



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF THE TREASURY – INCOME TAX BRANCH

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVE., SUITE 130  
DETROIT, MICHIGAN 48226  
PHONE: 313-224-1399  
FAX: 313-224-4466  
WWW.DETROITMI.GOV

## Revenue Administration Bulletin 18-10-5-1

APPROVED: March 1, 2017

### **CITY OF DETROIT INCOME TAX: TAXATION OF NON-RESIDENT ATHLETES OF VISITING ATHLETIC TEAMS**

The City of Detroit (the “City”) imposes an income tax upon all nonresidents engaging in business activity or receiving compensation for services within the City limits. The City’s income tax is imposed pursuant to Article 18 of the Detroit Code of Ordinances (the “*Income Tax Ordinance*”)<sup>1</sup>, which itself is authorized by the Michigan City Income Tax Act.<sup>2</sup> Income derived from services performed by nonresident professional athletes while in the City is subject to this duty to pay. Income earned by nonresidents while in the City due to their business activity within the City is subject to taxation at the nonresident tax rate applicable at the time the business activity occurred or the services were performed.

#### **NONRESIDENT PROFESSIONAL ATHLETES INCOME TAX APPORTIONMENT**

Compensation earned by nonresident professional athletes for professional services performed for their respective teams while in the City is subject to the Income Tax Ordinance. However, not all compensation subject to the Income Tax Ordinance is characterized as “*Taxable Compensation*.” For the purposes of professional athletes, Taxable Compensation generally includes, but is not limited to:

- Salaries and wages received during the taxable year for professional services rendered at any time from the beginning of the official pre-season training period through the last game in which the team competes, or is scheduled to compete;
- Salaries and wages received during the taxable year for contractually mandated offseason activities such as Pro-Bowls, promotional events, and instructional leagues; and
- Incentive payments including competitive awards, prize money, reporting bonuses, performance bonuses, roster bonuses, and team bonuses.

Taxable Compensation does not include: disability payments, strike benefits, contract or option-year buy-out payments, expansion payments, relocation payments, signing bonuses, or any other

<sup>1</sup> Detroit City Ord., Art. X §18-10-1 et. seq.

<sup>2</sup> MCL 141.601 et. seq.

income not related to services rendered by the athlete to the team. Notwithstanding the foregoing, the City's income tax administrator has plenary discretion to re/classify compensation as Taxable Compensation.

## **APPORTIONMENT METHOD**

Nonresident professional athletes must apportion their Taxable Compensation in order to determine any income tax liability. Proper apportionment is achieved using a method that apportions Taxable Compensation according to an athlete's season, rather than the calendar year. This method apportions Taxable Compensation by multiplying an athlete's Taxable Compensation by a fraction. The fraction divides the total number of days that an athlete spends in the City pursuant to his professional obligations, by the total number of days, in the season of the applicable sport, on which the athlete is contractually obligated to be available to provide those services (hereinafter referred to as the "*Apportionment Ratio*").<sup>3</sup> The numerator in this fraction shall be referred to as the athlete's "*City Days*", and the denominator as the athlete's "*Duty Days*."

Examples of days which would be categorized as Duty Days include days on which an athlete engages, in whole or in part, in any of the following activities:

- Game days in the preseason, regular season, post season, and for exhibition games
- Practice days in the preseason, regular season, and post season
- Official training camp days
- Days on which a team meeting or other mandatory organized team activity occurs
- Days corresponding to an all-star game or events
- Days spent traveling on official team business

The above list is provided only for the purpose of illustration. It should not be read as a comprehensive list that encompasses all activity subject to the City's income tax. The City's income tax administrator retains the discretion to amend the list and/or classify a day as a "Duty Day." All days so classified, and on which the athlete is present in the City for any amount of time, constitute the athlete's "City Days" for the purposes of the Income Tax Ordinance.

