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At Pacquiao Mayweather Fight, God And The IRS Have A Stake Too

On May 2 in Las Vegas, [Floyd Mayweather](#)'s undefeated record is on the line against [Manny Pacquiao](#). Pacquiao is devoutly religious and thinks [God could help deliver a win](#). Still, [Mayweather](#) is the [world's highest-paid athlete](#) and remains the favorite in this [richest fight in boxing history](#). They both are already winners, with the two collecting over \$100 million. There is pay-per-view (\$270 million to \$360 million), ticket sales (perhaps \$72 million, with [seats ranging from \\$1,500 to \\$7,500](#)), and around \$35 million from international broadcast sales.

Add in about \$13 million from closed-circuit broadcasts, \$12 million in sponsorships, and some merchandise sales. Considerable revenue goes to the boxers, 60% to Mayweather and 40% to Pacquiao. But some \$20 million in proceeds go depending on who wins, with the winner taking \$10.2 million, and the loser receiving \$9.8 million.



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For Pacquiao, fighting in Las Vegas again is taxing, with the 39.6% U.S. rate towering above the tax hits he has faced in low-tax Macau. But it's worth it, and although the odds may favoring Mayweather, Pacquiao has won the marketing dollars. He is collecting endorsement money from Nike and [Nestle](#), Hennessy, [Hewlett-Packard](#), Wonder Pistachios, [Sony](#), Monster Energy, [San](#)

[Miguel Beer](#) and more. [Foot Locker FL +0.52%](#) has a Pacquiao [commercial](#), and Nestle's Butterfinger also launched a campaign with Pacquiao. Wonderful Pistachio is another endorsement deal.

Nike is unveiling a Pacquiao apparel line at Foot Locker, Nike.com and some Nike stores. Pacquiao's royalties on apparel and sponsorship in the Philippines push his endorsement income alone over \$5 million. In contrast, Mayweather won't make endorsements. But it isn't a one-way street given his past domestic violence charges, and jail sentence from 2012.

Mayweather co-promotes his own fights, but companies like [AT&T](#), Corona and Valvoline have sponsored them. Mayweather has banked at least \$25 million for each of his last 10 fights. Mr. Pacquiao is also a big earner, with career earnings well above \$300 million. Yet the Philippine national must be increasingly tax savvy given his long running tax fights with the IRS and the Philippine tax authorities.

Pacquiao's earnings between June 2013 and June 2014 totaled \$41.8 million, putting him at number 11 among the [world's highest-paid athletes](#). He collected a \$23 million purse for Algieri. Mr. Pacquiao is not a U.S. resident or citizen, so Mr. Pacquiao does not pay U.S. taxes on monies earned elsewhere. His U.S. earnings are taxed, and he has had a string of big payday, with 14 fights in the U.S. Unfortunately, the Philippine government wants to tax him too.

Mr. Pacquiao claims he paid his income taxes in the U.S., and that a two-country treaty protects his money from being taxed twice. The Supreme Court of the Philippines ordered the boxing champ and potential Senator to answer the government's arguments against him. [Pacquiao landed a key blow in his tax evasion case](#) when he persuaded the court to lift a bond requirement when the Philippine government wanted 3.3 billion pesos (roughly \$75 million).

Proving how much Pacquiao paid the IRS would help reduce his Philippine tax bill, but the IRS slapped on a federal tax lien for \$18.3 million in allegedly unpaid taxes. In the U.S., a tax lien goes against everything, real estate, personal property, financial assets and more.

Foreign entertainers and athletes must file U.S. income tax returns and face [special withholding rules](#) so they don't just pocket the money and run. In fact, the IRS has a [special program](#) targeting foreign athletes and entertainers. They generally must pay U.S. income tax on their U.S.-source income. That generally includes pay for performances, endorsements, merchandise sales, and royalty or other income closely related to the event. Depending on an athlete's home country, treaty benefits may apply, and that is one of Mr. Pacquiao's arguments.

But as the May 2 fight was drawing near, [Pacquiao](#) bought a [Beverly Hills](#) mansion for [\\$12.5 million](#). It has 10,000 square feet, a home theater seating 20, several patios, a large pool and more. But Mr. Pacquiao has some work to do before he can lay back and enjoy it. And he'll need to monitor how many days he spends in the U.S.—and in California—as his advisers worry over this multi-jurisdictional tax exposure.

Are there any other ways the IRS wins? Gambling revenue, showcased by Mark [Wahlberg's \\$250,000 bet on the fight against Diddy](#). Wahlberg is in Pacman's corner, Diddy in Mayweather's, but whoever wins the bet must report it as income. Big or small, celeb or not, gambling winnings are taxable. Ever notice how the taxman always comes out OK?

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