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### Derek Jeter's Big Tax Bill On 'Gifts' That Really Aren't Gifts

Derek Jeter is about to retire at age 40 after an illustrious career as Captain of the New York Yankees. He started in 1992, and his salary for this final season was \$12 million. That brings his career earnings above \$265 million. That's not bad, even when you consider all the taxes he's paying.

So why is there talk of taxes on all the 'gifts' Jeter is collecting? Reports say [Jeter may owe \\$16,000 in taxes on his farewell gifts](#) including golf clubs, wine, vacation packages, cowboys boots and a kayak. Jeter received about \$33,000 in gifts from other teams. The Cincinnati Reds gave him framed jerseys autographed by the team's two captains and photos of the day Jeter was named captain.

The Yankees gave him a massage therapy machine, a 10-day trip to Italy, and Waterford Crystal. The Seattle Mariners gave Jeter a seat from the Kingdome, where he made his major-league debut and where got his first hit. The Mariners' Robinson Cano gave Jeter a \$34,000 watch.



*Derek Jeter (Photo credit: Wikipedia)*

But aren't gifts tax-free? Not always, and distinguishing between income and gifts can be tough. If gifts are made out of "detached and disinterested" generosity, they aren't taxable. But the gifts to Jeter are more in the nature of marketing, made in a business context not a family one. Sure, Jeter could avoid taxes by declining gifts, but that's bad form.

A better solution is to have gifts made to his non-profit Turn 2 Foundation, since that avoids the tax problem altogether. Any individual can give gifts to another and avoid gift tax as long as the gifts are no more than \$14,000 a year. And if they're really gifts, there is no income tax either. Still, get used to thinking that taxes apply everywhere.

If you win the lottery or hit it big at the casino, you pay tax. If you win goods instead of cash, their value is income. When Pontiac gave away cars on Oprah, the recipients were on the hook for [taxes](#) even though they didn't receive cash.

In employment, your employer must withhold extra taxes from your cash pay to make up for any property you get in kind. Can't you claim it was a gift? Many people try this, including [John Edwards](#) with his "[it was a gift, not a campaign contribution](#)" defense.

A briefcase or a country club membership from your boss is not made from "detached and disinterested generosity." Instead, it is meant to reward you for a job well done, and to help secure your services in the future. There is an [exception from tax for small holiday gifts to employees](#). The IRS says you can hand out turkeys or holiday baskets to employees provided the gifts don't exceed \$100 in value.

If employee works unpaid overtime and you reward him with tickets to the Super Bowl, they are wages. You're supposed to increase the withholding on his cash wages to cover the value of the tickets. But that works only if you pay with a combination of cash and goods. If a buddy who isn't a regular employee helps out at your business occasionally and you thank him with tickets? The IRS says to report them as pay on [Form 1099](#).

The IRS likes those forms, and increasingly relies on information matching. And that's one reason why [mistakes with Form 1099 can cost big](#).

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