---

<sup>3</sup> The length and timing of the seasons for the MLB, NHL, and NFL vary. The MLB season takes place entirely within a single calendar year. In contrast, the NHL season is split between two calendar years. Generally, all, or almost all, of an NFL season will occur within one calendar year. In years where this is not the case, only week 17, the final week in the NFL regular season, will take place at the beginning of the subsequent calendar year.

## APPORTIONMENT APPLICATION

Application of the Income Tax Ordinance is not limited to only the professional athletes on the payroll of a visiting team. The apportionment method detailed in this Bulletin is also applicable to coaches, managers, trainers, analysts, assistants, and all other persons that are required to travel with and perform services for the team. Athletes on the Injured Reserve (IR)<sup>4</sup>, Physically Unable to Perform (PUP)<sup>5</sup>, Non-Football Injury (NFI)<sup>6</sup>, or Disabled Lists (DL)<sup>7</sup> are subject if they are still required to travel with the team and they do in fact travel with the team. However, for the purposes of this Bulletin, total annual compensation equal to \$25,000 or less for individuals shall be treated as zero in computing City income tax.

For the purposes of employer withholding, and taxpayer payment of City income tax, the City will accept, without production of additional records, tax returns that apportion using the following number of Duty Days (“*Default Duty Days*”):

- Football: 119 days
- Hockey: 184 days
- Baseball: 178 days

---

<sup>4</sup> Includes athletes on the injured reserve list but that are designated to return during the season (IRD).

<sup>5</sup> Includes athletes on both the active, and reserve. PUP lists where applicable.

<sup>6</sup> Also includes athletes on the active, and reserve, NFI lists where applicable.

<sup>7</sup> Is applicable to MLB players on the 10-day, 15-day and 60-day disabled lists, as well as players on the concussion list, paternity list, and bereavement list.

## EXAMPLES

### **EXAMPLE #1 – Major League Baseball (MLB) player with salary only compensation and electing to use the Default Duty Days option**

Joe Jones is a right fielder for the New York Baseball Giants. He is a permanent residence is Uniondale, New York. Jones has signed a 1-year contract for \$1,000,000 with the Giants that covers the entire 2017 MLB season. The contract was fully guaranteed and was paid in equal monthly installments on the last day of each month during the MLB regular season. The contract did not contain any bonuses, awards, or other incentives of any kind. Jones was never suspended at any point during the 2017 season, nor was he ever put on the disabled list.

The Giants played a four game series against the Tigers at Comerica Park in Detroit during the month of June, 2017. The Giants spent the entirety of Thursday, June 8<sup>th</sup> traveling to Detroit. The series was then played over the next three days. They played only one game on Friday, June 9<sup>th</sup>, and only one game on Saturday, June 10<sup>th</sup>. However, they played a double-header against the Tigers on Sunday, June 11<sup>th</sup>. The Giants then held a team practice at Comerica Park in the morning of Monday, June 12<sup>th</sup>, after which they traveled by charter flight to play another out-of-city team in a night game that same day.

In completing his 2017 D-1040(NR) tax form, Jones elects to use the Default Duty Days approach permitted by the City. The City has specified in a Revenue Administrative Bulletin that the Default Duty Days option for Major League Baseball is 178 days. The City's nonresident income tax rate in 2017 was 1.2%.

Jones' Detroit income tax owed for 2017 would be **\$337.08**. This amount is determined by multiplying his 2017 Taxable Compensation (\$1,000,000) by the City's nonresident income tax rate (1.2%) and by a ratio equal to his 2017 City Days divided by his 2017 Duty Days ( $5/178 \approx 0.0281$ ).<sup>8</sup> In numerical terms, Jones's income tax calculation would be as follows:

$$\$1,000,000 \times 1.2\% \times \left(\frac{5}{178}\right) = \$1,000,000 \times 0.012 \times 0.0281 = \$337.08 \approx \$337.00$$

His *Taxable Compensation* for the purposes of calculating his Detroit income taxes is his \$1,000,000 salary. His Detroit income tax prior to apportionment would be that salary multiplied by the City's nonresident tax rate, or \$12,000. The *Apportionment Ratio* would be five (5) days divided by one hundred and seventy-eight (178) days, or approximately 0.0281 in decimal format.

