

These days, Uncle Sam isn't the only one reaching for a piece of those big paychecks

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Arriving home late at night from a rough two-week run around the NBA, the charter plane carrying the Vancouver Grizzlies circles over the airport time and again, burning thousands of dollars in fuel. The pilot is under orders to wait for the right moment to land.

It being western British Columbia, the holdup could be due to any number of things. Could be fog. Could be rain. Could be snow.

Could be taxes.

"If your road trip ends at 11:30 p.m., that counts as a whole day you spent in Canada," says Grizzlies vice president Noah Croom. "If it's one minute before midnight, it's a full day in the eyes of Revenue Canada." Revenue Canada is the IRS of the Great White North, where every day spent on Canadian soil costs you more in the land of the 53 percent tax bracket. Especially if you're a professional athlete making seven or eight figures, eh?

On the American side of the border, meanwhile, you can't tell your players without a W123-dash-Z-14-(i) long form in triple-triplicate. While not paying much more in taxes than anybody else making millions, the pro athlete's tax return is considerably more complex, costing as much as \$5,000 just to have it prepared. Dreaded as they are by athletes and fans alike, taxes have become a major influence in the decisions made by players from all big-money sports: Where they play. Where they live. Where they pay taxes. Where they don't pay taxes. States with pro teams annually collect millions of dollars by demanding a self-prescribed cut of every visiting player's paycheck. Consider, for example, that California takes a cut of Michael Jordan's \$100,000-plus-per-day salary for every day the Bulls spend in the state. If they're here 10 days and the rate is 9.3 percent, that's a tax of more than \$100,000. Now add to that a cut from every other visiting major league, NBA, NHL and NFL player who plays against California's 15 pro franchises.

No exact figure on how much revenue this generates could be obtained from state tax officials. Just figure it's enough to pay for more than a few California freeway repairs.

"They do take a good-sized chunk," sighs Padres third baseman Ken Caminiti. "Make more, take more, I guess."

Not necessarily. Not if tax attorneys and accountants can help it.

Basking in Sunshine State

Florida soon may sink into the Everglades from all the moneybelt-weight of athletes -- Tiger Woods, Ken Griffey Jr. and virtually all others of that superstrata -- moving there. They say it's the climate. The golf. And, um, well, yes, it's also true that Florida residents pay no state tax. At last count, more than 100 professional athletes lived in the Orlando

area alone, including more than 40 PGA players. Foreign sports stars who previously might've called tax-free Monte Carlo home -- wink, wink -- are finding a balmier alternative in the Sunshine State. Possibly just out of convenience, Nick Faldo of Great Britain and Ernie Els of South Africa claim second residences in Orlando while Jesper Parnevik of Sweden prefers South Palm Beach.

"The first move for a golfer is definitely to move to Florida, especially if you're a California resident," says Dave Lightner, a vice president of IMG, the Cleveland-based management firm that handles some of the world's richest athletes. "You've got to get out of California." Mark O'Meara got out. With tour earnings of \$1.25 million last year, O'Meara moved from Escondido to the ultra-exclusive, gated Orlando neighborhood of Isleworth, where he lives in a 9,000-square-foot home next door to transplant Tiger Woods.

Young as he is, Woods has lived his entire life in California, which has a top state income-tax rate of 9.3 percent. Multiply that by the \$90 million in Woods' endorsement deals with Nike, American Express and Titleist alone. Following IMG's advice, however, Woods quickly moved to Florida, where he could save all that California tax money and use it to buy his Isleworth abode.

(Lest he grow homesick, Woods can always jet to California via his one-eighth interest in a \$15.6 million Cessna Citation 10. By the way, it's deductible.)

Among his closest neighbors is Shaquille O'Neal, who went the opposite direction, fleeing the Orlando Magic for the Los Angeles Lakers. Leaving the shelter of Florida, O'Neal was exposing his new \$120 million contract to California's Shaq-sized cut, which by itself could nearly pay the Pittsburgh Pirates' payroll.

"The state of California can devote five guys to Shaq's account for the next five years," says Michael Lee, a San Diego certified public accountant who does tax returns for scores of major league players, coaches and executives.

Be very relieved to know, however, that Shaq's residence in Florida conceivably protects his endorsement money from state taxes.

