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Tax On U.S. Olympic Medals Makes IRS Biggest Winner

Who gets a piece of every U.S. medal? The IRS of course, since the U.S. tax system taxes prizes and awards, even Olympic ones if the recipient makes \$1M a year or more. Most awards don't have this threshold, so in that sense, Olympians get a better tax deal. After the [2021 Tokyo Games](#), the U.S. collected a total of 2,941 total medals from the winter and summer games, of which 1,166 were gold medals. Winning is not about cash, but each medal comes with a cash stipend of \$37,500 for gold, \$22,500 for silver, and \$15,000 for bronze. The under a million dollar exemption came in 2016, in [HR 5946, United States Appreciation for Olympians](#). If you are about to rake in millions in product endorsements, you might not be too bothered to learn that the \$37,500 cash prize that comes with a gold medal is also going to be taxed at 37%. No one likes to have their cash trimmed down by taxes, of course, but the cash element of the medals is small. The real payday is product endorsements, which can be millions according to a [report](#) in the *Washington Post*. Tax rates might go up under proposals from the Biden administration, but right now, prize money is subject to a top-marginal tax rate of 37%.



In the past, there have been tax bills introduced in Congress to exempt Olympic winnings from the grasp of the IRS. And in 2016, in [HR 5946](#), Congress said Olympians earning less than \$1M should not have their medals taxed. After all, the IRS's ability to tax just about everything is pretty ingrained in the law. These medals come with cash prizes, and since cash is cash, they can trigger federal income taxes for incomes over the threshold. The stipends come from the U.S. Olympic Committee, not the U.S. government. Of course, they are small compared to what medals bring in endorsements and other income. Since 1986, most prizes and awards are fully taxable. The [IRS website](#) warns that cash prizes and awards are taxed whether you win a drawing, quiz show or beauty contest. It's the same rule for any cash prize, be it the lottery, a Nobel Prize and Olympic medals too.

Plus, you must report the fair market value of merchandise or products. It's all [other income](#) on [Form 1040](#). Most people just pay the tax, but you could

avoid taxes by declining an award. One famous example was George C. Scott, who declined a Best Actor Academy Award for Patton. You can even decline a Nobel Prize, and [six Nobel laureates](#) have done it. Nobel laureates receive a diploma, a gold medal, and cash in Swedish kronor. The amount has been as high as \$1.5 million but is now considerably less. President Obama cleverly managed to accept his Nobel Peace Prize, but to donate the cash that came with it to charity. And because he arranged it in advance, a kind of regifting of the \$1.4 million cash award, it was tax efficient. Had he just won the Nobel and taken the \$1.4 million, he could turn around and give it to charity.

Unfortunately, though, the tax consequences of regifting can be problematic. That is, he would not have been able to write off the entire \$1.4 million. Why? Because you can't deduct charitable contributions exceeding 50% of your contribution base"—generally your adjusted gross income. That's why his arrangement in advance for the cash bypassed his income entirely. That was good tax planning. Of course, winning his its own perks, financial and otherwise. Olympic medal winners stand to earn big thereafter, and that's true with Nobel Prizes too. Some estimate that a Nobel injects \$24 million to an institution's coffers and even adds two years to a [laureate's life](#). A study by Research Policy suggests having a Nobel Prize winner is [perfect for an initial public offering](#).

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