

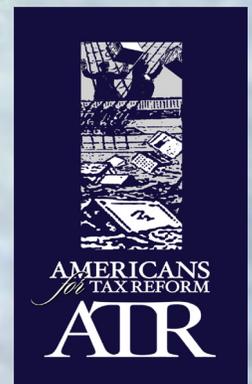


HOME ICE TAX DISADVANTAGE?

How personal income taxes impact NHL players,
teams and the salary cap

Jeff Bowes
Research Director
Canadian Taxpayers Federation
November 2014

Taxpayer.com
Stand Up. Be Heard!



ABOUT THE CANADIAN TAXPAYERS FEDERATION



The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has 84,000 supporters nation-wide.

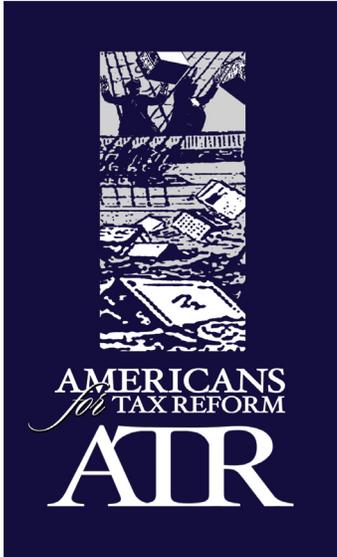
The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication, *The Taxpayer* magazine published four times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2013 the CTF raised \$3.9 million on the strength of 22,971 donations. Donations to the CTF are not deductible as a charitable contribution.

ABOUT AMERICANS FOR TAX REFORM



Americans for Tax Reform (ATR) opposes all tax increases as a matter of principle.

We believe in a system in which taxes are simpler, flatter, more visible, and lower than they are today. The government's power to control one's life derives from its power to tax. We believe that power should be minimized.

ATR was founded in 1985 by Grover Norquist at the request of President Reagan.

The flagship project of Americans for Tax Reform is the Taxpayer Protection Pledge, a written promise by legislators and candidates for office that commits them to oppose any effort to increase income taxes on individuals and businesses. Since ATR first sponsored the Pledge in 1986, hundreds of U.S. Representatives, more than fifty U.S. Senators and every successful Republican Presidential candidate have all signed the Pledge. In the 113th Congress, 219 U.S. Representatives and 41 U.S. Senators have taken the Pledge never to raise income taxes.

Americans for Tax Reform began promoting the Taxpayer Protection Pledge on the state-level in the early 1990s. ATR works with state taxpayer coalitions in all 50 states to ask candidates for state legislature and constitutional office to sign the State Taxpayer Protection Pledge, which reads: "I _____ pledge to the taxpayers of the _____ district, of the state of _____, and to all the people of this state, that I will oppose and vote against any and all efforts to increase taxes."

Additionally, Americans for Tax Reform works with state-based center-right groups to help replicate ATR's national Wednesday Meeting in the states. Currently, there are over 60 meetings in 48 states. These meetings bring together a broad cross section of the center-right community- taxpayer groups, social conservative groups, business groups, legislators, etc., to promote limited government ideals.

Realizing that Americans not only need to be protected from higher taxes, but from higher spending; Americans for Tax Reform created the Cost of Government Center (CoGC). CoGC focuses on all issues related to fiscal responsibility and accountability, especially spending restraint.

ATR is a nonprofit, 501(c)(4) taxpayer advocacy group. Contributions to Americans for Tax Reform are not tax deductible. The Americans for Tax Reform Foundation is a 501(c)(3) research and educational organization. All contributions to the Americans for Tax Reform Foundation are tax deductible to the extent provided for in federal law.

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Canadian Taxpayers Federation
803-116 Albert St.
Ottawa, ON K1P 5G3

Americans for Tax Reform
E 722 12th St NW
Suite 400
Washington, DC 20005

ABOUT THIS REPORT

There are a hundred reasons why some professional sports teams are successful and why some are not. Coaches, players, general managers, trainers, injuries, schedule, luck, etc. all play into the equation. However, not all reasons hold the same weight. Putting together the right group of players is probably the biggest factor. After all, even the best schedule and the best coach can't make a team full of untalented players win.

Why do players play on certain teams?

