 2008). Presented below are the 10 highest endorsement earners in the NBA during 2012. State and local income taxes can greatly alter the after-tax values of such endorsement deals.

**10 Highest Endorsement Earners in the NBA
(2012)**

Athlete	Endorsement Income
Lebron James	\$ 42,000,000.00
Kobe Bryant	\$ 34,000,000.00
Derrick Rose	\$ 21,000,000.00
Kevin Durant	\$ 14,000,000.00
Dwyane Wade	\$ 11,500,000.00
Carmelo Anthony	\$ 8,500,000.00
Amar'e Stoudemire	\$ 7,000,000.00
Dwight Howard	\$ 7,000,000.00
Chris Paul	\$ 4,000,000.00
Russell Westbrook	\$ 3,000,000.00

Table 1 (Badenhausen, 2013)

THE ISSUE OF COMPETITIVE BALANCE

Salary equalization is an effective way of securing a top free agent for teams in high tax states. Because salary equalization can significantly increase a team's labor costs, salary equalization favors wealthy, big market teams, adding to a competitive balance problem that sports leagues have historically struggled with. Kaplan (2004) notes that for nearly fifty years leagues failed to create "effective economic regulatory mechanisms" that foster competitive balance among leagues' teams. This is especially true in the NBA, where large market teams with substantial amounts of revenue such as the Los Angeles Lakers, New York Knicks, and Boston

Celtics have had an advantage in the free agency market, able to equalize and match salary offers made to the best free agents each year. Salary equalization can help compensate athletes for higher state and local taxes, but critics argue that it has created a league-wide problem in the process.

To solve this problem of talent distribution, many sports leagues, including the NBA, impose salary caps on their teams, which put a ceiling on the total amount that teams can spend on player salaries. The NBA even went to greater lengths to enforce an individual salary cap in hopes of creating league equity. This individual salary cap prohibits teams from paying a player over a specified limit per year. Endo, Florio, Gerber, and Sommers (2003) believe that, in theory, a salary cap prevents the monopolization of playing talent and improves competitive balance. However, Endo et al (2003) examine the effects of the NBA's salary cap and find that "the distribution of playing talent and hence competitive balance in the NBA appears to be no more equal now under a cap than it was before." Why is this? When searching for a model on which to base the NBA's salary cap design, the NBA chose that of the National Football League. The NFL instituted a "hard" cap that does not allow teams to exceed the predetermined limit for any reason (Gobok, 2012). The idea of a "hard" cap did not go over well with the NBA Players Association, who argued that the "hard" cap would end in players being "grossly underpaid their market value" (Gobok, 2012). In 2011, the NBA Players Association reached an agreement with the NBA, known as the Collective Bargaining Agreement. Gobok, explains that the Collective Bargaining Agreement provides a laundry list of exceptions to the salary cap, creating what has become known as the "soft" cap. The

“soft” cap allowed teams to exceed the cap in several ways, including: retaining popular players who have been playing with the team for at least three years, signing veteran players at the league average contract value, and sign rookies at the rookie salary rate (Gobok, 2012). Since its inception, the “soft” cap has allowed teams, most notably the financially capable big market teams, to greatly exceed the cap. The “soft” salary cap alone has been ineffective in creating competitive balance among the league’s teams.

THE CASE WITH THE NBA

Realizing the salary cap’s limitations in fostering competitive equity, the NBA adopted a luxury tax system starting in the 2000-2001 season to help the “soft” cap accomplish its goal. The concept of a luxury tax originated with Major League Baseball, which used it to help cultivate equity in their league (Gobok, 2012). Commonly referred to as a competitive balance tax, a luxury tax “is a surcharge on the aggregate payroll of a sports team that exceeds a predetermined limit set by the corresponding sports league” (Dietl, Lang, and Werner, 2008). In the NBA, the “soft” salary cap is used as the predetermined limit. Since the 2000-2001 season, the NBA has enforced its salary cap with a 100% luxury tax. For every dollar a team exceeds the salary cap, it owes a dollar to the league. The league then takes the proceeds from the luxury tax and redistributes them to smaller market teams and teams that do not exceed the salary cap (Dietl et al., 2008). Dietl et al. (2008) examine the effect luxury taxes have had on competitive balance in the NBA and MLB, and conclude that luxury taxes are an effective and important means by which to increase competitive balance.

Although the luxury tax system adopted by the NBA helped provide a solution to the NBA's competitive equity issues, the system inadvertently dealt a blow to the salary equalization process, creating a situation where state and local taxes play a role in a free agents' decision making process (Kopkin, 2011). NBA teams at or close to the salary cap struggle financially to equalize salaries to compensate for state and local income tax differences between different NBA teams. After the implementation of the luxury tax, the cost of salary equalization has doubled for teams at the salary cap limit. As it currently stands, NBA franchises are too financially constrained to bear the cost of any income tax differences that free agents face when comparing salary offers.

Below is an example of how the NBA's luxury tax system operates (assume a 1 year contract). The luxury tax threshold (\$70,307,000) is the amount a team cannot exceed unless it is willing to pay the dollar-for-dollar tax penalty for exceeding. The difference between the team's current payroll, or combined salaries, and that year's luxury tax threshold is the excess salary space the team has (\$3,307,000). This amount is used to sign additional players if the team chooses. In this scenario, the team signs a player to a one year contract worth \$5,000,000. Since \$5,000,000 is greater than the team's excess salary space of \$3,307,000 by \$2,693,000, the team will owe \$2,693,000 to the NBA. Therefore, the after luxury tax cost of the additional player is \$7,693,000 ($\$5,000,000 + \$2,693,000$).

