NAME, IMAGE, AND LIKENESS ("NIL") INSTITUTIONAL REPORT

MAY-JUNE 2025

IN THIS ISSUE

North Carolina Courts Allow High School Athletes to Utilize Their NIL Rights

By Robert J. Romano, JD, LLM, St. John's University, Senior Writer and Dr. Denise Kamyuka, University of Michigan – Dearborn

College athletics in the United States underwent a substantial change in July of 2021 after individual states began enacting laws to permit student-athletes to legally monetize their name, image, and likeness (NIL) without the fear of losing either their athletic scholarship or eligibility. These state laws, for the most part, now allow college athletes to receive compensation from brands, marketing firms, broadcasting and social media companies, or any other entity that wishes to retain their services. As college athletes began to capitalize on their individual NIL, the question became – what about high school athletics? Could a student-athlete competing at the high school level earn compensation from their NIL comparably to a college athlete? The answer – depends on the state in which that athlete is competing.

Currently, forty states, in addition to the District of Columbia, permit high school athletes to earn money from selling or licensing their NIL rights without forgoing eligibility or the right to participate. Of the ten remaining states, five have legislation currently pending that could eventually permit such activities.1 Interestingly, one state that previously banned NIL practices was

1 Michigan, Delaware, Wyoming, Texas, and Alabama.

See HIGH SCHOOL on page 11

NIL Alert: $2.8 Billion Athlete Revenue Settlement Approved

*By Adam R. Bialek and Dara S. Elpren**

On June 6, 2025, U.S. Northern District of California Judge Claudia Wilken approved the National Collegiate Athletic Association's (NCAA's) $2.8 billion athlete revenue settlement (Settlement) in the consolidated case, *In re College Athlete NIL Litigation*.1 The Settlement will reimburse a class of former college athletes for their previously withheld name, image, and likeness (NIL) compensation going back to 2016, with the majority of the Settlement funds going to college football and men's basketball scholarship players, and lesser amounts to women's basketball players and student athletes from other sports. The Settlement also creates a system for the NCAA's Division I (D-I) institutions to share billions of dollars of revenue with their student-athletes over the next ten years, beginning July 1, 2025, through revenue-sharing NIL agreements.

Background

Following the U.S. Supreme Court's 2021 decision in *NCAA v. Alston*, 594 U.S. 69, student-athletes gained the opportunity to receive compensation from third parties using their NIL. Although hundreds of thousands of student-athletes have since profited, two issues persisted: (1) the rules restricted NCAA member conferences and schools from directly sharing revenue derived from the commercial use of student-athletes' NIL with the student-athletes and (2) student-athletes who finished playing before the Supreme Court's decision lost the opportunity to earn revenue from their college's commercial exploitation of their NIL.

The *In re: College Athlete NIL Litigation* Settlement

Subjects of the Settlement & Voluntary Opt-In / Opt-Out

The NCAA and the "Power Five" conferences (Conference Defendants)—Atlantic Coast Conference (ACC), the Big Ten Conference, Inc. (Big Ten), the Big 12 Conference, Inc. (Big 12), the Pac-12 Conference (Pac-12), and the Southeastern Conference (SEC) (collectively, the Defendants)—and their "Member Institutions" (meaning, any college, school, or university that is a member in any sport of the

1 This consolidated litigation began as two separate actions: (1) *House v. National Collegiate Athletic Association*, 4:20-cv-03919 (N.D. Cal) and (2) *Oliver v. National Collegiate Athletic Association*, 4:20-cv-04527 (N.D. Cal).). The litigation was further consolidated with two similar actions: (3) *Hubbard v. National Collegiate Athletic Association*, 4:23-cv-01593 (N.D. Cal) and (4) *Carter v. National Collegiate Athletic Association*, 23-cv-06325, (N.D. Cal.).

See SETTLEMENT on page 12

Analyzing House – What It All Means

By Sabria McElroy, Partner, Boies Schiller Flexner

On June 6, 2025, U.S. District Judge Claudia Wilken granted final approval to one of the most significant antitrust settlements in sports history in *House v. NCAA*. The settlement resolves a trio of antitrust cases, all of which challenged NCAA's amateurism rules as anticompetitive, by creating a $2.8 billion fund to compensate past athletes who were harmed by then existing restrictions on opportunities to profit from the names, image, and likeness, or NIL. It also includes significant injunctive relief with three main components. *First*, it eliminates scholarship limits and replaces them with roster limits. *Second*, the settlement allows schools to make direct payments to athletes. Beginning with the 2025-26 academic year, each Division I school may spend up to $20.5 million per year—set to rise with revenue growth—on direct payments and benefits for athletes. And, *third*, the settlement implements new restrictions on NIL deals between athletes and "Associated Entities" or "Individuals"—primarily targeting booster groups and collectives that had been circumventing previous compensation limits. NIL agreements worth more than $600 must be reported to a new centralized clearinghouse overseen by the new College Sports Commission (CSC), who can police and potentially veto NIL deals with "Associated Entities" or "Individuals" if it determines that they exceed "fair market value."

Proponents of the *House* settlement argue that it provides a structured framework for direct athlete compensation that satisfies antitrust concerns while regulating NIL payments from "Associated Entities," thereby eliminating the pay-to-play abuses that had become common over the past few years. But the NCAA's antitrust battles are far from over: the settlement's own provisions face legal challenges as anticompetitive restraints, while the new market reality undermines the legal foundations that previously protected other NCAA rules.

Of the injunctive relief elements of the settlement, the most susceptible to attack is the revenue sharing cap. Although the new rules now allow schools to compensate athletes, the agreed limit on the amount that can be paid out by each school to athletes remains a form of wage fixing. And since the settlement was not product of collective bargaining, the direct spending cap is not shielded from antitrust scrutiny. The new restrictions on athlete NIL deals may also open the door to suits by collectives whose NIL deals with athletes are rejected by CSC. While the NCAA can point to procompetitive justifications for scrutinizing NIL deals with associated groups, the restrictions limit boosters' participation in the market and they may be able to argue that less restrictive alternatives exist.