Again, there are dozens of reasons. Where they were drafted, weather, family, opportunity, lack of options, money, etc. all can play into the reason a player is on a particular team. Early in their career in the National Hockey League (NHL) most players are limited by rules in the Collective Bargaining Agreement (CBA) to playing for the team that drafted them out of junior or college hockey. Later in their career, factors like money, opportunity to play on a better team or play a more significant role, are much more important.

Prior to 2005, the NHL had no salary cap, meaning that wealthy teams could afford to pay players significantly more than poorer teams. Unsurprisingly, in the 1990s and early 2000s, wealthier teams tended to outperform poorer teams. This continues to be the case in Major League Baseball and European soccer leagues.

However, in 2005 the owners negotiated a salary cap with the National Hockey League Players Association (NHLPA). This 'hard cap' limited the ability of wealthy teams to pay players significantly more than poorer teams. It also forced poorer teams to pay their players a minimum amount.

Whether capping the wages of labourers in a free-market economy (or whether the NHL or any professional sports league constitutes a cartel) is not the subject of this report. But since the salary cap has been put into place, it would seem that teams have been placed on a level playing field when it comes to negotiating with players to play on their teams. However, one major factor continues to advantage some teams and disadvantage others: personal income taxes.

While NHL players and all North American citizens pay a significant amount of taxes of all forms (property, sales, income, and even specific 'jock taxes'), because of their significant incomes (the average NHL salary last year was \$2.3 million USD), income taxes have the largest impact on the take home pay of a NHL player.

This report looks at that impact.

Readers will be unsurprised to learn that both the Canadian Taxpayers Federation and Americans for Tax Reform believe taxes matter. And they matter not just for highly-talented, millionaire professional athletes, but for every talented citizen of North America. Professional athletes have traditionally had more labour mobility (i.e. ability to pick up and move to a different province, state, country) than the average citizen of Canada or the United States, but times are changing.

In 1950, average, every day families didn't often pick up and move across the country to a different city. And if

they did, it was mostly out of desperation and it was a significant impact on their family. Today, thanks to relatively inexpensive travel, and the ability to stay in touch for free, in real time, with video, has made moving across the country as accessible as moving down the block.

This trend will only speed up. Professional athletes have just been doing it longer and for higher pay.

The purpose of this report is to show the impact that taxes – personal income taxes in particular – have on labour mobility. While the numbers are more extreme with NHL players, the concept is the same for millions of North American families.

Jurisdictions with high taxes will continue to lose the most talented, highly-skilled citizens to lower tax jurisdictions.

Methodology and limitations:

Taxes are complicated for everyone but professional athlete's taxes are exceptionally complex. Because of that complexity some assumptions and simplifications were used in this report for the purposes of the illustration.

Specifically, calculations exclude "jock taxes," which are special, additional income taxes that are charged by many American states on players from visiting teams when they play in that state. Players may or may not be entitled to a tax credit in their home jurisdiction for the jock taxes paid elsewhere. Because of this complexity, players may need to file more than a dozen tax returns.¹

The tax calculations assume that players are residents of the jurisdiction where the team is

located. The taxes considered include federal, state, provincial and city income taxes. They also include federal payroll taxes. In the United States that means the Federal Insurance Contributions Act (FICA) taxes for Medicare and Social Security. In Canada, it includes payroll taxes for Employment Insurance and the Canadian Pension Plan (or Quebec Pension Plan).

Especially for income tax, this is a simplification of the actual taxes a player would pay, as it only includes a personal deduction (no spousal or child tax credits) and doesn't include deductions or tax credits for mortgage interest in the United States, retirement savings, donations to charities or anything else.

The calculations also do not take into account specific contract structures, namely signing bonuses (which can be taxed at a lower rate).

Taxes are calculated using the salaries paid to each player for the 2013-14 season using 2014 tax rates. The salaries used are for players on the team's active roster, they exclude retained salaries, buyouts, and contracts outside of the NHL.

NHL salaries are in US dollars, but Canadian taxes are in Canadian dollars. Because the exchange rate has averaged \$1.03 cents Canadian to purchase \$1 US dollar over the past five years, we have assumed all exchanges at par for the purposes of this report.