Luxury Tax Threshold	\$70,307,000
Current Year Salaries	(\$67,000,000)
Excess Salary Space	\$3,307,000
Added Salary from Free Agent Acquisition	(\$5,000,000)
Amount Due to NBA	(\$2,693,000)
After-Luxury Tax Cost of Player	(\$7,693,000)

TAX AVOIDANCE IN NBA FREE AGENCY

Salary equalization is a rarer occurrence than it was prior to the establishment of the NBA's luxury tax. Therefore, NBA players can effectively earn a higher after-tax salary by simply choosing to play and reside in a lower taxed state. "Since the maximum salary available to an elite level player varies little from one team to the next, state and local income tax rates play the greatest role in determining the difference in how much money star players ultimately pocket from team to team" (Johnson, 2011). Already considered one of the most talented players in NBA history, LeBron James' contract with the Cleveland Cavaliers expired in 2010, putting him up for bid on the market. The New York Knicks, New Jersey Nets, and Miami Heat had all offered James identical contracts for \$96 million over the course of five years (WSJ, 2010). The city and state taxes in New York City hover around 12.85%, while in New Jersey they are nearly 9%. Miami boasted a favorable 0% state and local income tax. James eventually signed with the Miami Heat. His estimated net present value tax savings is estimated to be around \$8 million dollars,

which is certainly enough to “sway a player to choose one team over another” (Lamicella, 2012).

According to several studies, the NBA is also beginning to see issues in league equity due to state and local income taxes. Kopkin (2011) finds that as state and local taxes faced by players on a certain team increase, the average skill of free agents the team can sign goes down. Therefore, lower taxed cities’ teams win more games due to their more talented rosters, as Johnson finds. In fact, in the last seven years, a team from one of the NBA’s lowest taxed cities has reached the NBA Finals seven times. In contrast, during the same time span, a team from the NBA’s ten highest taxed cities has reached the NBA finals only three times. Additionally, during the 2010-2011 NBA regular season, the 10 teams playing in the cities with the lowest income tax rates won 57.8% of their games. The ten teams playing in the cities with the highest income tax rates won only 39.3% of their games (Johnson, 2011). That 18.5% discrepancy means the ten lowest taxed cities won, on average, 15 more games than the ten teams in the highest taxed cities (18.5% times 82 regular season games).

Winning Percentages vs. State and Local Income Tax Rates for NBA Teams, 2010-2011

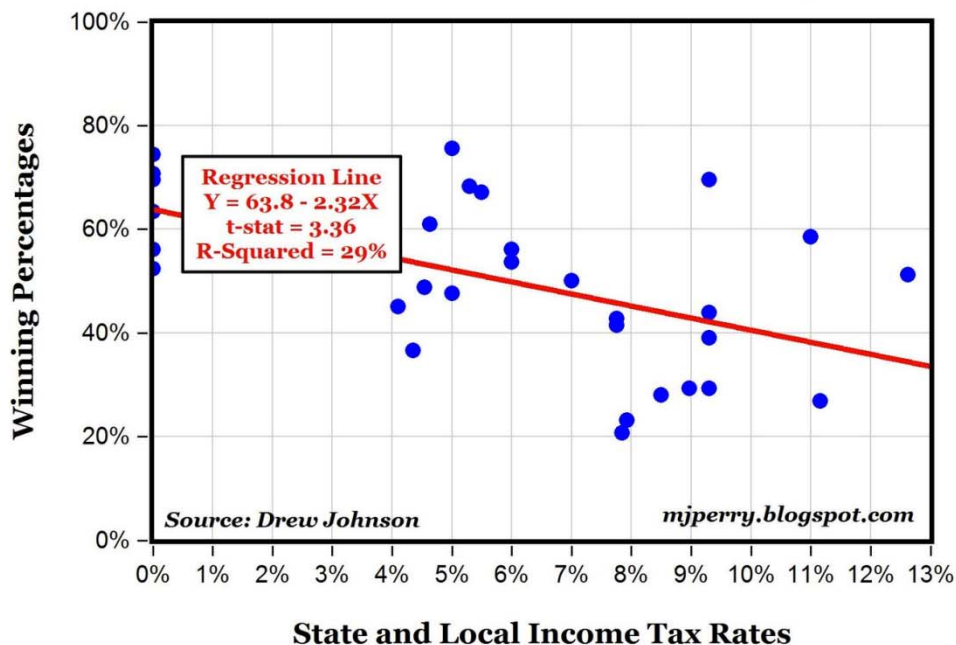


Figure 1 (Johnson, 2011)

Using Johnson's figures, Dr. Mark J. Perry, a professor of economics at the University of Michigan, created the analysis shown above. According to Perry, for "every one percentage point increase (decrease) in the combined state and local income tax rate in the state of an NBA team, the winning percentage of that team decreases (increases) by 2.33 percentage points" (Perry, 2011).

In this paper, I examine whether or not the NBA's All-Star free agents, when offered multiple contracts, tend to migrate toward the teams that play in lower taxed principalities. All-Star free agents are the league's highest salaried earners who also have significant amounts of endorsement income. With multiple opportunities to relocate throughout their careers, do All-Star free agents' migratory decisions suggest that they practice tax avoidance? Or alternatively, has their

substantial income lessened their incentives to engage in the tax avoidance behavior exhibited by the NBA free agents in Kopkin's study?

METHODOLOGY

I collected the names of the NBA's All-Star players from the 2000-2001 season to the 2012-2013 season. Finding multiple contract offers for players that re-signed with their current team is rare. However one case is included in this study. The majority of the study focuses on players who migrated to a different team in a different city. Below is a list of NBA All-Stars who made a migratory decision between the 2000-2001 and 2012-2013 seasons.

Year	Player	Year	Player
2001	Anthony Mason	2010	Brad Miller
2001	Michael Jordan	2010	Zydrunas Ilgauskas
		2010	Amar'e Stoudemire
2003	Karl Malone	2010	Lebron James
2003	Alonzo Mourning	2010	Chris Bosh
2003	Dikembe Mutombo		
		2011	Vince Carter
2004	Antonio McDyess	2011	Jerry Stackhouse
2004	Vlade Divac	2011	Tracy McGrady
2004	Steve Nash	2011	Elton Brand
		2011	Peja Stojakovic
2005	Gary Payton	2011	Baron Davis
2005	Michael Finley	2011	Jamal Magloire
2005	Alonzo Mourning	2011	Michael Redd
2005	Glenn Robinson	2011	Chauncy Billups
2005	Dale Davis	2011	Richard Hamilton
2005	Dale Davis	2011	Josh Howard
2005	Sharif Abdur-Rahim	2011	Caron Butler
		2011	David West
2006	Ben Wallace		
		2012	Jason Kidd
2007	Chris Webber	2012	Ray Allen
2007	Eddie Jones	2012	Jerry Stackhouse
2007	Grant Hill	2012	Jermaine O'Neal
2007	Steve Francis	2012	Andrei Kirilenko
2007	Jamal Magloire	2012	Rashard Lewis
		2012	Gilbert Arenas