Additionally, by fundamentally altering the market for the labor of NCAA Division 1 college athletes, the *House* settlement will create new openings for plaintiffs to target other NCAA rules on antitrust grounds.

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The *NIL Institutional Report*

NIL

To begin, the settlement firmly undermines NCAA's defense of rules that do not directly restrict athlete compensation, which previously had enjoyed some success. For example, in *Gaines v. NCAA* (1990), the court rejected an antitrust challenge to the NCAA's "No Draft Rule," which, at the time, stripped collegiate eligibility from football players who enter the NFL draft but aren't selected. The *Gaines* court held the rule was "noncommercial" and thus not subject to antitrust scrutiny, emphasizing that the "overriding purpose of the eligibility Rules...is to prevent commercializing influences from destroying the unique 'product' of NCAA college football." 746 F. Supp. 738, 744 (M.D. Tenn. 1990). This rationale has evaporated in the post-*House* world, where Division I athletics is now an explicitly commercial enterprise in which athletes receive substantial direct payments and NIL compensation. Any rule that limits an athlete's ability to take advantage of these opportunities is now potentially open to challenge and will not be insulated by "amateurism" justifications.

The NCAA's ability to invoke amateurism as a defense had already significantly weakened in the wake of the Supreme Court's 2021 decision in in *NCAA v. Alston*, which struck down NCAA restrictions on education-related benefits and confirmed that NCAA's compensation rules must be analyzed under the rule of reason. Days later, on July 1, 2021, the NCAA's interim rule change allowing brands to pay student athletes for use of their NIL went into effect. Those shifts laid the groundwork for NCAA's recent string of losses in cases challenging its transfer restrictions and "four seasons rule," which gives athletes five calendar years to compete in four-seasons of intercollegiate athletics. Recently, however, the NCAA prevailed in a blanket challenge to the four seasons rule in *Zeigler v. NCAA*. Previous cases had successfully challenged the same rule but centered on the impact of time spent playing in junior college or a different division on the five-year clock. *Zeigler*, in contrast, had already played 4 years of Division I basketball and he argued that he should be able to play a fifth—and continue to profit from his NIL—in graduate school.

The settlement resolves a trio of antitrust cases, all of which challenged NCAA's amateurism rules as anticompetitive, by creating a $2.8 billion fund to compensate past athletes who were harmed by then existing restrictions on opportunities to profit from the names, image, and likeness, or NIL.

Although the court rejected Zeigler's challenge days after final approval of the House settlement, it declined to consider the "economics that may come to pass if NCAA member institutions implement the House settlement," *Zeigler v. NCAA*, n. 3, and instead relied on an analysis of the market as it existed before the settlement. Critically, the Zeigler court concluded that the plaintiff had not shown anticompetitive effects because "Defendant [NCAA] does not control who receives NIL compensation" and therefore lacks the power to set NIL wages in the student-athlete labor market. *Id.* at 7. This reasoning is already at odds with the House settlement's new reality where the NCAA and its member institutions have the power to set direct compensation wages under the settlement's salary cap.

Future antitrust challenges to the four seasons rule, as well as other long-standing NCAA rules and those that resulted from the settlement, will likely leverage this new market structure. And Plaintiffs will now have a stronger argument that those restraints operate in a demonstrably commercial marketplace that is still dominated by NCAA.

McElroy is a partner in Boies Schiller Flexner's Fort Lauderdale office. Her practice focuses on representing clients on both the defense and plaintiff's side in high-stakes disputes involving antitrust, financial services, and technology issues. McElroy has been recognized as a Lawdragon 500 Leading Litigator, one of Global Competition Review's 2025 Women in Antitrust, and by Bloomberg Law in 2022 as one of the nation's Top 40 Lawyers Under 40 in the antitrust practice area.

NCAA's Duty to Regulate College Athlete's Name, Image, and Likeness Rights

By Alana Ford Watson, Santa Clara University Law School 3L

This essay explores the National Collegiate Athletic Association's (NCAA) shifting responsibility in regulating student-athletes' Name, Image, and Likeness (NIL) rights amid a rapidly expanding, multi-billion-dollar NIL industry following *NCAA v. Alston*. As legal and financial pressures mount, this essay questions whether the NCAA must reevaluate its regulatory framework to remain aligned with its stated charitable mission and comply with the requirements of its 501(c)(3) nonprofit status. By analyzing key legal decisions, nonprofit tax regulations, and ethical implications, this essay considers what steps the Association must take to maintain compliance while codifying the parameters of the amateur landscape.

II. Historical and Legal Background

The NCAA, founded in 1906, operates as a 501(c)(3) nonprofit to promote amateur sports competition.[1] Despite this charitable claim, courts have increasingly challenged the NCAA's restrictions on athlete compensation. In *NCAA v. Board of Regents*, the Supreme Court struck down the NCAA's television broadcast limits, citing antitrust violations.[2] The decision notably preserved the Agency's ban on student athlete compensation, as a method of preserving amateurism.