1. See the Appendix for a list of NHL team jurisdictions that have 'jock taxes.'

EXECUTIVE SUMMARY

- In 2013-14 players for the Montreal Canadiens paid the highest taxes with a tax rate of 53.9% and the Calgary Flames paid the lowest team tax rate of 38.2%.
- Calgary Flames and Edmonton Oilers tied for the lowest jurisdictional tax rate at 38.5% with the Florida, Texas and Tennessee teams close behind at 40.5%.
- The Calgary Flames and Edmonton Oilers true cap – after tax cap – was a league high of \$39.6 million.
- The Montreal Canadiens true cap was a league low of only \$29.6 million.
- Having a no trade clause give players the power to avoid being sent to high tax jurisdictions. Jason Spezza's tax savings by moving from Ottawa to Dallas are \$394,732.
- Player's without no-trade clauses could get a big take home pay cut when traded to a high tax jurisdiction. PA Parenteau will have to pay \$349,535 more taxes after moving from Colorado to Montreal.
- 57% of Unrestricted Free Agents who moved teams went to teams with lower taxes.
- Benoit Pouliot will save the most taxes moving from the New York Rangers to the Edmonton Oilers. If he had signed the same deal in New York he would have had to pay \$575,752 more in taxes.

WHICH TEAM HAD THE BIGGEST HIGH TAX DISADVANTAGE?

There are a couple of different ways to answer this question. While every team has 23 players on their roster, the various salaries of those rosters will be very different for each of the NHL's 30 teams. Some teams have one or two star players that are at or near the league maximum (\$12.86 million), while other teams will have a bunch of players making significant sums, but no one or two star players at the max. Further, some teams spend right up to the salary cap (\$64.3 million in 2013-14) on player salaries, while other teams spend near the minimum, or salary cap floor (\$44 million in 2013-14).²

Because of these differences in rosters and the fact that rosters can change throughout the season, this report looks at both the last full season roster to determine the team impact of taxes, as well as taking a hypothetical team roster to show the differences in jurisdictional differences of taxes. Largely, the rankings come out the same, however, the individual make-ups of the teams do allow for some differentiation.

2013–14 NHL true roster tax rate

NHL players pay a lot of taxes wherever they play, but some jurisdictions are more expensive to play in than others. During the 2013-14 season players paid a league highest tax rate of 53.9% in Montreal. Los Angeles came in second at 53%, and the other two California teams were close. The New York Rangers

2013–14 NHL True Roster

Rank	Team	Tax Rate	Salary Spending
1	Calgary Flames	38.1%	\$50,945,338
2	Edmonton Oilers	38.3%	\$60,617,949
3	Florida Panthers	40.0%	\$54,678,026
4	Tampa Bay Lightning	40.1%	\$62,306,903
5	Dallas Stars	40.2%	\$59,405,872
6	Nashville Predators	40.4%	\$64,309,487
7	Phoenix Coyotes	44.5%	\$54,877,503
8	Vancouver Canucks	44.8%	\$65,657,467
9	Colorado Avalanche	44.8%	\$59,060,190
10	Chicago Blackhawks	45.5%	\$71,323,621
11	Winnipeg Jets	45.7%	\$60,150,385
12	Boston Bruins	45.7%	\$74,089,282
13	Carolina Hurricanes	46.1%	\$62,179,744
14	Pittsburgh Penguins	46.4%	\$74,533,538
15	Detroit Red Wings	46.9%	\$71,436,467
16	New York Islanders	47.0%	\$45,534,226
17	St. Louis Blues	47.2%	\$64,535,579
18	Buffalo Sabres	47.3%	\$54,064,979
19	Philadelphia Flyers	47.6%	\$75,300,897
20	Columbus Blue Jackets	48.0%	\$64,156,877
21	Ottawa Senators	48.3%	\$53,220,179
22	Toronto Maple Leafs	48.3%	\$59,924,949
23	New Jersey Devils	48.6%	\$61,269,872
24	Washington Capitals	49.0%	\$61,226,000
25	Minnesota Wild	49.9%	\$71,509,359
26	New York Rangers	52.1%	\$63,557,087
27	Anaheim Ducks	52.3%	\$61,999,046
28	San Jose Sharks	52.9%	\$65,999,313
29	Los Angeles Kings	53.0%	\$68,728,251
30	Montreal Canadiens	53.9%	\$66,681,267

2. Teams can spend more than the salary cap in a couple of ways. A player's 'cap hit' is based on the average salary of the player over the length of the contract and therefore could be higher in any given year. Teams can also spend 7.5% more than the cap on earned bonuses.

deserve an honorable mention, its team has a tax rate of 52.1%. That's much higher than the other teams in New York State, because of New York City's income tax.