Year	Player	Year	Player
2008	Theo Ratliff	2012	Antawn Jamison
2008	Elton Brand	2012	Josh Howard
2008	Baron Davis	2012	Brandon Roy
2008	Sam Cassell	2012	Deron Williams
2008	Jamal Magloire	2012	Chris Kaman
2009	Rasheed Wallace	2013	Tracy McGrady
2009	Allen Iverson	2013	Elton Brand
2009	Allen Iverson	2013	Andrei Kirilenko
2009	Antonio McDyess	2013	Metta World Peace
2009	Stephon Marbury	2013	Chauncy Billups
2009	Theo Ratliff	2013	Dwight Howard
2009	Ben Wallace	2013	Mo Williams
2009	Metta World Peace	2013	Devin Harris
2010	Shaquille O'Neal	2013	Chris Kaman
2010	Jerry Stackhouse	2013	Andrew Bynum
2010	Jerry Stackhouse		
2010	Tracy McGrady		
2010	Theo Ratliff		
2010	Jermaine O'Neal		

Of this list of 80 players, I identified seven cases in which a player received multiple contract offers, with the details of the offers known to the public. These are: Steve Nash in 2004, Ben Wallace in 2006, LeBron James in 2010, Chris Bosh in 2010, Jason Kidd in 2012, Ray Allen in 2012, and Dwight Howard in 2013. After identifying these seven cases, I collected the appropriate state, local, and federal tax rates, as well as the year-by-year cash flow breakdowns of the accepted offers. Using this data, I performed a net present value analysis in order to compare the offers the players rejected and accepted. Since state and local taxes are deductible in one's calculation of federal tax, I used the following formula to calculate the net present value of one year of a given contract:

$[S - [(S \times R) + (S \times L) + ((S - (S \times R + S \times L)) \times F)]] \times N$, where

S = Total Salary in a Given Year

R = State Tax Rate

L = Local Tax Rate

F = Federal Tax Rate

N = Net Present Value Factor

ASSUMPTIONS

Several assumptions are used in the above net present value calculation.

First, since rejected contracts were never finalized, the year-by-year cash flow breakdowns of rejected offers are unknown. Because of this, the contracts were broken down into even payments throughout the duration of the contracts. For example, Steve Nash's six-year, \$45 million offer from the Dallas Mavericks was broken out into a yearly salary of \$7,500,000 (\$45,000,000 divided by 6).

Second, it is not clear that NBA players making migratory decisions can accurately predict future state, local, and federal tax rates. In this study, the various tax rates at the beginning of each contract are used throughout the duration of the contract. This assumes that NBA players used current tax rates to predict future tax rates.

The players' endorsement income is not included in this study. Players often have multiple endorsement contracts of varying values. The specific values and lengths of many of these endorsement contracts are a private matter between the endorser and endorsee. The skill of any given NBA All-Star is a good indicator of how much that player will earn between his salary and endorsement deals. The more skilled the player, the more the player will earn from various endorsement

sources outside the NBA. This study assumes that endorsement income has a positive relationship with salary income, and that the two sources of income increase and decrease proportionately over time.

I used a 1.5% discount rate in this study's net present value calculation. This discount rate is used to reflect the low level of risk NBA players face regarding salary income. About "90% of all NBA contracts are fully guaranteed," effective the day a player signs a contract with a team (Penn, 2011). If a player performs poorly and loses skill for whatever reason, the player will still receive the entirety of his contract.

RESULTS

Table 1 provides a brief overview of the contract offers for each of the seven players. The table provides the name of the teams offering a contract to each of the seven players, as well as the value and length of each contract. Table 1 also includes the various state and local tax rates for the respective teams' principalities, as well as the top federal rate for the given year. Tables 2 through 8 show the net present value analysis completed for each of the seven cases. These tables also display the net present value per year of a given contract. Table 9 provides a case by case summary of the data.

In this study, only two out of the seven All-Stars who migrated chose the offer with a higher total net present value. Steve Nash chose the Phoenix Suns (Table 9, NPV of \$38,903,359.51) over the Dallas Mavericks (Table 9, NPV of \$28,190,370.00). Ben Wallace chose the Chicago Bulls (Table 9, NPV of \$28,590,325.14) over the Detroit Pistons (Table 9, NPV of \$27,510,590.40).

However, Ben Wallace, LeBron James, and Dwight Howard were offered contracts that varied in length. Due to these offers of varied length, the average net present value per year of the contracts is a more accurate basis to compare contract offers.

In sum, my analysis shows that only three of the seven All-Stars chose the teams that offered them a higher average net present value per year. These three are Steve Nash, Ben Wallace, and Dwight Howard (Table 9). These three players who migrated to teams with a higher net present value per year earned, on average, \$2,094,643 more than if they accepted the other offer. In contrast, LeBron James, Chris Bosh, Jason Kidd, and Ray Allen all migrated to teams that offered a lower net present value per year (Table 9). These four earned, on average, \$795,100 less per year than if they accepted the opposing offer.

When looking at the various tax rates involved, this study finds that the average combined state and local tax rate of the seven accepted contract offers was 2.96%. The average combined state and local tax rate of the eight (Lebron James received two offers he did not accept) rejected contract offers was 7.11% (Table 9). This means that the average contract offer accepted was located in a jurisdiction with state and local income taxes 4.15% lower. This overall lower average tax rate applies to both the players' contract and non-contract income, which in many cases includes millions of dollars in endorsement income. For example, using the 2012 endorsement income data previously discussed, LeBron James earned \$42 million dollars in endorsement income in 2012. If LeBron had decided to play for the New York Knicks instead of the Miami Heat, he would've paid an extra \$2.7 million in New York state and local taxes during the year.