In *NCAA v. Alston*, the Court unanimously ruled that NCAA limits on education-related benefits violated the Sherman Act.[3] The Court's reasoning, based on the antitrust rule of reason analysis, found that less restrictive means could achieve the NCAA's goals and still avoid suppressing the competitive market.[4] Just days after the decision, the NCAA announced new NIL policies permitting athletes to profit, so long as pay is for actual work and not solely based on fame or athletic ability.[5]

III. Regulatory Weaknesses and NIL Market Exploitation

The vague language of NIL rules—terms like "going rate" and "athletic ability"—opened the door to exploitation. While most NIL deals average $1,000 to $10,000, outliers like Bronny James ($7.5M) and Olivia Dunne ($3.3M) skew the perception of amateurism.[6] These deals are often facilitated by NIL "collectives," donor-backed entities created to fund athlete endorsements.[7]

Collectives—some registered as 501(c)(3) nonprofits—account for 80% of NIL payments.[8] These groups circumvent NCAA rules by funneling unregulated funds to athletes under the guise of charitable work, despite little oversight or transparency.[9]

IV. Tax-Exempt Challenges for NIL Collectives

In June 2023, the IRS issued guidance stating that most nonprofit NIL collectives fail to meet 501(c)(3) requirements, as they "more than incidentally" benefit private individuals—namely, student-athletes.[10] The IRS warned that retroactive revocation of tax-exempt status may occur if private benefit outweighs public benefit.[11]

Treasury regulations allow incidental private benefit if it is both qualitatively necessary and quantitatively insubstan-

1 "NCAA History." *NCAA.Org*,. Accessed 4 Dec. 2023, http://www.ncaa.org/sports/2021/5/4/history.aspx.

2 *National Collegiate Athletic Association v. Alston*, 141 S.Ct. 2141, 2141.

3 *Id.*

4 *Id* at 2153.

5 *Legislative Services Database - LSDBI*,. Accessed 4 Dec. 2023, http://web3.ncaa.org/lsdbi/search/bylawView?id=238.

6 Christovich, Amanda. "Led by Collectives, Year 3 of NIL to Reach $1.17B Market." Front Office Sports, 28 June 2023, frontofficesports.com/led-by-collectives-year-3-of-nil-to-reach-1-17b-market/.

7 "Inside NIL Collectives: How Minnesota and Penn State Are Working With Student-Athletes" Accessed 10, Dec, 2022, businessinsider.com/inside-nil-collectives-minnesota-penn-state-work-with-student-athletes-2023-9?r=student-athletes-lp.

8 Whateley, Dan. "How Nil Deals and Brand Sponsorships Are Helping College Athletes Make Money." *Business Insider*, Business Insider, Accessed 4 Dec. 2023, http://www.businessinsider.com/how-college-athletes-are-getting-paid-from-nil-endorsement-deals#:~:text=A%20few%20athletes%20bring%20in,according%20to%20NIL%20company%20Opendorse.

9 Armato, Leonard. "Pay for Play Is Alive in College Sports and Free Agency Has Arrived." *Forbes*, Forbes Magazine, 20 Dec. 2022, http://www.forbes.com/sites/leonardarmato/2022/12/16/pay-for-play-is-alive-in-college-sports-and-its-time-to-realize-that-free-agency-has-arrived/#:~:text=The%20result%20is%20.

10 "IRS GLAM Asserts That Many Nonprofit Organizations That Develop NIL Collectives for Student Athletes Are Not Tax-Exempt. " Ernst & Young Tax News, 2023, taxnews.ey.com/news/2023-1093-irs-glam-asserts-that-many-nonprofit-organizations-that-develop-nil-collectives-for-student-athletes-are-not-tax-exempt.

11 *Id.*

tial.[12] However, high-dollar NIL deals, like Utah's Crimson Collective gifting $61,000 trucks to football players, undermine this balance.[13] While some collectives, such as Jackets for Atlanthropy, attempt to blend charity and compensation, they often fail to meet the "exclusively charitable" standard under tax law.[14]

V. NCAA's Compliance with 501(c)(3) Status

Unlike these collectives, the NCAA maintains compliance due to its indirect relationship with student compensation. For example, though coaches like Nick Saban earn $32 million contracts, their salaries are school-based, not paid by the NCAA. Thus, the NCAA's benefit to student-athletes is incidental to its stated purpose—advancing amateur athletic competition.[15]

VI. Nepotism, Sexism, and Inequitable NIL Distribution

Concerns of nepotism have surfaced, with figures like Deion Sanders, now Colorado's head football coach, overseeing his son Shadeur, who holds an NIL valuation of $4.1 million.[16] Sanders ranks second only to Bronny James in NIL value, raising fairness questions given the timing and family connection.[17]

Gender disparities also persist. Male athletes secure twice as many NIL deals, despite female athletes producing four times more audience engagement.[18] Gymnast Olivia Dunne's $6 million in deals and the Cavinder twins' 15 brand deals reflect growing NIL power among women, but they remain exceptions, not the norm.[19]

VII. Solutions and Legislative Proposals

To strengthen its regulatory role, the NCAA should support comprehensive federal legislation. The bipartisan "College Athletics Corporation" proposal would create a national NIL standard, mandate transparency in endorsement deals, and ensure equitable treatment by gender and sport.[20] It includes financial literacy training, scholarship protections, and mandated disclosure of program finances. [21]

Similarly, the "Protecting Athletes, Schools, and Sports Act of 2023" seeks to regulate boosters and NIL agreements more closely.[22] Together, these initiatives signal an impending shift toward centralized oversight, and the NCAA would be wise to prepare.

VIII. Conclusion

The NCAA must evolve. Students like Dunne, James, Sanders, and the Cavinders exemplify the new era of college athletics—one driven by social media influence and branding. Without clearer regulations and monitoring systems, NIL partnerships will continue to exploit athletes and the system alike.

While implementing stricter guidelines, supporting national oversight efforts, and collecting comprehensive data on athlete compensation would increase the NCAA's relevance and insure its compliance with 501(c)(3) status, negating to publish comprehensive regulations on NIL is perfectly permissible. Because the Association's mission is to promote amateur athletics – which it does by coordinating and regulating game play – remaining silent on outside revenue streams does not hinder its mission.

