

What the 18-year-old NBA phenom, [Cooper Flagg](#), needs to know about taxes when stepping into a \$60 million payday.

Key Considerations

Here are key tax considerations and financial planning strategies for Cooper as he embarks on his \$60M NBA journey.

Welcome to the 37% Club (And That's Just Federal!)

At \$14M+ per year, Cooper instantly lands in the highest federal tax bracket. That means 37% of his income will go straight to the IRS—before considering state taxes or surtaxes. Add in the [Net Investment Income Tax](#) (3.8%), and he could face a 40–45% effective rate.

Pro Tip: Work with a CPA to ensure proper quarterly estimated tax payments and avoid IRS penalties.

You May Be a Rookie, But the “Jock Tax” Isn’t

Although Texas (home to the [Dallas Mavericks](#)) doesn’t levy a personal income tax, Cooper will owe taxes in every state where he plays. Known as the “[jock tax](#),” this rule means filing in up to 20+ states based on where games are played. The estimated cumulative state and local taxes could slice off an additional 10–15% of the income.

Example: A game in California? That’s up to 13.3% in state tax on a portion of that game check.

NIL & Endorsements: Nice Income...Large Tax Burden

Cooper [already earned](#) ~\$20–28M in name, image, likeness (NIL) deals, which are treated as ordinary income. His new sponsorship deals will be too. He’ll owe taxes based on where the deals are performed, shot, or signed—not just where he lives.

Strategy: Set up an S-Corp or LLC to manage endorsement income and deduct business expenses like travel, stylists, or media training.

FICA, Medicare & the Extra 0.9% Surtax

Even NBA stars aren’t exempt from payroll taxes. Social Security applies up to the annual cap (\$168,600 in 2025), and Medicare is uncapped, with an extra 0.9% surtax on income above \$200,000.

Important: These are automatically withheld by the NBA but keep track of any additional liability from endorsement income.

Where You “Live” Could Save You Millions

Establishing and maintaining a primary residence in Texas could shield Cooper from state income tax on his

endorsements and investment income—if done correctly. The key? Prove “domicile” with things like a TX driver’s license, voter registration, and time spent in-state.

Don’t wing this—tax authorities in states like California and New York aggressively audit residency claims.

Multi-State Tax Filings = Multi-Headache

With away-game income triggers in ~20 states, compliance can be sizable. Even seasoned professionals struggle with multi-state filings. Cooper will need to file in every state with a tax that hosts a game or training camp, each with its own rules, rates, and deadlines.

Must-Do: Hire a tax team with experience handling pro athletes—this isn’t TurboTax territory.

Put Your Business Hat On: Entity Structure Matters

Creating a [legal business entity](#) (like an S-Corp or LLC) for endorsements helps separate personal and professional finances. It can reduce self-employment tax and allow strategic deductions for expenses like agent fees, branding, personal trainers, or even TikTok content production. Remember, direct business-related expenses should funnel through the entity to maximize deductions.

Bonus: With the right structure, Cooper could contribute to a SEP-IRA or Solo 401(k), deferring up to \$69,000+ per year in taxes.

Get a Financial Game Plan—Not Just a Playbook

A career-ending injury is rare but possible. Cooper should consider tax-free disability insurance, commonly called [permanent total disability \(PTD\) insurance](#). It protects future earnings and pays out tax-free if he can’t play again. He should also consider negotiating deferred compensation in rookie deals to manage tax burdens across years.

Example: A PTD policy could provide a \$10M+ payout if he suffers a major injury early in his career.

Build Wealth That’s Built to Last

Start thinking long-term. With smart planning, Cooper can:

- Max out retirement accounts from day one.
- Use trusts and estate plans for long-term wealth management, education funding, and estate planning.
- Build a tax-efficient portfolio using municipal bonds, qualified dividends, or tax-loss harvesting.

Gamechanger: Start with a financial advisor who works with high-net-worth young athletes, not just a generic planner.

Early Action Plan

Step	Action
1	Hire a sports tax specialist aware of jock tax complexities
2	File multi-state returns & establish non-resident status in tax-free state
3	Structure endorsement deals under an LLC
4	Secure PTD/disability coverage
5	Begin retirement contributions & estate planning

Bottom Line

From a ~\$14M salary and (potentially) ~\$20–30M in endorsements annually, Cooper should expect his in-hand, take-home to be around 40–50% after all federal, state, jock-tax, and FICA obligations. Smart structuring and early tax planning—including residency and entity use—can preserve millions.

Even if you’re not getting a 7-figure deal, we can help you with your tax-planning needs. [Schedule a call with us](#) today to discover how you can save on taxes tomorrow.

As remote work becomes the norm and summer temperatures rise, you might be getting creative about your office space—like turning sheds and backyard structures into fully functional home offices.

But did you know that your outdoor office might qualify for a tax deduction? Yes—if it meets IRS criteria.

Can a Backyard Office Be Deducted?

If you’re investing in a seasonal workspace this summer, here’s what you need to know about potential tax savings.