Tax tables and residence requirements now are subjects being discussed around batting cages. When somebody breaks the news of Gary Sheffield's new Florida Marlins contract in the Padres clubhouse, utility infielder Archi Cianfrocco immediately grasps the true value of the staggering figure. "Sixty-one million," he says. "State-tax free!"

Just down the row of lockers from Cianfrocco are two young players who just bought their first homes, neither in California. Having tripled his relatively modest salary with a new contract, catcher John Flaherty and his wife purchased a house near Tampa, though he was raised in the state of New York and plays in California.

Asked if there were any connection between Florida's lack of state tax and his choice of domiciles, Flaherty smiles and says, "The only connection." Locked next to him is relief pitcher Trevor Hoffman, a new resident of Dallas, Texas, another one of the few

states that doesn't assess its own tax. Admittedly, about the only time Hoffman had ever been to the Dallas area was to visit teammate Scott Livingstone.

"I can have my house in Texas paid off when my contract ends in three years," says Hoffman, "or I could just give that same \$400,000 straight to the state of California."

Talk about a closer.

California not so golden

Chargers general manager Bobby Beathard found his new head coach living in Florida, and before he was with the Jacksonville Jaguars, Kevin Gilbride was offensive coordinator of the Houston Oilers. Not that tax status mattered to Gilbride when he interviewed with the Chargers. On the other hand, Gilbride is struck by how much it matters to some NFL players, particularly those he'd liked to have signed. Not only does the salary cap stretch farther for franchises in Florida and Texas -- like Jerry Jones needs reasons to write bigger checks -- but absence of state tax makes teams like the Dallas Stars and Miami Heat and Florida Marlins more attractive to free agents.

Conversely, California's taxes and cost of living have become weapons of negotiation against clubs like the Chargers.

"That's brought up frequently, just something that an agent can use to get more money," says Beathard. "It never used to be brought up, but now you're hearing it more and more, especially when you're going against a Florida or Texas team or Seattle (Washington has no state tax). We've been hurt by it once this year if you believe what they say." "They" are the representatives of fullback Craig "Ironhead" Heyward, who cited tax and economic concerns as the reason for signing instead with the St. Louis Rams.

"Two, it's impacted in a deleterious way on our offseason training," says Gilbride. "It discourages players from staying here on a year-round basis. They use taxes and the expensive cost of living as excuses for not living here in the offseason."

Partly for lack of an offseason work ethic, the Chargers waived running back Natrone Means a year ago, which is why they're still searching for a power running back.

Means is now looking to land a \$20 million deal with the Jacksonville Jaguars. Because they are located in Florida -- where Means has since established residency -- he'll save almost \$2 million over an identical contract with the Chargers or any other California team.

Then again, when the NBA voided Juwan Howard's \$100 million deal with the Miami Heat and approved his contract to return to the Washington Bullets for the same amount, he actually lost around \$4.2 million in the deal in taxes.

Nevada has no state tax and no major league teams -- but more and more residents who are high-income professional athletes. Andre Agassi and Greg Maddux grew up in Las Vegas. Not so Michael Chang, whose official residence has been changed from Southern

California to Henderson, Nev. Or U.S. soccer player Eric Wynalda, a San Diego State alum who plays for the San Jose Clash and calls Las Vegas home now.

Brady Anderson, who grew up in Carlsbad and plays for the Baltimore Orioles, took up residence in Lake Tahoe in 1993, about the time he signed his first big contract. Naturally, he's on the Nevada side of the lake. Wonder not why Las Vegas has so many championship fights. When Mike Tyson gets \$10 million for 90 seconds of boxing, he doesn't pay a state tax to Nevada, where he maintains a home. Book the fight at Madison Square Garden, and Tyson leaves a sizeable cut to the city as well as the state of New York. One reason the Garden no longer is the center of prize fighting is because New York refused to give the industry any kind of a tax break. The paper chase

In his Mission Valley office, accountant Michael Lee pulls out a 2 1/2 -inch thick, 142-page document and drops it onto his desk with a resounding bam. It's the tax return of a client, to remain unnamed, but he's by no means a superstar. He's a fourth-year player, still making a modest amount in a game where the minimum salary is \$150,000, yet his tax-return includes W-2's from nine states and requires his signature in a dozen places.

