

**Memorandum of Decision: 01-20232029**  
**Individual Income Tax**  
**For Tax Year 2021**

**NOTICE:** [IC 4-22-7-7](#) permits the publication of this document in the Indiana Register. This document provides the general public with information about the Indiana Department of Revenue's official position concerning a specific set of facts and issues. This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Memorandum of Decision.

**HOLDING**

Professional athlete provided sufficient documentation showing that his signing bonus should not be included in his Indiana adjusted gross income.

**ISSUE**

**I. Individual Income Tax - Professional Athlete Signing Bonus.**

**Authority:** [IC 6-3-2-2.7](#); *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579 (Ind. 2014).

Taxpayer protests the determination that his signing bonus from a sports team was includible for Indiana Adjusted Gross Income Tax purposes.

**STATEMENT OF FACTS**

Taxpayer was an individual member of an Indiana professional sports team during the 2021 season. Taxpayer resides outside of Indiana. In 2021, Taxpayer received a signing bonus. Taxpayer filed Form IT-40PNR, which reported his Indiana sourced income. The Indiana Department of Revenue ("Department") determined that Taxpayer's entire salary, including the signing bonus, should have been included in his adjusted gross income. The Department denied his refund claim. Taxpayer protested the denial of refund. This Memorandum of Decision results. Additional facts will be provided as necessary.

**I. Individual Income Tax - Professional Athlete Signing Bonus.**

**DISCUSSION**

Taxpayer argues that his signing bonus should be excluded from his Indiana Adjusted Gross Income for income tax purposes.

As a threshold issue, a taxpayer is required to provide documentation explaining and supporting his or her challenge that the Department's position is wrong. "[W]hen [courts] examine a statute that an agency is 'charged with enforcing. . .[courts] defer to the agency's reasonable interpretation of [the] statute even over an equally reasonable interpretation by another party.'" *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579, 583 (Ind. 2014).

Let's add the subsection explaining what "total income" is:

[IC 6-3-2-2.7\(a\)\(6\)](#) explains that:

"Total income" means the total compensation received during the taxable year for services rendered:

- (A) from the beginning of the official preseason training period through the last game in which the team competes or is scheduled to compete during that taxable year; and
- (B) on a date during the taxable year that does not fall within the period described in clause (A), such as participation in instructional leagues, an all-star or pro bowl game, or with a promotional caravan.

*The term includes salaries, wages, bonuses, and any other type of compensation paid during the taxable*

year to a team member for services rendered in that year. The term does not include strike benefits, severance pay, termination pay, contract or option year buy-out payments, expansion or relocation payments, or any other payments not related to services rendered to the team.  
(*Emphasis added.*)

However, [IC 6-3-2-2.7](#)(a) provides, in part,

(1) "Bonus for services rendered as a team member" includes:

...

(B) a bonus paid for signing a contract, unless all of the following conditions are met:

- (i) The payment of the signing bonus is not conditional upon the signee playing any games for the team, performing any subsequent services for the team, or making the team.
- (ii) The signing bonus is payable separately from the salary and any other compensation.
- (iii) The signing bonus is nonrefundable.

Taxpayer provided a copy of his player contract in support of the protest. A review of the contract terms shows that Taxpayer's signing bonus meets all of the requirements under [IC 6-3-2-2.7](#)(a)(1)(B) and should not be considered part of his player salary. Thus, the signing bonus should not be included in his Indiana Adjusted Gross Income.

### FINDING

Taxpayer's protest is sustained.

August 29, 2023

*Finding Replaces: New*

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An [html](#) version of this document.