A detached structure like a shed, garage, or studio may qualify for the [home office deduction](#), as long as it’s:

- Used exclusively for business (not part-time guest room or workout space),
- Used regularly for work (occasional use won’t qualify), and is
- Your principal place of business, or where you meet clients or do administrative work.

If these conditions are met, your backyard office may be deductible just like any other home office space.

What Expenses Can Be Deducted?

There are two ways to calculate your home office deduction: the [simplified method](#) and the [actual expense method](#).

1. Simplified Method

- \$5 per square foot (up to 300 square feet).
- Easy to calculate, but may yield a lower deduction.

2. Actual Expense Method

You can deduct a percentage of expenses based on the square footage of the workspace relative to your home.

Potential deductible expenses include:

- Construction or renovation costs (if depreciated),
- Utilities (electricity, A/C, Wi-Fi),
- Repairs and maintenance,
- Insurance, and
- Depreciation of the structure over time.

Note: If the structure is newly built, only a portion of the construction cost may be deductible each year through depreciation—not all at once.

State-Specific Reminders

Some states, like New York, Massachusetts, Connecticut, and others, conform to the [federal home office deduction rules](#)—but not all. It's essential to check whether your state allows home office deductions if you're self-employed or a remote W-2 employee.

If you're an employee working from home and not self-employed, deductions are more limited due to changes in the Tax Cuts and Jobs Act.

Documentation Matters

This documentation can support your deduction if you're ever audited. Keep thorough records of:

- Photos of your workspace,
- Floor plans or square footage estimates,
- Receipts for materials, tools, and services, and
- Utility bills and maintenance logs.

Smart Financial Move

Building a backyard office is not only a lifestyle upgrade—it might be a smart financial move too. But like any tax deduction, it pays to do it right.

Let our team help you maximize your tax savings. [Contact us today](#) for a consultation and make sure your new backyard office works for you—both professionally and financially.

What Could Trigger an IRS Letter (Even If You're Doing Everything Right)

Nobody wants to hear from the IRS—especially not when you're running a business and juggling a million other things. But even honest, hard-working business owners can raise red flags without realizing it.

Let's break down the most common business income-related triggers we see—and what you can do to steer clear of unwanted attention.

Common IRS Red Flags for Business Income

Here are some of the most common income-related red flags the IRS might spot, and how to avoid them:

- **You forgot to include side income or payment app deposits.** Did you freelance a bit on the side or get paid through Venmo, Square, or PayPal? Those platforms now report income directly to the IRS. If you're only tracking what lands in your business bank account, you could miss something—and the IRS won't.
 - Example: Sarah runs a home bakery and sometimes takes Venmo payments for custom cakes. She forgot to log a few of those small payments. The total added up to \$3,200—just enough to raise a red flag when her reported income didn't match what Venmo reported to the IRS.
- **Your deposits don't match your sales.** Let's say your sales report says you earned \$120,000, but your bank shows deposits totaling \$135,000. That mismatch could be from loans, owner contributions, or app transfers—but if it's not clearly documented, it might look like you're hiding income.
- **Big deductions with little income.** Big deductions with small revenue can raise red flags. For example, claiming \$40,000 in expenses on just \$10,000 of reported income? That's going to stand out. While there might be legitimate reasons—like startup costs or slow seasons—you need clean documentation to back it up.
- **Year-over-year inconsistencies.** Sudden drops (or spikes) in income without a clear reason could get noticed. Let's say, last year you made \$200,000 and this year you reported \$25,000 with no clear explanation, the IRS may come knocking. Unexpected spikes or drops don't mean you're doing something wrong—but they do need to be explained.
- **Mixing personal and business funds.** Depositing personal funds into business accounts (or vice versa) without proper documentation makes your financials messy and harder to defend if questioned. Keep your records tidy and label all transfers clearly to avoid looking like you're commingling funds.
- **Inconsistent reporting across documents.** What you report on your tax return should match your bookkeeping. Discrepancies between forms, reports, and filings can create unnecessary scrutiny, especially when they involve income.

- **Cash-heavy businesses not properly tracked.** If you run a business that handles a lot of cash (like hospitality, beauty, or retail), the IRS pays closer attention. Proper logs and consistent records are essential.

Why This Matters

It's not about doing something wrong—it's about looking like you might have. The IRS uses algorithms to spot inconsistencies and patterns. Sometimes, all it takes is one oversight to prompt a closer look.

Make Sure Your Numbers Add Up

If the numbers are inaccurate or things aren't tracked clearly, it can appear worse than it is. And that's where we come in.

Need a second set of eyes on your books?

We'll help you clean things up and stay ahead of the curve—no stress, no surprises. [Give us a call.](#)

Buying a home is one of the most significant financial moves a person can make — and sometimes, family members want to step in and help. Whether it's assisting a child, grandchild, or another relative, there are several ways you can help your loved one with buying a home while managing the potential tax implications carefully.

We help clients navigate these options with clarity, making sure financial gifts and loans are structured properly to protect both your generosity and your estate.