The entire Calgary Flames rosters paid the lowest taxes. Calgary's 38.1% tax rate, is only slightly better than Edmonton's 38.3%. American teams with no city or state income tax aren't far behind. The Florida Panthers roster at 40% tax slightly beat out Tampa Bay.

Again, these comparisons are looking at a global rosters and not individual players. Income tax rates are the same throughout Florida – California and Alberta too – but because of progressive taxation, roster differences and salary cap spending levels, the composition of the teams makes a difference.

An apples-to-apples comparison

For a more equal comparison let's consider a team that's spending up to the salary cap and has players making a wide variety of salaries, from a \$12.8 million superstar all the way down to a rookie making the league minimum of \$550,000.³

Calgary and Edmonton are tied for having the lowest tax rates – 38.5%. The American teams with no state income tax aren't far behind. The Florida Panthers, Tampa Bay Lightning, Dallas Stars and Nashville Predators all have a tax rate of 40.5%.

Montreal still has the highest taxes, still calculated at 54% and the California teams aren't far behind at 53%.

For every player in the NHL making less than \$8.5 million, they will pay the most taxes when playing for Montreal. With California's exceptionally high taxes on the wealthy, the highest paid players pay slightly more in California than in Montreal.⁴

Cap Spending Team Tax Rates

Rank	Team	Rate in 2014	Rate in 2012	Rank in 2012
1	Calgary Flames	38.5%	38.5%	5
1	Edmonton Oilers	38.5%	38.5%	5
3	Florida Panthers	40.5%	35.7%	1
3	Dallas Stars	40.5%	35.7%	1
3	Tampa Bay Lightning	40.5%	35.7%	1
3	Nashville Predators	40.5%	35.7%	1
7	Vancouver Canucks	45.0%	43.0%	15
8	Phoenix Coyotes	45.0%	40.2%	7
9	Colorado Avalanche	45.2%	40.3%	8
10	Chicago Blackhawks	45.5%	40.7%	9
11	Boston Bruins	45.7%	40.9%	10
12	Winnipeg Jets	45.8%	45.8%	27
13	Carolina Hurricanes	46.3%	43.4%	16
14	Pittsburgh Penguins	46.6%	41.7%	11
15	Detroit Red Wings	47.2%	42.5%	12
16	St Louis Blues	47.5%	42.7%	13
17	Philadelphia Flyers	47.5%	42.7%	14
18	Ottawa Senators	48.6%	45.7%	25
18	Toronto Maple Leafs	48.6%	45.7%	25
20	New York Islanders	48.7%	43.8%	18
20	Buffalo Sabres	48.7%	43.8%	18
22	New Jersey Devils	49.0%	44.1%	20
23	Washington Capitals	49.4%	44.5%	20
24	Minnesota Wild	50.2%	43.5%	17
25	Columbus Blue Jackets	51.1%	47.3%	28
26	New York Rangers	52.5%	47.6%	29
27	Anaheim Ducks	53.0%	45.5%	22
27	San Jose Sharks	53.0%	45.5%	22
27	Los Angeles Kings	53.0%	45.5%	22
30	Montreal Canadiens	54.0%	52.3%	30

3. See Appendix for a detailed breakdown of this theoretical team

4. An explanation of the tax calculations can be found in the Methodology and Limitations section on Page 8

The difference in the true roster tax rate to the cap spending tax rate is small for most teams. It only changes the tax rate by an average of 0.2%. However, it does change the rankings. For instance Vancouver moves ahead of Colorado and Columbus drops from 20th to 25th. The recalculation of the Columbus Blue Jackets tax rate jumps by an astounding 2.8%.

In all NHL jurisdictions the more you make, the higher your taxes. The theoretical team has a core of highly paid players. The kind of players you want on your team. Vancouver edges out Colorado because Colorado's roster's tax rate was only as low as it was because of how few highly paid players it had. The same goes for all other teams. Those that have a higher theoretical team tax rate don't have those high salaries on their true roster. Teams like Pittsburgh have a similar payroll to the theoretical team so their tax rates don't change very much.

Just as interesting as the change in ranking between a hypothetical roster paying at the salary cap max and the actual true roster is what's happened between last year and this year. Canadian teams jumped in standing between 2012 and 2014, but it's not because Canadian jurisdictions were lowering taxes. The change has to do with large tax increases in the US.