CONCLUSION AND IMPLICATIONS FOR FURTHER STUDY

In this study, seven NBA All-Star free agents migrated, on average, to teams located in lower taxed principalities, offering a lower after-tax net present value (Table 9). What does this mean? Are the All-Stars migrating to areas where their significant endorsement income is subject to lower tax rates? Or are teams located in higher taxed jurisdictions not willing or able to compensate top earning free agents to cover higher state and local tax burdens? This study should be repeated within the NBA using a higher number of multiple contract scenarios.

The 2011 NBA Collective Bargaining Agreement will also largely affect the nature of this study. The 2011 Agreement completely changes the NBA's luxury tax model beginning in the 2013-2014 season. Before this season, for every dollar a team's payroll was over the salary cap, the team owed one dollar to the league. This "soft cap" crippled salary equalization in the NBA, but a more punitive luxury tax system is now in effect. The new luxury tax fines are as follows (Price, 2013):

- "\$0 to \$4.9 million over pays a rate of \$1.50 for every dollar above the cap
- \$5 million to \$9.9 million over pays a rate of \$1.75 for every dollar above the cap
- \$10 million to \$14.9 million over pays a rate of \$2.50 for every dollar above the cap
- \$15 million to \$19.9 million over pays a rate of \$3.25 for every dollar above the cap
- \$20 million and above pays \$3.75 and an additional \$.50 for every additional \$5 million"

This new system will most likely make salary equalization an even more rare occurrence in the NBA, adding to the effects state and local income taxes have on NBA players' migratory decisions.

Steve Nash		2004		
Team	Offer	State Rate	Local Rate	Federal Rate
Dallas	6 years, \$45 million	0.00%	0.00%	35.00%
Phoenix	6 years, \$65.63 million	5.04%	0.00%	35.00%
Accepted: Phoenix				

Ben Wallace		2006		
Team	Offer	State Rate	Local Rate	Federal Rate
Chicago	3 years, \$46 million	3.00%	0.00%	35.00%
Detroit	4 years, \$48 million	3.90%	2.50%	35.00%
Accepted: Chicago				

Lebron James		2010		
Team	Offer	State Rate	Local Rate	Federal Rate
New York	5 years, \$95 million	8.97%	3.88%	35.00%
Cleveland	6 years, \$126 million	5.93%	2.00%	35.00%
Miami	6 years, \$109.84 million	0.00%	0.00%	35.00%
Accepted: Miami				

Chris Bosh		2010		
Team	Offer	State Rate	Local Rate	Federal Rate
Toronto	6 years, \$127 million	11.16%	0.00%	29.00%
Miami	6 years, \$109.84 million	0.00%	0.00%	35.00%
Accepted: Miami				

Jason Kidd		2012		
Team	Offer	State Rate	Local Rate	Federal Rate
Dallas	3 years, \$9 million	0.00%	0.00%	35.00%
New York	3 years, \$9.09 million	8.82%	3.88%	35.00%
Accepted: New York				

Ray Allen		2012		
Team	Offer	State Rate	Local Rate	Federal Rate
Boston	2 years, \$12 million	5.25%	0.00%	35.00%
Miami	2 years, \$6.32 million	0.00%	0.00%	35.00%
Accepted: Miami				

Dwight Howard		2013		
Team	Offer	State Rate	Local Rate	Federal Rate
Houston	4 years, \$87.59 million	0.00%	0.00%	39.60%
Los Angeles	5 years, \$118 million	13.30%	0.00%	39.60%
Accepted: Houston				

TABLE 2

Steve Nash		2004										
	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV	
Dallas Offer	2004-2005	\$ 7,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 2,625,000.00	\$ 2,625,000.00	\$ 4,875,000.00	1.0000	\$ 4,875,000.00	
	2005-2006	\$ 7,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 2,625,000.00	\$ 2,625,000.00	\$ 4,875,000.00	0.9852	\$ 4,802,947.50	
	2006-2007	\$ 7,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 2,625,000.00	\$ 2,625,000.00	\$ 4,875,000.00	0.9707	\$ 4,731,967.50	
	2007-2008	\$ 7,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 2,625,000.00	\$ 2,625,000.00	\$ 4,875,000.00	0.9563	\$ 4,662,060.00	
	2008-2009	\$ 7,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 2,625,000.00	\$ 2,625,000.00	\$ 4,875,000.00	0.9422	\$ 4,593,127.50	
	2009-2010	\$ 7,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 2,625,000.00	\$ 2,625,000.00	\$ 4,875,000.00	0.9283	\$ 4,525,267.50	
											\$ 28,190,370.00	Total NPV
											\$ 4,698,395.00	Average NPV Per Year
Phoenix Offer	2004-2005	\$ 8,750,000.00	5.04%	0.00%	35.00%	\$ 441,000.00	\$ 2,908,150.00	\$ 3,349,150.00	\$ 5,400,850.00	1.0000	\$ 5,400,850.00	
	2005-2006	\$ 9,625,000.00	5.04%	0.00%	35.00%	\$ 485,100.00	\$ 3,198,965.00	\$ 3,684,065.00	\$ 5,940,935.00	0.9852	\$ 5,853,127.98	
	2006-2007	\$ 10,500,000.00	5.04%	0.00%	35.00%	\$ 529,200.00	\$ 3,489,780.00	\$ 4,018,980.00	\$ 6,481,020.00	0.9707	\$ 6,290,866.87	
	2007-2008	\$ 11,375,000.00	5.04%	0.00%	35.00%	\$ 573,300.00	\$ 3,780,595.00	\$ 4,353,895.00	\$ 7,021,105.00	0.9563	\$ 6,714,423.13	
	2008-2009	\$ 12,250,000.00	5.04%	0.00%	35.00%	\$ 617,400.00	\$ 4,071,410.00	\$ 4,688,810.00	\$ 7,561,190.00	0.9422	\$ 7,124,001.99	
	2009-2010	\$ 13,125,000.00	5.04%	0.00%	35.00%	\$ 661,500.00	\$ 4,362,225.00	\$ 5,023,725.00	\$ 8,101,275.00	0.9283	\$ 7,520,089.53	
											\$ 38,903,359.51	Total NPV
											\$ 6,483,893.25	Average NPV Per Year