Here are several strategies you might consider when helping a family member buy a home:

Gifting Cash

If you're not concerned about being paid back, [gifting cash](#) is often the most straightforward method.

In 2025, you can give up to **\$19,000** to any individual without triggering federal gift tax consequences, thanks to the gift tax annual exclusion.

- **Married couple advantage:** If your loved one is married, you can give **up to \$38,000** to the couple without any federal gift tax issues.
- **Gift-splitting for married donors:** If you're married, you and your spouse can **jointly gift up to \$76,000** to the couple tax-free.

If your gift exceeds these annual limits, the excess amount will reduce your lifetime gift and estate tax exemption, which in 2025 is \$13.6 million for individuals and \$27.2 million for married couples filing jointly. A [gift tax return](#) will be required if you exceed the annual gift tax limit.

Tip: Document all large gifts properly to protect yourself from future tax complications.

Buying and Gifting a Home

Another option is to purchase the home yourself and then gift it to your loved one. This strategy allows you to transfer ownership directly, but comes with more significant tax considerations.

For example:

- If you buy a home worth **\$500,000**, you can apply your **\$19,000 annual exclusion** first.
- The remaining **\$481,000** (\$500,000 – \$19,000) would reduce your lifetime gift and estate tax exemption.

This method can be a powerful way to provide immediate assistance, but it's essential to understand how it affects your overall estate planning strategy.

Tip: A formal property appraisal may be helpful to establish fair market value for gift tax reporting purposes.

Buying and Renting for Your Loved One

If gifting isn't the right fit, you might consider buying the home and renting it to your family member at a reasonable, market-based rate. Later, you could leave the property to them through your estate.

However, this approach introduces [federal income tax implications](#):

- Rental income must be reported on your tax return.
- You may be eligible for deductions such as mortgage interest, property taxes, and maintenance expenses.
- Upon inheritance, the property generally receives a "step-up" in basis, which can potentially reduce future capital gains taxes for your heirs.

Tip: If you rent below market value, some valuable tax deductions could be lost, so it's important to set an appropriate rental price.

Additional Considerations for Buying a Home

When helping someone with buying a home, it's critical to think beyond just the upfront financial support. Here are a few more factors to keep in mind:

- **State taxes:** Every state has different rules regarding gift taxes and property transfers. It's essential to understand both federal and state implications.

- **Gift documentation:** Use a gift letter if you're gifting funds to clarify that it's not a loan, especially if your loved one is applying for a mortgage.
- **Mortgage implications:** Large cash gifts may affect a borrower's ability to qualify for a mortgage, so it's smart to work with your lender early.
- **Estate planning:** Consider how gifts now may impact your long-term estate and legacy goals.

Summary: Buying a Home for Family Members the Right Way

Helping a family member with buying a home can be a rewarding way to support their future. Whether you choose to gift cash, purchase and transfer property, or rent to them with a long-term plan for inheritance, each method has financial and tax considerations you'll want to address ahead of time.

At ORRPC, we help families make these critical decisions to ensure they align with their broader financial goals.

[Contact us today](#) to discuss the most innovative ways to help your loved ones achieve their dream of homeownership, without jeopardizing your financial security.

Taking your spouse along on a business trip? Before you start tallying up deductions, make sure you know the rules — they're stricter than you might think.

When Your Spouse Is Your Employee

If your spouse works for your business, you may be able to deduct most of their travel expenses. But there's a catch: their presence must serve a legitimate business purpose.

For example, if you're attending a trade show and your spouse is one of your top sales reps closing deals, you're likely in the clear. Their participation must directly support business activities — simply being "helpful" (like taking notes) doesn't qualify.

Hosting social functions or building goodwill with customers typically doesn't meet the IRS's standards either. And if there's a vacation element — say, sightseeing — proving a legitimate business purpose becomes even harder.

One important exception: if your spouse's presence is necessary to manage a serious medical condition you have during business travel, that counts as a valid business purpose.

If your spouse qualifies under these rules, you can deduct regular business travel expenses, including transportation, lodging, meals, and incidentals like dry cleaning and business calls.

When Your Spouse Isn't Your Employee

If your spouse isn't officially an employee, the deduction rules get tighter. Even if they have a legitimate

business reason for tagging along, you likely can't write off their full travel expenses.

However, you can still deduct the costs you would have incurred traveling alone. For instance, if a hotel charges \$150 for a single room and \$200 for a double, only the \$50 difference is considered a personal expense. The \$150 remains deductible. To protect your deduction, ask the hotel for a room rate schedule showing single-occupancy pricing for your stay.

Car rentals and personal vehicle expenses remain fully deductible, even if your spouse is riding along. However, you can't deduct meals, public transportation, or other separate costs your spouse incurs.

Focus on What You Can Deduct

While the IRS rules on spouse business travel are strict, opportunities for deductions do exist if you plan carefully. Wondering how these rules apply to your next trip? [Contact us](#) for guidance on maximizing your business travel deductions and staying compliant.