Tax Changes

The common wisdom has been that the United States has lower income taxes than Canada, however that's not necessarily true.

In 2013, American federal income taxes were increased by the end of the Bush tax cuts and an additional Medicare tax. These two measures have increased the tax rate in the United States enough to

change the rankings. Before those tax hikes, Florida had the lowest taxes, and although it's still close, Alberta has now taken the lead. These increases affected all American teams and made Canadian tax rates more competitive.

The expiry of the Bush tax cuts raised the tax rate on income over \$400,000 from 35% to 39.6%. For a player making the NHL's minimum salary it doesn't make much of a difference but on a multimillion-dollar salary the difference is huge. A player making \$550,000 would pay an additional \$6,619 in tax, however a player making the maximum salary of \$12.8 million pays an extra \$533,319.

In 2013, the United States also introduced a 0.9% Medicare surtax on income over \$200,000. That means that income up to \$200,000 is taxed at 1.45% and income over \$200,000 is taxed at 2.35%. That raises the taxes of a player making \$550,000 by \$11,125 and increased taxes of a player making \$12.8 million by \$280,200. In total, 2013 saw an increase of \$17,744 on the lowest paid NHL players and of \$813,519 on the maximum salary of an NHL player.

Two Canadian provinces – Ontario and British Columbia – seem determined to even things out. In 2012, Ontario raised taxes on income over \$500,000 from 11.16% to 13.16%. Then after being re-elected in 2014, the Liberal government increased taxes on income between \$150,000 and \$220,000 to 12.16% and began taxing income over \$220,000 at the 13.16% rate.

In British Columbia there is a temporary tax increase for 2014 and 2015. This increase raises the provincial income tax on income over \$150,000 from 14.7% to 16.8%.⁵

5. <http://www2.gov.bc.ca/gov/topic.page?id=E90F9F1717DB451BB7E4A6CC0BDC6F9F>

FOOTING THE TAX BILL

NHL players contribute a lot of tax dollars to government coffers. The Los Angeles Kings players paid the highest total tax of \$27.8 million to the federal government and \$8.5 million to the state. The highest contribution by a Canadian team was the Montreal Canadiens who paid \$19 million to the federal government and \$16.9 million to the provincial government.

With their low salary costs and lower tax rate, the Calgary Flames win by a landslide for the lowest taxes paid in federal and provincial income taxes. Calgary players paid \$5 million to the province and \$14.5 million to the federal government.

More surprisingly the New York Islanders pay the second least in taxes. Even though the tax rate in New York is much higher than in Edmonton, Florida, Texas or Tennessee their incredibly low salary costs put them in contention. Players for the Islanders paid \$3.5 million to the state and \$17.9 to the federal government.

Seven cities with NHL teams also have city income taxes these range from the absurdly low \$5.75 a month tax in Denver to the 3.92% tax in Philadelphia.

Team	City Tax
Philadelphia Flyers	\$2,951,795
New York Rangers	\$2,430,142
Pittsburgh Penguins	\$2,236,006
Detroit Red Wings	\$1,714,475
Columbus Blue Jackets	\$1,603,922
St. Louis Blues	\$645,356
Colorado Avalanche	\$2,070