Alana Ford Watson is a writer, an artist, and a future lawyer. Born and raised in Detroit, MI, her artistic endeavors have led her to Paris, Seoul, New York, and now to law school; all to fulfill her mission of helping artists' retain and increase their assets. After graduation in 2025, she hopes to work in Copyright, AI, art and fashion.

12 *Id.*

13 Whateley, supra.

14 "Charity-Minded NIL Collective Aiming to Support Georgia Tech Athletes." The Atlanta Journal-Constitution, https://www.ajc.com/sports/georgia-tech/charity-minded-nil-collective-aiming-to-support-georgia-tech-athletes/ZSUFSON6RRCEJNFZYKGE5UKKME/.

15 Ernst, supra.

16 "Deion Sanders Thriving in the NIL Ecosystem." SponsorUnited, https://www.sponsorunited.com/posts/deion-sanders-thriving-nil-ecosystem.

17 *Id.*

18 "Female Athletes Dominate NIL Engagement." *SponsorUnited*, 20 Oct. 2022, www.sponsorunited.com/insights/female-athletes-dominate-nil-engagement.

19 *Id.* See also, Miami Booster John Ruiz and the Cavinder Twins Impact NCAA Ruling on NIL Business. "Ross Delinger, Sports Illustrated, 24 February 2023, https://www.si.com/college/2023/02/24/miami-booster-john-ruiz-cavinder-twins-ncaa-ruling-nil-business.

20 "Booker, Blumenthal, Moran Announce Bipartisan Discussion Draft of Legislation to Protect College Athletes' Health, Education, & Economic Rights: U.S. Senator Cory Booker of New Jersey." *Home*, 20 July 2023, http://www.booker.senate.gov/news/press/booker-blumenthal-moran-announce-bipartisan-discussion-draft-of-legislation-to-protect-college-athletes-health-education-and-economic-rights.

21 As Sen. Blumenthal said; "For far too long the NCAA and powerful special interests have held sway, putting athletes second to dollars. Athletes deserve national NIL standards, a Medical Trust Fund, scholarship safeguards, protection against mistreatment and abuse, and more. America's athletes—all 500,000—deserve these basic rights." *Id.*

22 Chapoteau, Ryan C. "Draft Bill on Name, Image, and Likeness: Uniform Standard Contract, Medical Trust, NCAA Authority. " *Legal News & Business Law News*, National Law Review, 25 Aug. 2023, http://www.natlawreview.com/article/draft-bill-name-image-and-likeness-uniform-standard-contract-medical-trust-ncaa#.

Florida Federal Judge Denies Motion to Dismiss College QB's Fraud Suit Arising From Failed $13.85 M NIL Deal

By William E. Grob and Zachary V. Zagger

On April 8, 2025, a judge of the U.S. District Court for the Northern District of Florida denied a motion to dismiss involving a former University of Florida quarterback recruit's lawsuit that alleged fraud by head football coach Billy Napier and a top athletics booster by way of a $13.85 million name, image, and likeness (NIL) deal that never materialized.

Quick Hits

- A Florida federal judge has allowed a college quarterback's fraud lawsuit against the University of Florida and key figures to proceed, emphasizing the potential legal ramifications of unfulfilled NIL deal promises.
- The ruling highlights the evolving landscape of college sports, where NIL agreements and recruiting practices—including those based only on oral promises—can lead to significant legal accountability for schools.

In the complaint, Jaden Rashada alleges that Napier, an NIL coordinator, and athletics booster Hugh Hathcock fraudulently induced him to abandon his recruitment by another school, where he allegedly had a $9.5 million NIL deal in play, and instead commit to the University of Florida (UF) Gators, based on what he contends turned out to be false promises of a more lucrative deal.

While noting that Rashada must still prove his claims, U.S. District Judge M. Casey Rodgers found Rashada had sufficiently stated fraud-based claims against the group and permitted his lawsuit to continue. However, the judge dismissed claims that the defendants had committed the independent tort of civil conspiracy and that they had tortiously interfered with his other NIL deals.

The ruling is significant, as the case is one of the first high-profile lawsuits concerning NIL-related promises made during recruitment. This ruling lands amid a changed landscape for college sports that allows college athletes to be compensated for their NIL value and as schools prepare to pay athletes directly from revenue-sharing under a settlement reached by the National Collegiate Athletic Association (NCAA) to end NIL litigation.

Background

Rashada was a highly touted California high school athlete, who received interest from multiple schools to play college football during his recruitment in 2022. Rashada alleges that after visiting UF in 2022, Hathcock offered him an $11 million NIL deal that would be paid by Hathcock's company, Velocity Automotive Solutions LLC, and a UF athletics NIL collective. Rashada later verbally committed to another school in Florida, where he had allegedly reached a $9.5 million deal with boosters.

The UF group then "upped the ante," offering a $13.85 million proposed NIL deal, Rashada alleges. He then switched his verbal commitment to UF and later signed a letter of intent, despite not finalizing the NIL deal in writing. Rashada alleges that defendant Marcus Castro-Walker, who was director of NIL and player engagement for the Gators, told him that head coach Napier was prepared to revoke the recruiting offer if he did not sign the letter of intent and that the $13.85 million NIL deal would be completed. However, Rashada alleges that deal never materialized, and the promised payments were not received. He then withdrew his letter of intent with UF and chose to play at another school, allegedly losing out on millions in NIL compensation.

Alleged Fraud and the Defendants' Motion to Dismiss

Rashada brought several fraud-based claims, including for fraudulent misrepresentation and inducement, aiding and abetting fraud, and negligent misrepresentation. The defendants filed a motion to dismiss the lawsuit, arguing that Rashada had not met the heightened standard for pleading fraud claims under Rule 9(b) of the Federal Rules of Civil Procedure, which requires plaintiffs to "state with particularity the circumstances constituting fraud."