TABLE 3

Ben Wallace											
2006											
Detroit Offer	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2006-2007	\$ 12,000,000.00	3.90%	2.50%	35.00%	\$ 768,000.00	\$ 4,200,000.00	\$ 4,968,000.00	\$ 7,032,000.00	1.0000	\$ 7,032,000.00
	2007-2008	\$ 12,000,000.00	3.90%	2.50%	35.00%	\$ 768,000.00	\$ 4,200,000.00	\$ 4,968,000.00	\$ 7,032,000.00	0.9852	\$ 6,928,067.04
	2008-2009	\$ 12,000,000.00	3.90%	2.50%	35.00%	\$ 768,000.00	\$ 4,200,000.00	\$ 4,968,000.00	\$ 7,032,000.00	0.9707	\$ 6,825,681.12
	2009-2010	\$ 12,000,000.00	3.90%	2.50%	35.00%	\$ 768,000.00	\$ 4,200,000.00	\$ 4,968,000.00	\$ 7,032,000.00	0.9563	\$ 6,724,842.24
											\$ 27,510,590.40 Total NPV
											\$ 6,877,647.60 Average NPV Per Year
Chicago Offer	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2006-2007	\$ 16,000,000.00	3.00%	0.00%	35.00%	\$ 480,000.00	\$ 5,432,000.00	\$ 5,912,000.00	\$ 10,088,000.00	1.0000	\$ 10,088,000.00
	2007-2008	\$ 15,500,000.00	3.00%	0.00%	35.00%	\$ 465,000.00	\$ 5,262,250.00	\$ 5,727,250.00	\$ 9,772,750.00	0.9852	\$ 9,628,308.76
	2008-2009	\$ 14,500,000.00	3.00%	0.00%	35.00%	\$ 435,000.00	\$ 4,922,750.00	\$ 5,357,750.00	\$ 9,142,250.00	0.9707	\$ 8,874,016.39
											\$ 28,590,325.14 Total NPV
											\$ 9,530,108.38 Average NPV Per Year

TABLE 4

Lebron James											
2010											
New York Offer	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2010-2011	\$ 19,000,000.00	8.97%	3.88%	35.00%	\$ 2,441,500.00	\$ 6,650,000.00	\$ 9,091,500.00	\$ 9,908,500.00	1.0000	\$ 9,908,500.00
	2011-2012	\$ 19,000,000.00	8.97%	3.88%	35.00%	\$ 2,441,500.00	\$ 6,650,000.00	\$ 9,091,500.00	\$ 9,908,500.00	0.9852	\$ 9,762,052.37
	2012-2013	\$ 19,000,000.00	8.97%	3.88%	35.00%	\$ 2,441,500.00	\$ 6,650,000.00	\$ 9,091,500.00	\$ 9,908,500.00	0.9707	\$ 9,617,784.61
	2013-2014	\$ 19,000,000.00	8.97%	3.88%	35.00%	\$ 2,441,500.00	\$ 6,650,000.00	\$ 9,091,500.00	\$ 9,908,500.00	0.9563	\$ 9,475,696.72
	2014-2015	\$ 19,000,000.00	8.97%	3.88%	35.00%	\$ 2,441,500.00	\$ 6,650,000.00	\$ 9,091,500.00	\$ 9,908,500.00	0.9422	\$ 9,335,590.53
											\$ 48,099,624.23 Total NPV
											\$ 9,619,924.85 Average NPV Per Year
Cleveland Offer	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2010-2011	\$ 21,000,000.00	5.93%	2.00%	35.00%	\$ 1,665,300.00	\$ 6,767,145.00	\$ 8,432,445.00	\$ 12,567,555.00	1.0000	\$ 12,567,555.00
	2011-2012	\$ 21,000,000.00	5.93%	2.00%	35.00%	\$ 1,665,300.00	\$ 6,767,145.00	\$ 8,432,445.00	\$ 12,567,555.00	0.9852	\$ 12,381,806.54
	2012-2013	\$ 21,000,000.00	5.93%	2.00%	35.00%	\$ 1,665,300.00	\$ 6,767,145.00	\$ 8,432,445.00	\$ 12,567,555.00	0.9707	\$ 12,198,822.94
	2013-2014	\$ 21,000,000.00	5.93%	2.00%	35.00%	\$ 1,665,300.00	\$ 6,767,145.00	\$ 8,432,445.00	\$ 12,567,555.00	0.9563	\$ 12,018,604.20
	2014-2015	\$ 21,000,000.00	5.93%	2.00%	35.00%	\$ 1,665,300.00	\$ 6,767,145.00	\$ 8,432,445.00	\$ 12,567,555.00	0.9422	\$ 11,840,898.97
	2015-2016	\$ 21,000,000.00	5.93%	2.00%	35.00%	\$ 1,665,300.00	\$ 6,767,145.00	\$ 8,432,445.00	\$ 12,567,555.00	0.9283	\$ 11,665,958.60
											\$ 72,673,646.25 Total NPV
											\$ 12,112,274.37 Average NPV Per Year
Miami Offer	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2010-2011	\$ 14,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 5,075,000.00	\$ 5,075,000.00	\$ 9,425,000.00	1.0000	\$ 9,425,000.00
	2011-2012	\$ 16,022,500.00	0.00%	0.00%	35.00%	\$ -	\$ 5,607,875.00	\$ 5,607,875.00	\$ 10,414,625.00	0.9852	\$ 10,260,696.84
	2012-2013	\$ 17,545,000.00	0.00%	0.00%	35.00%	\$ -	\$ 6,140,750.00	\$ 6,140,750.00	\$ 11,404,250.00	0.9707	\$ 11,069,649.31
	2013-2014	\$ 19,067,500.00	0.00%	0.00%	35.00%	\$ -	\$ 6,673,625.00	\$ 6,673,625.00	\$ 12,393,875.00	0.9563	\$ 11,852,510.54
	2014-2015	\$ 20,590,000.00	0.00%	0.00%	35.00%	\$ -	\$ 7,206,500.00	\$ 7,206,500.00	\$ 13,383,500.00	0.9422	\$ 12,609,666.03
	2015-2016	\$ 22,112,500.00	0.00%	0.00%	35.00%	\$ -	\$ 7,739,375.00	\$ 7,739,375.00	\$ 14,373,125.00	0.9283	\$ 13,341,997.01
											\$ 68,559,519.73 Total NPV
											\$ 11,426,586.62 Average NPV Per Year