Team	State or Provincial Tax	Federal Tax	Total Tax
Los Angeles Kings	\$8,584,137	\$27,840,650	\$36,424,787
Montreal Canadiens	\$16,898,160	\$19,046,573	\$35,944,733
Philadelphia Flyers	\$2,311,738	\$30,553,985	\$35,817,518
Minnesota Wild	\$6,882,766	\$28,821,618	\$35,704,383
San Jose Sharks	\$8,208,065	\$26,704,412	\$34,912,477
Pittsburgh Penguins	\$2,288,180	\$30,044,768	\$34,568,954
Boston Bruins	\$3,846,236	\$30,043,300	\$33,889,536
Detroit Red Wings	\$3,030,678	\$28,772,499	\$33,517,652
New York Rangers	\$5,072,271	\$25,588,116	\$33,090,529
Anaheim Ducks	\$7,591,115	\$24,856,581	\$32,447,696
Chicago Blackhawks	\$3,560,019	\$28,877,208	\$32,437,227
Columbus Blue Jackets	\$3,384,686	\$25,833,515	\$30,822,123
St. Louis Blues	\$3,850,603	\$25,985,303	\$30,481,262
Washington Capitals	\$5,392,737	\$24,629,314	\$30,022,051
New Jersey Devils	\$5,104,902	\$24,669,432	\$29,774,334
Vancouver Canucks	\$10,684,191	\$18,735,847	\$29,420,037
Toronto Maple Leafs	\$11,867,348	\$17,083,900	\$28,951,248
Carolina Hurricanes	\$3,594,680	\$25,041,770	\$28,636,450
Winnipeg Jets	\$10,333,431	\$17,180,027	\$27,513,457
Colorado Avalanche	\$2,726,647	\$23,740,242	\$26,468,960
Nashville Predators	-	\$25,988,362	\$25,988,362
Ottawa Senators	\$10,534,580	\$15,170,098	\$25,704,679
Buffalo Sabres	\$4,224,508	\$21,374,675	\$25,599,183
Tampa Bay Lightning	-	\$25,009,610	\$25,009,610
Phoenix Coyotes	\$2,451,171	\$21,952,518	\$24,403,689
Dallas Stars	-	\$23,908,864	\$23,908,864
Edmonton Oilers	\$5,958,015	\$17,273,700	\$23,231,715
Florida Panthers	-	\$21,847,474	\$21,847,474
New York Islanders	\$3,502,263	\$17,904,735	\$21,406,998
Calgary Flames	\$4,981,332	\$14,453,569	\$19,434,901

THE “TRUE CAP”: HOW TAXES IMPACT THE SALARY CAP

A salary cap was introduced in 2005 after negotiations between the NHL and National Hockey League’s Players Association (NHLPA). The salary cap sets a ceiling on how much a team can spend on players’ salaries. The cap for the 2013-14 season was \$64.3 million.

A salary cap means that rich teams can’t drastically outspend their competitors, especially because there is also a floor on spending – \$44 million. With teams on a more equal financial footing, games should be more competitive. It seems to be working. Last season, eight teams spent to the cap ceiling, and five more were within \$225,000.⁶

However, with so many teams spending to the cap, taxes become a problem. Without a cap a high tax team could pay more to make up the difference of high taxes. However with the salary cap there is a limit to how much a team can spend on the team and on individual players.

In 2013-14 the most a team could pay a player was \$12.8 million.⁷ After taxes, the take home pay from that could be as low as \$5.8 million in California or as high as \$7.8 million in Alberta. Is living in California worth a \$2 million dollar pay cut? Maybe it is because California’s teams seem to be successful. But, sunshine and playoff games might not be

Rank	Team	True Cap
1	Calgary Flames	\$39,561,415
1	Edmonton Oilers	\$39,561,415
3	Dallas Stars	\$38,270,498
3	Florida Panthers	\$38,270,498
3	Nashville Predators	\$38,270,498
3	Tampa Bay Lightning	\$38,270,498
7	Vancouver Canucks	\$35,391,147
8	Phoenix Coyotes	\$35,383,772
9	Colorado Avalanche	\$35,300,187
10	Chicago Blackhawks	\$35,060,598
11	Boston Bruins	\$34,932,390
12	Winnipeg Jets	\$34,845,264
13	Carolina Hurricanes	\$34,551,538
14	Pittsburgh Penguins	\$34,367,488
15	Detroit Red Wings	\$33,998,577
16	St. Louis Blues	\$33,786,858
17	Philadelphia Flyers	\$33,775,928
18	Ottawa Senators	\$33,081,661
18	Toronto Maple Leafs	\$33,081,661
20	Buffalo Sabers	\$33,059,481
20	New York Islanders	\$33,059,481
22	New Jersey Devils	\$32,867,934
23	Washington Capitals	\$32,590,147
24	Minnesota Wild	\$32,059,686
25	Columbus Blue Jackets	\$31,464,058
26	New York Rangers	\$30,597,405
27	Anaheim Ducks	\$30,257,621
27	Los Angeles Kings	\$30,257,621
27	San Jose Sharks	\$30,257,621
30	Montreal Canadiens	\$29,577,915

6. <http://www.capgeek.com/archive/>

7. It could be more for that season, but for contracts signed in 2013-14 the average pay over the length of the contract can’t exceed \$12.8 million.

enough for some players to forgo a \$2 million hit to their after-tax incomes.