Judge Rodgers disagreed, holding that Rashada had met the requisite pleading standards, at least at an early stage in the litigation—i.e., that the UF group had induced him to switch his recruitment with repeated promises of a lucrative NIL deal that they never intended to pay.

"The broader context alleged in the Amended Complaint, granting all inferences in Rashada's favor, suggests that Defendants intended to string

Rashada along without payment in order to deny Miami and other rival schools the prestige of signing a highly-touted quarterback as well as, for some period of time, Rashada's talents on the gridiron," Judge Rodgers stated in the ruling.

Notably, Judge Rodgers was not convinced that Rashada had failed to allege that the defendants had the authority to make promises on behalf of one another, noting that such a fact-intensive "parsing of agency relationships" was not necessary at that stage in the litigation.

"Viewed in totality, the Amended Complaint alleges a recruiting apparatus comprised of Napier, Castro-Walker, Hathcock, and Velocity that was assembled—not only to recruit Rashada to UF—but other student-athletes as well," Judge Rodgers wrote. "That recruiting ecosystem, as alleged, existed separate and apart from any putative fraud by Defendants."

Next Steps

While Rashada's case has just moved beyond an initial motion to dismiss—when factual allegations must be viewed in favor of the plaintiff—the ruling signals that NIL-payment promises to college recruits could potentially result in liability to college coaches, recruiting personnel, and athletics boosters. In particular, the judge found that promising an NIL deal to a recruit and failing to live up to that promise could constitute actionable fraud.

This is significant, as NIL deals are becoming the norm to attract top athletic recruits, particularly in revenue-generating sports such as college football, after the NCAA pared back its restrictions on NIL compensation. At the time of Rashada's recruitment, colleges were prohibited from using NIL deals as an inducement in recruiting. However, such recruiting restrictions will no longer be enforced under a recent settlement, meaning that athletes may now learn about and negotiate NIL compensation from third parties during the recruiting process.

This article was drafted by the attorneys of Ogletree Deakins, a labor and employment law firm representing management, and is reprinted with permission. This information should not be relied upon as legal advice.

A Guide to NIL Taxes - What College Athletes Should Know NOW Before Tax Day 2026

By Samuel Handwerger, CPA, University of Maryland

Picture this: You just landed your first NIL deal—maybe it's a local restaurant paying you $2,000 to post about their new burger, or a clothing brand sending you $500 worth of gear. You're celebrating the win, but then after the end of the calendar year, reality hits: Tax season is coming, and you have no idea what you owe Uncle Sam.

Welcome to the club that nobody talks about in those glossy NIL recruiting presentations. The truth is, every dollar you earn from name, image and likeness is taxable income, and the IRS doesn't care if you're a college freshman who's never filed taxes before.

What is NIL and How Did We Get Here?

NIL stands for "Name, Image and Likeness"—basically, the college athlete's right to profit from personal brand. Until July 2021, NCAA rules prohibited college athletes from earning any money from their fame or athletic abilities. You could generate millions in revenue for your school, but getting paid for a simple autograph session? That would cost your eligibility.

Everything changed when legal pressure and state laws forced the NCAA's hand. Now, college athletes can sign endorsement deals, appear in commercials, sell merchandise, get paid for social media posts and earn money from camps, clinics and autograph signings. You can partner with local businesses, national brands or even start your own ventures—as long as you follow NCAA guidelines.

The catch? While the NCAA finally opened the door to athlete compensation, they didn't exactly provide a roadmap for handling the tax implications that come with suddenly becoming a business owner…the business of selling your name, image, and likeness.

Bottom Line: It All Counts as Income

Here's the deal that catches most athletes off guard: Everything you receive through NIL deals gets taxed like regular income. That $1,500 cash payment for a social media post? Taxable. Those free shoes worth $300? Also, taxable. That all-expenses-paid trip to a sponsor event? You guessed it—taxable at market value.

[Get paid with crypto— taxable.]

The IRS treats NIL income as self-employment income, which means paying tax for that small business of selling "you." Companies will send you a 1099-NEC form if they pay you more than $600 in a year, but even if you don't get that form, you still need to report every penny.

For U.S. Athletes: The Self-Employment Reality

Most American student-athletes don't realize they're now considered independent contractors. Unlike your campus job where taxes get automatically taken out, NIL payments come with no withholding. That means you're responsible for both regular income taxes and self-employment taxes (covering Social Security and Medicare).

Here's what gets expensive fast: That self-employment tax is a flat rate of effectively 14.13% on the "gross income" earned. Whoa, wait a minute…read carefully now…that was 14% on the "gross." Think of it as a sales tax on yourself at that rate, and you pay it.

Hold on, we're not done. Then comes the federal income tax at rates based on "net" income ranging from 10% to 37%, the higher percentage for net income amounts over $626,350. More about the "net" concept in a minute.

Now add in the state income tax rates, which will depend on where you are a resident, and where the income was earned. For the states, I would need a CPA to help me figure it all out. Wait, I am a CPA and I teach State Income Tax at UMD! Which is exactly why I know it is complicated—each state's rule may differ; and certainly, their tax rates will differ.

Since our tax systems subscribe to the "pay the tax-as-you-earn" principle, you probably will need to make quarterly estimated tax payments on your own to avoid penalties. This applies to both the federal and state. Miss these deadlines and you could owe interest and fees that eat into your earnings. Certain safe harbors may allow you to bypass these estimated payments the first year, but you will owe the full tax by April 15 after the year ends. So… Smart move: Set aside 25-30% of every NIL payment for taxes. Open a separate savings account and treat it like it's already gone. Trust me, April 15 will be much less stressful.