Included in the numerator of the Apportionment Ratio are the days of travel to and from Detroit as well as the days on which the games were played. These are his *City Days*. The total number of games played, or the fact that Sunday was a double-header, are irrelevant for the calculation. The denominator of the ratio, his *Duty Days*, is 178 as he opted to use the safe harbor approach allowed by the City.

---

<sup>8</sup>Decimal calculations made pursuant to this Bulletin are to be rounded up to the nearest thousandth.

**EXAMPLE #2 – National Football League (NFL) player with unrelated income, signing bonus, and non-salary incentive payments**

Jack Adams is a college football player residing outside the city. After the conclusion of his college season, he declares for the NFL draft and accepts \$100,000 from an agent with the understanding that he would sign with the agent after he was drafted.

He is drafted and secures a one year contract providing for a salary of \$1,000,000 and a signing bonus of \$500,000 if he survives training camp. Adams survives training camp and his team plays its final game on the last Sunday of the calendar year in Detroit. The team spends a total of five days in travel to and from Detroit, practicing in Detroit and playing the game.

Adams owes Detroit income tax in the amount of \$504.00 determined as follows using *Default Duty Days*:

$$\$1,000,000 \times 1.2\% \times \left(\frac{5}{119}\right) = \$1,000,000 \times 0.012 \times 0.042 = \$504.00$$

Adams should ignore both the \$100,000 payment from the agent, as well as his \$500,000 signing bonus. The payment from agent is not income earned due to his performance of professional athletic services for his team, within the City or otherwise. Adams signing bonus is also not considered Taxable Compensation according to the City's policy. While performance-based incentive payments are generally included within the definition of Taxable Compensation, signing bonus are not, as they normally vest following the passage of a specific date or occurrence of an event unrelated to performance. In Adams' case, his signing bonus vested automatically upon his survival of training camp.

**EXAMPLE #3 – Traveling non-athlete employee of a National Hockey League (NHL) team with total annual compensation below threshold for some years**

Jason Blank is in the first year of a three-year vocational training program specifically tailored for preparing students for coaching positions in the NHL. The work-study program in unison with the NHL. Students enrolled in the program serve as graduate assistants to the coaching staff of an NHL team during the season, and attend classes during the offseason.

Although still a student, Mr. Blank is modestly compensated for his services to the NHL team. As is customary with grad assistants, he signs a three year contract that corresponds with the three years of his training program. He is compensated by the season in the same manner as the players and coaches and his pay gradually increases over the contract term. He receives no other compensation. The contract specifically provides the following schedule:

	Season 1	Season 2	Season 3
Seasonal Compensation	\$20,000	\$25,000	\$35,000
Annual Compensation	$\frac{\$20,000}{2} = \$10,000$	$\frac{\$20,000}{2} = \$10,000$	$\frac{\$25,000 + \$35,000}{2} = \$30,000$

Generally, the NHL regular season begins in mid-October and ends in early April. The playoffs can last into June. Blank's team is in the same division as the Detroit Red Wings, and they play six away games in Detroit during Season 3. All six games occur during January of Season 3. They play one game per day, and do not spend any practice days in Detroit.

Blank would average his compensation from the Season 2 and Season 3 seasons to calculate his Taxable Compensation for the calendar year in which Season 3 ends. For the calendar year in which Season 3 ends, he would report \$30,000 as his income on his D-1040(NR). Blank owes no tax liabilities for the two earlier years since his total annual compensation is equal to or less than \$25,000 in each year, and is therefore treated as zero for each year per the Bulletin.

Using the *Default Duty Days* method, Blank computes his Detroit income tax for the calendar year in which Season 3 ends as follows:

$$\$30,000 \times 1.2\% \times \left(\frac{6}{184}\right) = \$30,000 \times 0.012 \times 0.032 = \$11.52 \approx \$12.00$$