Last season, teams could all spend up to \$64.2 million, but that's before tax. When you consider taxes, the salary cap goes a lot further in some cities than it does in others. If every team was to spend up to the cap, what players take home varies dramatically.

Take home pay for the team would be lowest for the Montreal Canadiens at \$29.6 million and Edmonton and Calgary's would share the league high at \$39.6 million.

Unfortunately this tax advantage doesn't seem to be helping Calgary and Edmonton. Apparently, having a tax advantage isn't everything.

For teams like Montreal and Toronto, with a large fan base and the financial ability to spend to the cap, this could make a big difference. According to Forbes Toronto is the most valuable team and has the highest revenue at \$142 million a year⁸, but it's on the higher end of the tax rates. Maybe that can be another excuse for why they haven't won a cup since 1967.

Take a break from blaming your team's management and consider blaming high taxes for why your team can't seem to end that rut.

8. <http://www.forbes.com/nhl-valuations/list/>

TRADES AND NO-TRADE CLAUSES

When a player signs a contract as a free-agent they have the ability to negotiate the terms of the contract based on the local tax rates in the jurisdiction where the team is located. They can also negotiate a “no-trade” clause. Some no-trade clauses give the player the power to reject any trade the player doesn’t like, others are more limited. Those limited no-trade clauses can include requiring the player to provide the team a list of other teams that the player is willing to be traded to, or a list of teams that they cannot be traded to.

A trade could mean a sudden pay cut because of higher taxes, but players with no-trade clauses player can prevent that. They can use the power of a no-trade clause to keep more of their money. For instance, Jason Spezza’s limited no trade clause

included ten teams he wouldn’t go to. However with that limited power Jason Spezza did benefit financially. He will save \$394,732 in taxes by moving from the Ottawa Senators to Dallas Stars.

Daniel Briere had the power to reject any trade he didn’t like, but he liked the trade to Colorado. And why wouldn’t he like the move from the Montreal Canadiens to the Colorado Avalanche – it will save him \$349,535 in taxes. His comments about the trade are telling, “When they told me it was Colorado I was right away very excited.”⁹ Yes, he gets to play for NHL Hall of Famer Patrick Roy, but he must also be excited about keeping some more of his money.

2014 Off Season Trades - Players Save Taxes

Player	Pay	Old Team	Tax	New Team	Tax	Tax Savings
Jason Spezza	\$5,000,000	Ottawa	49%	Dallas	41%	\$394,732
Daniel Briere	\$4,000,000	Montreal	54%	Colorado	46%	\$349,535
Brad Stuart	\$3,600,000	San Jose	54%	Colorado	46%	\$288,934
Jason Garrison	\$6,500,000	Vancouver	46%	Tampa Bay	41%	\$269,368
Josh Gorges	\$3,900,000	Montreal	54%	Buffalo	49%	\$199,192

9. <http://www.nhl.com/ice/news.htm?id=724588>

Players without no-trade clauses can be traded wherever their team wants. This could mean a big pay cut and it did for a few players. This offseason Pierre-Alexandre Parenteau got the worst of it with his move from Colorado to Montreal. He is returning to his home province so maybe that will make up for the loss of \$349,535 in additional taxes.

Some players with no-trade clauses don't seem to mind getting a huge pay cut. Ryan Kesler had a no-trade clause but he was traded to Anaheim, and will pay an extra \$430,265 in tax. He made his reasons clear, "I'm going to Anaheim to win a championship. It's going to be my sole goal and my team's sole goal and that's basically it."¹⁰

2014 Off Season Trades - Players Pay More Taxes

Player	Salary	Old Team	Tax	New Team	Tax	Tax Increase
Alex Chiasson	\$900,000	Dallas	38%	Ottawa	47%	\$83,968
Alex Guptill	\$900,000	Dallas	38%	Ottawa	47%	\$83,968
Nate Thompson	\$1,500,000	Tampa Bay	39%	Anaheim	51%	\$176,383
Nick Leddy	\$2,700,000	Chicago	46%	New York	53%	\$200,983
PA Parenteau	\$4,000,000	Colorado	46%	Montreal	54%	\$349,535

10. <http://www.vancouver.sun.com/sports/hockey/vancouver-canucks/Kesler+excited+move+Garrison+happy/9982526/story.html#ixzz39iFVtkTH>

FREE AGENT FRENZY

During free agency many NHL players are looking for a big pay day, and when they consider offers they clearly give some thought to how much money they will get to take home, after-taxes.