Now the good news (Spoiler alert: it's not a cure-all). For computing the income tax, taxed at that "net" amount: To get to the net, deduct legitimate business expenses—things like travel costs for sponsored events, agent fees, marketing materials and even part of your phone bill if you use it for NIL work. Keep every receipt and document everything. A simple spreadsheet tracking your income and expenses will save you headaches later.

Finally, while you might be at the beginning of an exciting career in your chosen field, start thinking about retirement. This is not to cut your career short, but to let you know that in America, wherever there is "earned income" (like NIL payments) there is a designated retirement account not far away. These have important tax ramifications—so don't finish up your tax return without one.

For International Athletes: Navigate Carefully

For international student athletes on an F-1 visa, NIL money creates a much more complicated situation. Most F-1 visa holders are considered "nonresident aliens" for tax purposes, which means different rules and often tax rates. The biggest challenge? Many NIL activities might violate their visa status. F-1 visas severely limit off-campus work, and most NIL deals don't qualify for the few exceptions allowed. Accepting the wrong type of NIL payment could jeopardize your student status and even lead to removal from the country.

Critical step: Before signing any NIL deal, check with your school's international student office. Some activities might be permissible if done outside the United States or under specific visa conditions, but you need professional guidance.

When earning NIL income legally, give the payor a Form W-8BEN to avoid a 30% withholding tax on the gross. You'll typically report the income on IRS Form 1040-NR and pay a tax but most likely at a lower rate than the 30%. Taxable computation will be similar to that of residents in that you will be taxable on the "net." And perhaps the best rule for you: You won't pay self-employment taxes within your first five calendar years in the United States as an F-1 visa student.

Some countries have tax treaties with the United States that could reduce your tax burden, but the specifics vary dramatically by country. This isn't DIY territory—you need someone who understands both U.S. tax law and international student regulations (See the commercial at the end).

Building Smart Money Habits Now

This might feel overwhelming, but developing good financial habits early pays off long after your playing days. Many athletes set up LLCs to separate

personal and business finances, which can offer liability protection and tax advantages. Start tracking everything in a simple system—dates, amounts, what the payment was for and any expenses related to earning that income. Whether it's a spreadsheet or basic accounting software, consistent record-keeping makes tax time manageable.

The Real Talk

NIL opportunities are incredible but come with real responsibilities. The IRS doesn't offer a college athlete exemption, and they don't care if 'nobody explained the tax implications' when you signed that first deal. Plan, keep good records and don't let tax surprises derail your financial future. With smart preparation, one can maximize NIL earnings while staying compliant with both tax laws and NCAA regulations. After all, the goal isn't just to earn money during college, it's to build financial literacy that serves you for life.

Samuel Handwerger is a full-time lecturer in the accounting and information assurance department at the University of Maryland's Robert H. Smith School of Business. He serves as faculty advisor to UMD's Financial Wellness Center and to Terp Tax, a nonprofit organization affiliated with UMD that provides free tax preparation services for low to mid-income individuals in the University of Maryland, College Park community, according to VITA/TCE guidelines.

Sports Lawyer Gregg Clifton Shares Insights About Immigration, NIL Issues Faced by International Student-Athletes

Lewis Brisbois Partner and Collegiate & Professional Sports Law Practice Chair Gregg Clifton recently spoke with WRAL News for a wide-ranging article concerning uncertainties that international student-athletes face with respect to their immigration statuses and ability to profit from their name, image, and likeness (NIL) rights.

The article, entitled "Duke's Maluach shows how nation's immigration changes could impact college athletes," uses the example of Khaman Maluach – a center for Duke's men's basketball team who was born in South Sudan – to illustrate the challenges facing international student-athletes amid President Donald Trump's broad immigration crackdown. As the article recounts, Maluach, who is widely expected to be a top 10 pick in the NBA Draft in June, was in the middle of Duke's Final Four game against Houston in March when Secretary of State Marco Rubio announced on X that he would be taking steps to revoke visas held by South Sudanese passport holders. Maluach has since said his agency is navigating his visa situation amid his draft preparations.

As part of its immigration agenda, the Trump administration has taken action to cancel 1,500 student visas in recent months, although it has reinstated most of them in response to court challenges, the WRAL News article noted. The prospect of deportation is but one issue facing international student-athletes, who study in the U.S. under "F visas" that prohibit them from working in the country. That reality creates issues for international student-athletes seeking to profit off their NIL rights, and it is currently unclear how upcoming changes that will allow schools to directly compensate student-athletes will affect them.

"So much is flux, it's very hard to pinpoint specific answers," Clifton told WRAL News. "We're in a much more reactive stage with NIL and international visas. There's a lot of answers we don't have. We're in a position of advising our international student-athletes to keep their antennae up, pay attention. You can't ignore the reality of what is going on."

With the Trump administration's ever-shifting immigration policy, Clifton also told WRAL News that he is advising international student-athlete clients who decide to travel abroad to stay out of trouble in their home countries.

If their international student-athletes do travel out of the U.S., schools should remain in contact with them and advise them of any changes "to make sure they're taking a little bit of a precautionary tale," Clifton said.

Clifton is the chair of Lewis Brisbois' Collegiate & Professional Sports Law Practice, vice chair of the Traditional Labor Law Practice, and a member of the firm's Entertainment, Media & Sports and Labor & Employment Practices. He has extensive experience in the collegiate and professional sports world and has advised numerous professional franchises on a range of labor and employment issues, including Title III ADA regulatory compliance and wage and hour issues.

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North Carolina – that was until a lawsuit was filed against the state's Board of Education compelling them to do otherwise.