For years now, players on visiting teams have been forced to pay tax to the city and/or states where they play. The percentage varies widely from stadium to stadium, arena to arena, depending on what criteria is used by tax boards. Some states tax by the number of games played in their realm. Others tax by the number of days a player spends in that town. In the case of one state -- which has both an American and National League towns -- you don't even need to be there to get taxed for being there. "Missouri's a real beauty," says Lee. "They include travel days and off days. If you're on the disabled list and don't make the trip, you pay. As long as you're still on the roster, you pay. If you're a pitcher and don't pitch those days, you pay."

Ah, Missouri. The "Show-Me-The-Money" State.

Whatever the athlete is taxed in one state, his or her home state gives credit on its tax return, so nobody's paying double. Unless it's the states themselves.

"It's ridiculous," says Padres center fielder Steve Finley. "I'm not complaining about paying taxes, but it's gotten so political. Everywhere we go gets a piece of us, and all it really does is make for more paperwork in all those places. Who pays for all that constant paperwork? How much does that paperwork cost? Millions and millions and millions of dollars of just paperwork."

Fiercely individualistic, Texas would just as soon give back the Alamo as institute a state tax. But a few legislators in the Lone Star State did try to get creative, at the expense of athletes, when thinking up ways to finance new arenas.

As part of a proposal by State Rep. Kim Brimer, R-Arlington, it was suggested that a "locker-room-usage fee" would be assessed to visiting players: \$2,000 per game for NFL, \$1,600 for NBA, \$1,300 for baseball and \$650 for NHL. The idea died a quick and sudden death, partially with the suggestion that professional leagues would rather pull their teams out of Texas than pay such a fee.

The state that gets the greatest credit for taxing players -- and the greatest blame -- is good old California. True to its nature, California is considered the first to tax athletes for the money they earned while in-state. As you probably already understood, too, it remains quite diligent.

"California has the biggest hammer," says Lee. "We have one of the most sophisticated and aggressive boards of tax franchise in the country -- right up there with the IRS."

Or maybe more so.

"It's amazing the number of notifications you get from the state of California for athletes," said Joe Geier, a Maryland accountant whose clients include Anderson and several of his Baltimore Orioles teammates. "Last year, I got four or five notifications from the state of California (for each player). I got one from the IRS."

Scott Bye, a certified public accountant in Fargo, N.D., who counsels several NHL players, doesn't question the reach of the Golden State's assessors.

"California's the only one that's gone after guys," says Bye. "I'd swear they have somebody there whose only job is reading the Hockey News, the Sporting News, any sports publication that tells them which teams are coming to California. Believe me, they always know who's in town." Oh, that Canada

Pity the Californian playing for a Canadian team and getting paid in Canadian dollars, if such a fool exists. As the NHL moves south and the NBA moves north, though, the economy of Canada is coming into greater play. Canada's dollar has been so weak -- upwards of \$1.40 to the U.S. dollar -- that the NBA's collective bargaining agreement stipulates that all Grizzlies and Toronto Raptors players be paid in American money. They risk losing more than half their salary to Canada's tax board by staying above the border beyond 180 days, the designated period for alien residence, which is why every minute on a plane counts when you're coming off the road.

"It's tough," says Vancouver's Croom, "because we get players with kids. School up here starts in late August and goes till June, longer than the season. We have guys who leave their families up here after the season ends (to maintain their American tax status), so their kids can stay in school." To assure he stays taxed like an American, albeit a Russian-born American, star forward Alexander Mogilny of the Vancouver Canucks lives across the border in tax-free Washington.

Americans playing for Canadian teams get U.S. credit for whatever tax they pay in Canada; still, that's credit on money worth far less on the exchange rate.

Almost paradoxically, the most desirable team for today's hockey hot-shot is last year's Stanley Cup runner-up, the Florida Panthers. After all, hockey players are renowned golf addicts and, by and large, Canadian. Living free of state tax during the season, they return home in the offseason with American salaries and are able to take advantage of the weaker Canadian dollar.

As it is, Canada is losing hockey teams left and right to the States, including one that became the reigning Stanley Cup champions. There are more NHL teams in California now than any Canadian province. Using a technique perfected by owners of American sports teams, some NHL operators are threatening to follow the southward flight if their Canadian cities don't build them new arenas that compare to the U.S. palaces. But how to pay for them?

Well, you know. Taxes, of course.

