

**DESCRIPTION OF H.R. 5946,
THE “UNITED STATES APPRECIATION FOR OLYMPIANS
AND PARALYMPIANS ACT”**

Scheduled for Markup
by the
HOUSE COMMITTEE ON WAYS AND MEANS
on September 14, 2016

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup on September 14, 2016, of H.R. 5946, the “United States Appreciation for Olympians and Paralympics Act.” This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of the bill.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 5946, the “United States Appreciation for Olympians and Paralympians Act”* (JCX-72-16), September 13, 2016. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

A. Exclusion from Gross Income for the Value of Medals Awarded at Olympic or Paralympic Games and for Certain Prizes or Awards Paid by the U.S. Olympic Committee to Competitors

Present Law

U.S. citizens and residents are subject to U.S. taxation on their worldwide income, from whatever source derived,² absent a specific statutory exception. Prizes and awards are specifically included in income.³ If prizes or awards are provided in the form of goods or services, the fair market value of the goods or services provided is the amount to be included in income.⁴

There are three exceptions to the general rule of inclusion of prizes and awards: First, qualified scholarships described in section 117; second, certain employee achievement awards; and third, awards for religious, charitable, scientific, educational, artistic, literary or civic achievement, provided that the recipient takes no action to be considered for the award, requests that the monetary award be transferred to a designated governmental unit or tax-exempt organization to which deductible charitable contributions are permitted, and is not required to render future substantial services as a condition of the award.⁵ Examples of awards that may qualify for the third exception if the monies associated with the award are timely donated include the Nobel and Pulitzer prizes. In contrast, prizes or awards in recognition of athletic achievement are generally ineligible for the exception.⁶

The United States Olympic Committee (“USOC”) is a corporation created by statute to serve as a coordinating body for United States participation in international competitive amateur sports, in order to provide “the most competent amateur representation possible in each event” in the Olympic, Paralympic and Pan-American Games.⁷ As part of its activities, the USOC awards

² Sec. 61.

³ Sec. 74.

⁴ Treas. Reg. sec. 1.74-1(a)(2).

⁵ Treas. Reg. sec. 1.74-1(b).

⁶ *Wills v. Commissioner*, 48 T.C. 308 (1967), aff’d 411 F.2d 537 (9th Cir. 1969), in which the Court held that the value of the S. Rae Hickock Belt, awarded to baseball player Maury Wills as outstanding professional athlete of the year, was includible in income as a prize or award given for athletic achievement, and ineligible for the exception available for awards based on educational, civil, literary, scientific or artistic achievement.

⁷ See generally, 36 U.S.C. secs. 220501 through 220512. The organization does not generally receive Federal funding, although specific programs for veterans of U.S. military service receive Federal assistance. Instead, the organization raises funds from donors as well as revenue from licensing of use of the US Olympic team name and insignia, as well as granting of broadcast rights in the United States. The purposes of the organization are enumerated in section 220503, and include promotion of physical fitness and sports participation generally, financial assistance to athletes or sport federations, development of training facilities and technical support to amateur athletic programs that support sports that are included in the Olympics, Paralympics and Pan-Am games. The USOC provides a quadrennial report to Congress on its operations. The most recent report, covering the period 2009

each U.S. Olympic athlete prize money for each medal won, in the amounts of \$25,000 for each gold medal, \$15,000 for each silver medal, and \$10,000 for each bronze medal. U.S. Paralympic athletes receive \$5,000, \$3,500 and \$2,500 respectively for each gold, silver and bronze medal awarded.⁸ All U.S. Olympians or Paralympians are required to be U.S. citizens.⁹ As a result, these performance awards from the USOC are includible as prizes and awards, regardless of whether the athletes derive the income for activities performed inside, or outside, the United States.¹⁰ Both the prize money awarded to U.S. athletes by the USOC, as well as the fair market value of gold, silver, and bronze medals, are includible in gross income.

Explanation of Provision

The provision creates a new exception to the general rule requiring inclusion of prizes and awards in gross income. Under the terms of the exception, neither the value of the medals awarded to U.S. Olympic or Paralympic athletes nor the cash prizes given by the USOC are includible in income for Federal tax purposes.

Effective Date

The proposal applies to prizes and awards received after December 31, 2015.

through 2012, was issued June 1, 2013, and is available at <http://www.teamusa.org/Footer/Legal/Governance-Documents>.

⁸ Based solely on recent metal prices, the values of the medals awarded at the Rio games are bear the following approximate values of \$565 for the gold, \$305 for the silver and \$5 for the bronze. See, Reid Carlson, "The Monetary Worth of the 2016 Rio Olympic Medals," SwimSwam, available at <https://swimswam.com/monetary-worth-rio-medals>.

⁹ The international governing bodies of the Olympic and Paralympic games permit certain exceptions for athletes from countries that do not have national organizations eligible to enter teams in the games. See, Rule 41 and related by-laws, *The International Olympic Committee Charter*, available at <http://www.teamusa.org/About-the-USOC/Inside-the-USOC/Olympic-Movement/Structure>, and Chapter 3.1, *The International Paralympic Committee Handbook*, available at https://www.paralympic.org/sites/default/files/document/160523070735592_Rio%2BQG_23_May_2016.pdf. Peter Spiro, "Citizenship and the Olympics," *5 Insights*, (Spring 2016), published by American Bar Association, http://www.americanbar.org/publications/insights_on_law_and_society/16/spring-2016/citizenship-and-the-olympics.

¹⁰ A credit may be allowed for any foreign income tax imposed on awards for games held outside the United States. Many Olympic host countries (including the United States) exempt nonresident athletes from income tax on awards. As in the United States, these exemptions may be part of a host country's tax law, and some contracts between the International Olympic Committee and Olympic host cities confirm the exemption. Under a typical contract, the host city and the host city's Organizing Committee promise either that the host country will not tax performance awards or, if the host country does tax performance awards, that the host city or Organizing Committee will reimburse athletes for the amount of the tax. For example, Rio de Janeiro entered into a Host City Contract containing this clause. A draft contract corresponding to the 2022 Olympics in China also contains this clause.

B. Estimated Revenue Effect

Fiscal Years											
[Millions of Dollars]											
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2017-21</u>	<u>2017-26</u>
-1	[1]	[1]	[1]	-1	[1]	[1]	[1]	-1	[1]	-2	-3

NOTE: Details do not add to totals due to rounding.

[1] Loss of less than \$500,000.

The extent to which the proposal may increase or decrease Federal outlays for the same period 2016-2026 has not been estimated. In accordance with section 402 of the Budget Act, the Congressional Budget Office has jurisdiction to estimate the effect on direct or discretionary spending.