That lawsuit, brought by Rolanda Brandon, on behalf of her minor son Faizon Brandon (a highly rated 5-star quarterback), was filed on August 23, 2024, in North Carolina's General Court of Justice, Superior Court Division against the North Carolina State Board of Education and North Carolina Department of Public Instruction. Per the complaint, the Brandons asserted that although the state of North Carolina's legislature did direct the North Carolina State Board of Education to regulate how high school athletes could monetize their NIL, that the Board, in lieu of regulating, prohibited it outright.2 Because the Board of Education exceeded their delegated statutory authority, the Brandons' claimed, its NIL prohibition was arbitrary and capricious and therefore invalid pursuant to N.C. State Stat. Section 1-253 and the North Carolina Rule of Civil Procedure 57. The Brandons' sought a preliminary injunction against the Board's NIL ban due to the fact that Faizon and his family would be irreparably harmed financially because it precluded them from entering into a formal licensing and endorsement agreement with NIL Sponsor 1, while also foreclosing any additional opportunities with other businesses in the future.3

By way of background, in September of 2023, the North Carolina state legislature adopted a bill directing the Board of Education to "adopt rules governing high school interscholastic athletic activities conducted by public school units" including "student amateur status requirements, and rules related to use of a student's name, image, and likeness."4 On July 1, 2024, the North Carolina State Board of Education, in lieu of adopting a set of regulatory rules, instead outright banned every public high school athlete from using his or her name, image or likeness for commercial purposes.5 That outright prohibition, however, apparently was an overreach by the Board of Education because on October 1, 2024, Superior Court Judge Graham Shirley granted the Brandons' motion for preliminary injunction and enjoined the Board from prohibiting any athlete attending a public school in the state of North Carolina from exercising his or her right to monetize their NIL.

Although the state of North Carolina's ruling is not legal precedent for the other remaining states currently foreclosing high school athletes from monetizing their NIL, those states should take notice and understand that their prohibition may be vulnerable to a legal challenge. That being said, with no national standards regarding NIL, most of the forty states that do allow for monetization rest upon their high school athletics governing body to formulate any and all rules and regulations. This leads to a variation of standards between states, but there are a few key restrictions present in most of these rules that high school athletes should be aware of:

- High school athletes typically may not refer to or include their school's uniforms, logos, colors or facilities of the state's high school athletic association in their NIL activities.
- High school athletes are typically prohibited from partnering with gambling, alcohol, tobacco, weapons, firearms, ammunition, and other adult categories brands.

In those states where NIL opportunities are allowed, high school athletes have a chance for a significant financial windfall. However, athletes, their parents and those advising them must ensure that any NIL agreement is in accordance with the applicable rules of their state, since noncompliance could lead to loss of eligibility to participate in athletic competition, which will certainly jeopardize any future athletic and financial opportunities.

2 Brandon v North Carolina Board of Education, et al, 24CV026975-910

3 24CV026975-910 Complaint at page 20.

4 2023 N.C. Sess. L. 133 Section 17. (a) (N.C. Gen Stat. Section 115C-407.55(1)(h))

5 ATHL-008 (NIL Prohibition).

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NCAA D-I and/or a Conference Defendant)—plus Notre Dame—are automatically bound to the Settlement and must comply with its terms and requirements. Non–Power Five D-I schools are not automatically covered by the revenue-sharing component of the Settlement; however, they did have the opportunity to opt in to the Settlement by June 15, 2025, to share NIL-related revenue with athletes and join the enforcement and reporting framework.

Notably, the Ivy League decided not to opt in. Ivy League schools do not offer athletic scholarships, using need and merit-based financial aid instead. The Ivy League views the Settlement's revenue-sharing model as a departure from its principles of no athletic scholarships and avoidance of pay-for-play. Although Ivy League athletes will not have the opportunity to share revenue derived from their schools' exploitation of their NIL, they can still pursue third-party NIL deals.

Further, athletes who did not want to be part of the class (and therefore want to preserve the right to sue the NCAA and Power Five conferences for antitrust-related claims) had the opportunity to opt out, which would exclude them from all aspects of the Settlement.

Future Institutional Revenue-Sharing Framework

Beginning July 1, 2025, NCAA D-I and Power Five Member Institutions may enter into exclusive or non-exclusive NIL licenses and/or endorsement agreements with athletes to share revenue for athletes' NIL and institutional brand promotion, excluding broadcast rights for a term not to exceed the student-athlete's eligibility to participate in NCAA sports. Member Institutions may act as the marketing agent for student-athletes with respect to third-party NIL contracts.

Although Ivy League athletes will not have the opportunity to share revenue derived from their schools' exploitation of their NIL, they can still pursue third-party NIL deals.

Further, Member Institutions, and Notre Dame, can provide student-athletes with additional direct payments and/or benefits over and above annual existing scholarships and all other benefits, capped at $20.5 million per school for 2025–2026, increasing ~4% annually for the following ten years; however, the increase will be reevaluated every three years based on increases in certain sports-related revenue among the Conference Defendants and Notre Dame.

Enforcement & Oversight

All D-I student-athletes must report to their school and/or the "Designated Reporting Entity" (managed by Deloitte) any and all third-party NIL contracts or payments with a total value of $600 or more on a schedule to be determined by the Defendants.

The College Sports Commission (CSC), an independent regulatory body established by the Power Five, is the central enforcement authority for the Settlement's new compensation model and will oversee all enforcement of the Settlement terms including "Revenue Sharing," "Name, Image, and Likeness Deals," and "Roster Limits." The CSC states that the NCAA "remains responsible for enforcement of rules not created in connection with the settlement."

Retroactive Benefits Pool

Under the Settlement, a total of approximately $2.8 billion in back-damages will be distributed over ten years (~$280 million per year) to eligible D-I athletes for past NIL restrictions (2016–2024). This consists of a $1.976 billion NIL fund plus $600 million for pay-for-play claims. Approximately 90% of the Settlement will be paid to former football and men's basketball players because the payout formula is based on historical media revenue and licensing data, with the remaining funds reserved for other men's sports and women's sports.