TABLE 5

Chris Bosh		2010										
Toronto Offer												
Season	CY Salary	Province Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV		
2010-2011	\$ 21,166,666.67	11.16%	0.00%	29.00%	\$ 2,362,200.00	\$ 6,138,333.33	\$ 8,500,533.33	\$ 12,666,133.33	1.0000	\$	12,666,133.33	
2011-2012	\$ 21,166,666.67	11.16%	0.00%	29.00%	\$ 2,362,200.00	\$ 6,138,333.33	\$ 8,500,533.33	\$ 12,666,133.33	0.9852	\$	12,478,927.88	
2012-2013	\$ 21,166,666.67	11.16%	0.00%	29.00%	\$ 2,362,200.00	\$ 6,138,333.33	\$ 8,500,533.33	\$ 12,666,133.33	0.9707	\$	12,294,508.98	
2013-2014	\$ 21,166,666.67	11.16%	0.00%	29.00%	\$ 2,362,200.00	\$ 6,138,333.33	\$ 8,500,533.33	\$ 12,666,133.33	0.9563	\$	12,112,876.63	
2014-2015	\$ 21,166,666.67	11.16%	0.00%	29.00%	\$ 2,362,200.00	\$ 6,138,333.33	\$ 8,500,533.33	\$ 12,666,133.33	0.9422	\$	11,933,777.50	
2015-2016	\$ 21,166,666.67	11.16%	0.00%	29.00%	\$ 2,362,200.00	\$ 6,138,333.33	\$ 8,500,533.33	\$ 12,666,133.33	0.9283	\$	11,757,464.93	
										\$	73,243,689.26	Total NPV
										\$	12,207,281.54	Average NPV Per Year
Miami Offer												
Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV		
2010-2011	\$ 14,500,000.00	0.00%	0.00%	35.00%	\$ -	\$ 5,075,000.00	\$ 5,075,000.00	\$ 9,425,000.00	1.0000	\$	9,425,000.00	
2011-2012	\$ 16,022,500.00	0.00%	0.00%	35.00%	\$ -	\$ 5,607,875.00	\$ 5,607,875.00	\$ 10,414,625.00	0.9852	\$	10,260,696.84	
2012-2013	\$ 17,545,000.00	0.00%	0.00%	35.00%	\$ -	\$ 6,140,750.00	\$ 6,140,750.00	\$ 11,404,250.00	0.9707	\$	11,069,649.31	
2013-2014	\$ 19,067,500.00	0.00%	0.00%	35.00%	\$ -	\$ 6,673,625.00	\$ 6,673,625.00	\$ 12,393,875.00	0.9563	\$	11,852,510.54	
2014-2015	\$ 20,590,000.00	0.00%	0.00%	35.00%	\$ -	\$ 7,206,500.00	\$ 7,206,500.00	\$ 13,383,500.00	0.9422	\$	12,609,666.03	
2015-2016	\$ 22,112,500.00	0.00%	0.00%	35.00%	\$ -	\$ 7,739,375.00	\$ 7,739,375.00	\$ 14,373,125.00	0.9283	\$	13,341,997.01	
										\$	68,559,519.73	Total NPV
										\$	11,426,586.62	Average NPV Per Year

TABLE 6

Jason Kidd		2012									
	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
Dallas Offer	2012-2013	\$ 3,000,000.00	0.00%	0.00%	35.00%	\$ -	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,950,000.00	1.0000	\$ 1,950,000.00
	2013-2014	\$ 3,000,000.00	0.00%	0.00%	35.00%	\$ -	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,950,000.00	0.9852	\$ 1,921,179.00
	2014-2015	\$ 3,000,000.00	0.00%	0.00%	35.00%	\$ -	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,950,000.00	0.9707	\$ 1,892,787.00
											\$ 1,921,322.00 Average NPV Per Year
New York Offer	2012-2013	\$ 3,090,000.00	8.82%	3.88%	35.00%	\$ 392,430.00	\$ 944,149.50	\$ 1,336,579.50	\$ 1,753,420.50	1.0000	\$ 1,753,420.50
	2013-2014	\$ 3,090,000.00	8.82%	3.88%	35.00%	\$ 392,430.00	\$ 944,149.50	\$ 1,336,579.50	\$ 1,753,420.50	0.9852	\$ 1,727,504.95
	2014-2015	\$ 3,090,000.00	8.82%	3.88%	35.00%	\$ 392,430.00	\$ 944,149.50	\$ 1,336,579.50	\$ 1,753,420.50	0.9707	\$ 1,701,975.14
											\$ 1,727,633.53 Average NPV Per Year

TABLE 7

Ray Allen											
2012											
	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
Boston Offer	2012-2013	\$ 6,000,000.00	5.25%	0.00%	35.00%	\$ 315,000.00	\$ 2,100,000.00	\$ 2,415,000.00	\$ 3,585,000.00	1.0000	\$ 3,585,000.00
	2013-2014	\$ 6,000,000.00	5.25%	0.00%	35.00%	\$ 315,000.00	\$ 2,100,000.00	\$ 2,415,000.00	\$ 3,585,000.00	0.9852	\$ 3,532,013.70
											\$ 3,558,506.85 Average NPV Per Year
	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
Miami Offer	2012-2013	\$ 3,090,000.00	0.00%	0.00%	35.00%	\$ -	\$ 1,081,500.00	\$ 1,081,500.00	\$ 2,008,500.00	1.0000	\$ 2,008,500.00
	2013-2014	\$ 3,229,050.00	0.00%	0.00%	35.00%	\$ -	\$ 1,130,167.50	\$ 1,130,167.50	\$ 2,098,882.50	0.9852	\$ 2,067,861.02
											\$ 2,038,180.51 Average NPV Per Year

