**LOPEZ v. IRS: WHAT TO DO ABOUT JETER’S BASEBALL?**

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***Grumpy Old Accountants, August 2011***

**Guest Column:**

**Dan Russomanno (Penn State) and Shelley Rhoades (Villanova)**

Christian Lopez is the diehard Yankees fan lucky enough to catch Derek Jeter’s 3,000th hit on July 9, 2011. In a show of traditional values and sportsmanship too often lacking by fans that have been in Lopez’s seat before, Lopez did the right thing and returned the historic ball to Jeter stating “I did it because he (Jeter) deserved it”. As Grumpy Accountants, we applaud Lopez’s actions and display of the sort of ethics many accountants could learn from.

In gratitude for giving back the ball, the Yankees gave Lopez four luxury seats for every remaining home game of this season and an assortment of Jeter-signed memorabilia. The value of these items is estimated to range between $50,000 and $70,000. The Yankees may have been motivated by generosity, or may have sensed the public-relations value of the situation. Either way, their award to Lopez may ultimately cost him some cold hard cash.

Although the IRS has not publicly commented, Grumpy *Tax* Accountants seem to agree that Lopez will owe tax on the value of the seats and memorabilia. Why? Because he received them in exchange for the ball! In essence, he gave something of value to Jeter, and received something of value in exchange. The value received is income, subject to federal income tax. The tax due will depend on the value of the items awarded to Lopez and his marginal tax rate. Given Lopez’s age (23) and his profession (cell phone salesman), he likely is not in the top federal income tax bracket. Thus, his marginal tax rate probably does not exceed 28%. If so, his tax bill for giving up the ball could range between $14,000 and $20,000. That’s a big pill to swallow for a guy reportedly already in debt for up to $150,000 of student loans.

When the *New York Times* broke the story of Lopez’s potential tax dilemma, outraged sports fans stepped up to the plate to pitch in. Modell’s Sporting Goods gave Lopez a 2009 Yankees World Series ring valued at $40,000. Modell’s has also declared “Christian Lopez Week at Modell’s” from which Lopez will receive 5% of all Yankees merchandise sold during the week. His expected payment from this promotion is estimated to be at least $25,000. In addition, the owner of Steiner Sports Memorabilia has pledged $25,000 to Lopez. Finally, Topps may have toppedeveryone by promising Lopez his own baseball card next season!

The tax consequences of these subsequent transfers from Modell’s, Steiner Sports, and Topps to Lopez are potentially less onerous. Since not given in exchange for the ball, they should be treated as gifts to Lopez and exempt from income tax. However, Lopez should be aware that if he agrees to make personal appearances at Modell’s locations or participates in advertising for the sporting goods chain, the IRS could argue the money is payment for services and therefore, fully taxable. If so, the company’s efforts to help him pay his tax bill could lead to a double play (or double pay) for the IRS!

Baseball may be the national pastime, but taxing income ‘from whatever source derived’ is the favorite sport of the IRS.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*