[Illustration]

1 DRAWING | 3 PICS; Caption: 2. Sunny days: Tiger Woods, a lifelong Californian, moved to Orlando, Fla., upon turning pro. (C-14) 3. Tax-a-Shaq: The Lakers' Shaquille O'Neal left Florida, which does not have a state income tax, for California, which has a high rate. (C-14) 4. Trevor the Texan: Trevor Hoffman plays in San Diego, but now lives in Texas -- which does not have state income tax. (C-14); Credit: 1. TIM VAN NESS 2. L.M. OTERO / Associated Press 3. MARK J. TERRILL / Associated Press 4. JIM BAIRD / Union-Tribune

Credit: STAFF WRITER

Illinois playing by its own Jordan rules | State retaliates after losing some of Mike's money

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Michael Jordan won his first NBA title with the Chicago Bulls in 1991. The Bulls beat the Lakers in the Finals, winning Games 3, 4 and 5 at the Great Western Forum in Inglewood.

There is a famous picture of Jordan sitting in the visiting locker room, kissing the trophy.

Later that year, Bulls players got mail from California tax officials. They didn't get congratulation cards. They received notification that they'd be taxed for the portion of their salaries earned while in California during the NBA regular season and postseason, meaning Bulls players would then claim tax credits for that amount on their Illinois returns. This made the papers back home and, as Illinois Department of Revenue official Kevin Conner says, "Legislators tend to read the sports page as avidly as the front page."

Didn't go over well, either.

Soon there was a bill before the Illinois House that would tax any visiting athlete from states that taxed Illinois athletes when they traveled there. Officially, it is House Bill 2817. Unofficially: The Jordan Tax. "If we had brought that issue up without mentioning names, I'm not sure anything would have happened," says Conner, the chief legislative liaison at the time. "Attaching Michael Jordan's name to it made all the difference. Because it was Michael Jordan, it just sailed through everything."

Final vote: 56-0, with one abstention.

The retaliatory tax impacted several states, but it was aimed at one in particular. California.

Few in the business dispute that the Golden State started this current, chaotic era of taxation of professional athletes. In the days when \$150,000 was the maximum salary, athletes simply paid state taxes where their team was based.

But beginning in 1978, California regularly began taxing visiting baseball players. In 1980, it started on basketball and hockey. In 1986, it added the NFL.

And then salaries really began to explode.

The floodgates of paperwork opened in 1992 when the city of Philadelphia began assessing its municipal wage tax on visiting players. Other states and cities, seeing tax dollars from their own teams going elsewhere, began recouping the losses by taxing visiting players. Now nearly two dozen states and a half-dozen cities do.

Understand that athletes don't pay more tax than others in the same bracket, they just pay it to more places. Tony Gwynn, for instance, pays for the days he is in New York to play the Mets, then claims a credit for that amount on his California return. The result: A 2 1/2 -inch thick tax return.

"In essence, California, with its aggressive stance, has got this whole system real complicated," says Mike Klemens, spokesman for the Illinois Department of Revenue.

California's response?

"We don't set policy, we just follow the laws set by the Legislature," says Denise Quade of California's Franchise Tax Board. "These laws have been on the books for a long time. We just enforce them." The guru of pro sports taxation is Duane Hoffman, whose official title is an associate tax auditor in the Filing Compliance Bureau of the Franchise Tax Board. The tax board's public relations department refused to allow Hoffman to be interviewed, but those who know him say he knows all. "This guy knows the waiver wires, the injured reserve list, better than anyone," says Stephen Kidder, a Boston-based attorney who represents players associations in tax disputes. "He'll tell you exactly how many days a guy on a particular team spent in California." A few years ago, the players associations made a joint proposal to the Federation of Tax Administrators: Athletes would pay state income taxes only where their teams are based. The state tax commissioners rejected it, and the current system continues, unabated.

"The main thrust for the athletes is, just give us some simplicity here," Kidder says. "We don't want to stop paying taxes. We want to stop paying taxes in 14 different places . . . under 14 different tax systems. The future, frankly, is basically chaos."

[Illustration]

2 PICS; Caption: 1. The taxed man: When California started taxing Michael Jordan, Illinois lawmakers fought back. 2. California: leaders of the field; Credit: 1. ASSOCIATED PRESS

Credit: STAFF WRITER