Roster & Scholarship Policies

All NCAA D-I athletic scholarship limits are eliminated; instead, the

NCAA may adopt D-I roster limits, capping the total number of athletes who can participate on a team. The new roster caps are largely modeled on existing scholarship limits. This shift gives schools greater flexibility on how they can allocate aid and compensation and not affect athletes who were already enrolled or who had signed letters of intent before April 7, 2024—this ensures no current student-athlete loses a spot due to the new limits during their eligibility. Each school must submit its list of exempt/grandfathered athletes by July 6, 2025.

Still, Member Institutions will have the option of making incremental athletic scholarships available to student-athletes above the number currently permitted by NCAA D-I rules for a particular sport, subject to the roster limits. However, the full cost-of-attendance dollar value of any new or incremental athletic scholarships—that were not previously permitted by NCAA D-I rules—up to $2.5 million (the Athletic Scholarship Cap) will count against the pool of funds each Member Institution may allocate to student-athletes.

Title IX Objections on Appeal to the Ninth Circuit

Before approving the Settlement, Judge Wilken held a hearing on April 7, 2025, where she addressed objections raised by several female student-athletes. The objectors argued that the proposed $2.8 billion in back-pay would disproportionately benefit male athletes—particularly those in football and men's basketball—due to historic and systemic disparities in media exposure and revenue generation.

Judge Wilken rejected these Title IX objections, reasoning that the instant antitrust case had nothing to do with Title IX, a federal law that prohibits sex-based discrimination in education programs and activities that receive federal financial assistance. While the court declined to consider Title IX arguments in the context of this Settlement, Judge Wilken did leave the door open for future Title IX lawsuits based on how schools make future payments to athletes.

Almost immediately after Judge Wilken's final judgment, approximately twelve female athletes filed a notice of appeal to the Ninth Circuit, arguing that the $2.8 billion settlement violates Title IX based on inequalities in compensation. While injunctive reform under the Settlement is already in effect, damage payments are stayed pending the outcome of the appeal.

Impacts of the Settlement

Student-Athlete Transfers, Eligibility, and Poaching

On April 22, 2024, the NCAA adopted legislation removing limits on the number of times an academically eligible student-athlete may transfer during their collegiate career. This change allows athletes to transfer multiple times without penalty, provided they are in good academic standing.

This Settlement is expected to significantly increase transfer activity. In particular, student-athletes at Ivy League institutions and non–Power Five or non-NCAA schools may be incentivized to transfer to schools that participate in revenue-sharing, offer larger athletics budgets, and actively support third-party NIL opportunities. With no threat of losing eligibility, transferring becomes an attractive avenue for athletes seeking both competitive and financial advancement.

However, transferring raises concerns about schools poaching student-athletes who have already signed NIL contracts with other programs. This exact issue was raised on June 20, 2025, when the University of Wisconsin (UW) and its NIL collective filed a complaint against the University of Miami (UM) over alleged tortious interference with a two-year binding revenue-sharing contract that was set to begin July 1, 2025. UW claims that UM communicated with a UW defensive back, Xavier Lucas, who had not entered the transfer portal, "knowingly inducing" him to breach his contract with UW. The student-athlete had reportedly requested to enter the portal, but UW refused, based on their agreement.

This case is the first of its kind and may set a critical precedent on whether schools can legally recruit student-athletes already under binding revenue-sharing contracts tied to the Settlement. The Big Ten is supporting UW with the lawsuit against UM.

Questions on Employee Status

While the Settlement allows schools to directly pay their athletes and share revenue, it does not redefine the student-athletes as employees. However, student-athlete compensation creates ambiguity regarding whether they are "employees" under federal or state law, allowing student-athletes to collect benefits and unionize. The question of whether student-athletes are considered employees under the

Fair Labor Standards Act is currently being litigated in the Third Circuit in *Johnson v. NCAA*. If a court eventually does rule that student-athletes are employees, the Settlement has provided that the NCAA or Power Five conferences may modify or terminate their agreements, accordingly.

Potential Federal Legislation

There is currently no NIL federal legislation in place, but prior to the Settlement, many state legislatures were actively enacting NIL laws. Although the Settlement fundamentally reshapes the national college sports landscape, it does not override or preempt existing state laws. Instead, it operates alongside state legislation, creating a layered legal environment where schools must comply with both the Settlement terms and their state's NIL statutes. Where conflicts exist, states are prompted to revise their laws to harmonize with the Settlement and avoid competitive disadvantages in recruiting.

Because the Settlement does not have federal preemption power, there is growing pressure for federal legislation. The NCAA has asked Congress for legislation that would grant it an antitrust exemption, preempt all state laws related to NIL, and restrict student-athletes from being considered employees.

Congress is not alone in examining the impact the Settlement has on college athletics, and the disparity it creates among sports and athletes. President Donald Trump is reportedly considering an executive order to regulate NIL deals in college athletics. He has instructed White House aides to begin studying what an order would look like. Other government officials, such as Rep. Michael Baumgartner (R. WA.), may propose legislation to replace the NCAA with a new body headed by a presidential appointee to ensure that NIL funds and revenues are shared with schools and distributed "equally among all student athletes of such institutions." This Bill, H.R. 2663, the Restore College Sports Act, has been assigned to the House Committee on Education and Workforce.

Conclusion

The Settlement represents a transformative moment in the legal, financial, and regulatory framework of college athletics. It not only compensates thousands of former student-athletes for years of denied NIL revenue but also creates a forward-looking revenue-sharing model that provides substantial compensation to certain student-athletes. While the Settlement brings long-overdue benefits, it also introduces a host of unresolved legal and policy challenges, such as Title IX concerns, transfer/poaching disputes, questions surrounding employment status, and conflicting state legislation. As these issues continue to unfold, it will be interesting to see how schools, athletes, and lawmakers respond to this new era in college sports.

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