Dwight Howard		2013									
Los Angeles Offer	Season	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2013-2014	\$ 23,600,000.00	13.30%	0.00%	39.60%	\$ 3,138,800.00	\$ 9,345,600.00	\$ 12,484,400.00	\$ 11,115,600.00	1.0000	\$ 11,115,600.00
	2014-2015	\$ 23,600,000.00	13.30%	0.00%	39.60%	\$ 3,138,800.00	\$ 9,345,600.00	\$ 12,484,400.00	\$ 11,115,600.00	0.9852	\$ 10,951,311.43
	2015-2016	\$ 23,600,000.00	13.30%	0.00%	39.60%	\$ 3,138,800.00	\$ 9,345,600.00	\$ 12,484,400.00	\$ 11,115,600.00	0.9707	\$ 10,789,468.30
	2016-2017	\$ 23,600,000.00	13.30%	0.00%	39.60%	\$ 3,138,800.00	\$ 9,345,600.00	\$ 12,484,400.00	\$ 11,115,600.00	0.9563	\$ 10,630,070.59
	2017-2018	\$ 23,600,000.00	13.30%	0.00%	39.60%	\$ 3,138,800.00	\$ 9,345,600.00	\$ 12,484,400.00	\$ 11,115,600.00	0.9422	\$ 10,472,896.01
											\$ 53,959,346.33 Total NPV
											\$ 10,791,869.27 Average NPV Per Year
Houston Offer	Year	CY Salary	State Rate	Local Rate	Federal Rate	Total SALT Tax	Total Federal Tax	Total Taxes Paid	After Tax Value	NPV Factor	NPV
	2013-2014	\$ 20,513,178.00	0.00%	0.00%	39.60%	\$ -	\$ 8,123,218.49	\$ 8,123,218.49	\$ 12,389,959.51	1.0000	\$ 12,389,959.51
	2014-2015	\$ 21,436,271.00	0.00%	0.00%	39.60%	\$ -	\$ 8,488,763.32	\$ 8,488,763.32	\$ 12,947,507.68	0.9852	\$ 12,756,143.52
	2015-2016	\$ 22,359,364.00	0.00%	0.00%	39.60%	\$ -	\$ 8,854,308.14	\$ 8,854,308.14	\$ 13,505,055.86	0.9707	\$ 13,108,817.52
	2016-2017	\$ 23,282,457.00	0.00%	0.00%	39.60%	\$ -	\$ 9,219,852.97	\$ 9,219,852.97	\$ 14,062,604.03	0.9563	\$ 13,448,349.48
											\$ 51,703,270.03 Total NPV
											\$ 12,925,817.51 Average NPV Per Year

TABLE 9

Steve Nash		2004						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
Dallas	6 years, \$45 million	0.00%	0.00%	35.00%	\$ 15,750,000.00	\$ 28,190,370.00	\$ 4,698,395.00	
Phoenix	6 years, \$65.63 million	5.04%	0.00%	35.00%	\$ 25,118,625.00	\$ 38,903,359.51	\$ 6,483,893.25	
Accepted: Phoenix								

Ben Wallace		2006						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
Chicago	3 years, \$46 million	3.00%	0.00%	35.00%	\$ 16,997,000.00	\$ 28,590,325.14	\$ 9,530,108.38	
Detroit	4 years, \$48 million	3.90%	2.50%	35.00%	\$ 19,872,000.00	\$ 27,510,590.40	\$ 6,877,647.60	
Accepted: Chicago								

Lebron James		2010						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
New York	5 years, \$95 million	8.97%	3.88%	35.00%	\$ 45,457,500.00	\$ 48,099,624.23	\$ 9,619,924.85	
Cleveland	6 years, \$126 million	5.93%	2.00%	35.00%	\$ 50,594,670.00	\$ 72,673,646.25	\$ 12,112,274.37	
Miami	6 years, \$109.84 million	0.00%	0.00%	35.00%	\$ 38,443,125.00	\$ 68,559,519.73	\$ 11,426,586.62	
Accepted: Miami								

Chris Bosh		2010						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
Toronto	6 years, \$127 million	11.16%	0.00%	29.00%	\$ 51,003,200.00	\$ 73,243,689.26	\$ 12,207,281.54	
Miami	6 years, \$109.84 million	0.00%	0.00%	35.00%	\$ 38,443,125.00	\$ 68,559,519.73	\$ 11,426,586.62	
Accepted: Miami								

Jason Kidd		2012						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
Dallas	3 years, \$9 million	0.00%	0.00%	35.00%	\$ 3,150,000.00	\$ 5,763,966.00	\$ 1,921,322.00	
New York	3 years, \$9.09 million	8.82%	3.88%	35.00%	\$ 4,009,738.50	\$ 5,182,900.59	\$ 1,727,633.53	
Accepted: New York								

Ray Allen		2012						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
Boston	2 years, \$12 million	5.25%	0.00%	35.00%	\$ 4,830,000.00	\$ 7,117,013.70	\$ 3,558,506.85	
Miami	2 years, \$6.32 million	0.00%	0.00%	35.00%	\$ 2,211,667.50	\$ 4,076,361.02	\$ 2,038,180.51	
Accepted: Miami								

Dwight Howard		2013						
Team	Offer	State Rate	Local Rate	Federal Rate	Total Taxes Paid	Net Present Value of Offer	NPV Per Year	
Houston	4 years, \$87.59 million	0.00%	0.00%	39.60%	\$ 34,686,142.92	\$ 51,703,270.03	\$ 12,925,817.51	
Los Angeles	5 years, \$118 million	13.30%	0.00%	39.60%	\$ 62,422,000.00	\$ 53,959,346.33	\$ 10,791,869.27	
Accepted: Houston								

Average Accepted Contract NPV		\$	37,939,322.25
	Per Year:	\$	7,936,972.35
Average Rejected Contract NPV		\$	39,569,780.77
	Per Year:	\$	7,723,402.68
Average Accepted Offer SALT Rate			2.96%
Average Rejected Offer SALT Rate			7.11%

P e r i o d s	PRESENT VALUE OF \$1																
	RATE PER PERIOD																
	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
1	0.99751	0.99502	0.99256	0.99010	0.98522	0.98039	0.97561	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909	0.90090	0.89286
2	0.99502	0.99007	0.98517	0.98030	0.97066	0.96117	0.95181	0.94260	0.92456	0.90703	0.89000	0.87344	0.85734	0.84168	0.82645	0.81162	0.79719
3	0.99254	0.98515	0.97783	0.97059	0.95632	0.94232	0.92860	0.91514	0.88900	0.86384	0.83962	0.81630	0.79383	0.77218	0.75131	0.73119	0.71178
4	0.99006	0.98025	0.97055	0.96098	0.94218	0.92385	0.90595	0.88849	0.85480	0.82270	0.79209	0.76290	0.73503	0.70843	0.68301	0.65873	0.63552
5	0.98759	0.97537	0.96333	0.95147	0.92826	0.90573	0.88385	0.86261	0.82193	0.78353	0.74726	0.71299	0.68058	0.64993	0.62092	0.59345	0.56743
6	0.98513	0.97052	0.95616	0.94205	0.91454	0.88797	0.86230	0.83748	0.79031	0.74622	0.70496	0.66634	0.63017	0.59627	0.56447	0.53464	0.50663
7	0.98267	0.96569	0.94904	0.93272	0.90103	0.87056	0.84127	0.81309	0.75992	0.71068	0.66506	0.62275	0.58349	0.54703	0.51316	0.48166	0.45235
8	0.98022	0.96089	0.94198	0.92348	0.88771	0.85349	0.82075	0.78941	0.73069	0.67684	0.62741	0.58201	0.54027	0.50187	0.46651	0.43393	0.40388
9	0.97778	0.95610	0.93496	0.91434	0.87459	0.83676	0.80073	0.76642	0.70259	0.64461	0.59190	0.54393	0.50025	0.46043	0.42410	0.39092	0.36061
10	0.97534	0.95135	0.92800	0.90529	0.86167	0.82035	0.78120	0.74409	0.67556	0.61391	0.55839	0.50835	0.46319	0.42241	0.38554	0.35218	0.32197
11	0.97291	0.94661	0.92109	0.89632	0.84893	0.80426	0.76214	0.72242	0.64958	0.58468	0.52679	0.47509	0.42888	0.38753	0.35049	0.31728	0.28748
12	0.97048	0.94191	0.91424	0.88745	0.83639	0.78849	0.74356	0.70138	0.62460	0.55684	0.49697	0.44401	0.39711	0.35553	0.31863	0.28584	0.25668
13	0.96806	0.93722	0.90743	0.87866	0.82403	0.77303	0.72542	0.68095	0.60057	0.53032	0.46884	0.41496	0.36770	0.32618	0.28966	0.25751	0.22917
14	0.96565	0.93256	0.90068	0.86996	0.81185	0.75788	0.70773	0.66112	0.57748	0.50507	0.44230	0.38782	0.34046	0.29925	0.26333	0.23199	0.20462
15	0.96324	0.92792	0.89397	0.86135	0.79985	0.74301	0.69047	0.64186	0.55526	0.48102	0.41727	0.36245	0.31524	0.27454	0.23939	0.20900	0.18270
16	0.96084	0.92330	0.88732	0.85282	0.78803	0.72845	0.67362	0.62317	0.53391	0.45811	0.39365	0.33873	0.29189	0.25187	0.21763	0.18829	0.16312
17	0.95844	0.91871	0.88071	0.84438	0.77639	0.71416	0.65720	0.60502	0.51337	0.43630	0.37136	0.31657	0.27027	0.23107	0.19784	0.16963	0.14564
18	0.95605	0.91414	0.87416	0.83602	0.76491	0.70016	0.64117	0.58739	0.49363	0.41552	0.35034	0.29586	0.25025	0.21199	0.17986	0.15282	0.13004
19	0.95367	0.90959	0.86765	0.82774	0.75361	0.68643	0.62553	0.57029	0.47464	0.39573	0.33051	0.27651	0.23171	0.19449	0.16351	0.13768	0.11611
20	0.95129	0.90506	0.86119	0.81954	0.74247	0.67297	0.61027	0.55368	0.45639	0.37689	0.31180	0.25842	0.21455	0.17843	0.14864	0.12403	0.10367
21	0.94892	0.90056	0.85478	0.81143	0.73150	0.65978	0.59539	0.53755	0.43883	0.35894	0.29416	0.24151	0.19866	0.16370	0.13513	0.11174	0.09256
22	0.94655	0.89608	0.84842	0.80340	0.72069	0.64684	0.58086	0.52189	0.42196	0.34185	0.27751	0.22571	0.18394	0.15018	0.12285	0.10067	0.08264
23	0.94419	0.89162	0.84210	0.79544	0.71004	0.63416	0.56670	0.50669	0.40573	0.32557	0.26180	0.21095	0.17032	0.13778	0.11168	0.09069	0.07379
24	0.94184	0.88719	0.83583	0.78757	0.69954	0.62172	0.55288	0.49193	0.39012	0.31007	0.24698	0.19715	0.15770	0.12640	0.10153	0.08170	0.06588
25	0.93949	0.88277	0.82961	0.77977	0.68921	0.60953	0.53939	0.47761	0.37512	0.29530	0.23300	0.18425	0.14602	0.11597	0.09230	0.07361	0.05882
30	0.92783	0.86103	0.79919	0.74192	0.63976	0.55207	0.47674	0.41199	0.30832	0.23138	0.17411	0.13137	0.09938	0.07537	0.05731	0.04368	0.03338
35	0.91632	0.83982	0.76988	0.70591	0.59387	0.50003	0.42137	0.35538	0.25342	0.18129	0.13011	0.09366	0.06763	0.04899	0.03558	0.02592	0.01894
40	0.90495	0.81914	0.74165	0.67165	0.55126	0.45289	0.37243	0.30656	0.20829	0.14205	0.09722	0.06678	0.04603	0.03184	0.02209	0.01538	0.01075
50	0.88263	0.77929	0.68825	0.60804	0.47500	0.37153	0.29094	0.22811	0.14071	0.08720	0.05429	0.03395	0.02132	0.01345	0.00852	0.00542	0.00346

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