With Restricted Free Agents (RFA) the player's current team can match any offer made by another team so the player isn't always in a position to consider taxes. However, Unrestricted Free Agents (UFA) can decide what offer they accept. They can consider where they want to live, which teams have a chance at winning the Stanley Cup, how much they are going to get paid and how much of that money they can keep.

Taxes aren't the only consideration, but when players negotiate their salary they surely consider how much of it they are going to take home. If a player manages to get an \$8 million a year contract, the after tax pay

would be \$4.9 million in Calgary, or \$4 million in Montreal. Of course \$4 million is still a lot of money, but who wouldn't want another \$900,000 in their pocket?

Of the 123 UFAs who moved teams during the 2014 offseason 57% went to teams with lower taxes. In total, those 78 players will pay \$7,951,784 less in taxes next year. Benoit Pouliot saved the most when he moved from the New York Rangers to the Edmonton Oilers, getting to keep \$575,752 more of his money than if he had signed the same deal with the New York Rangers.

Name	Salary	Old Team	Tax	New Team	Tax	Tax Savings
Benoit Pouliot	\$4,000,000	NY Rangers	53%	Edmonton	39%	\$575,752
Anton Stralman	\$4,500,000	NY Rangers	53%	Tampa Bay	41%	\$548,894
Willie Mitchell	\$4,250,000	Los Angeles	54%	Florida	41%	\$542,133
Nikita Nikitin	\$4,500,000	Columbus	49%	Edmonton	39%	\$457,660
Dave Bolland	\$5,500,000	Toronto	49%	Florida	41%	\$432,630
Mark Fayne	\$3,500,000	New Jersey	49%	Edmonton	39%	\$374,414
Mason Raymond	\$3,166,666	Toronto	49%	Calgary	39%	\$321,528
Ales Hemsky	\$4,000,000	Ottawa	49%	Dallas	41%	\$318,936
Jussi Jokinen	\$4,000,000	Pittsburgh	47%	Florida	41%	\$242,800
Deryk Engelland	\$2,900,000	Pittsburgh	47%	Calgary	39%	\$233,919
Brian Boyle	\$2,000,000	NY Rangers	52%	Tampa Bay	40%	\$231,494
Thomas Vanek	\$6,500,000	Montreal	55%	Minnesota	51%	\$218,673
Mathieu Perreault	\$3,000,000	Anaheim	53%	Winnipeg	46%	\$216,663
Brian Gionta	\$4,250,000	Montreal	54%	Buffalo	49%	\$213,122

APPENDIX

Cap spending team

A theoretical team was used to compare the tax rates between different NHL franchises on page 11. Because of the progressive tax rates used in many jurisdictions, the composition of a team can affect the overall tax rate. In a jurisdiction with a progressive tax system, a team with a large number of highly paid players would pay a higher tax rate than a team in the same jurisdiction that had fewer highly paid players but the same overall salary costs. Further, a team that spends closer to the salary cap will also pay more overall taxes. For a more equal – apples to apples – comparison the following team is used.

The theoretical team spends \$64.3 million dollars on 23 players. The individual players' salaries are listed in the chart to the right.

Salaries	
\$12,860,000	\$1,000,000
\$8,000,000	\$950,000
\$7,000,000	\$900,000
\$6,500,000	\$850,000
\$5,500,000	\$850,000
\$4,500,000	\$800,000
\$3,300,000	\$750,000
\$2,000,000	\$650,000
\$1,750,000	\$615,000
\$1,750,000	\$575,000
\$1,500,000	\$550,000
\$1,250,000	

Jock Taxes in the United States

Most American states with teams in the NHL have additional special income taxes that are only paid by visiting professional athletes and entertainers. These are often known as 'jock taxes.' Jock taxes are sometimes also charged by cities.

In general, taxing non-residents should be difficult – it's hard to know when most people are doing work in your jurisdiction – but the NHL's schedule and the teams rosters makes it easy. These taxes mean that NHL players may need to file more than a dozen tax returns.

Of the American states with NHL teams, only Texas, Florida, Tennessee, and the District of Columbia don't have jock taxes. The reasons that those jurisdictions don't have jock taxes is that Texas, Florida and Tennessee don't have state income taxes, and the District of Columbia is forbidden by the Home Rule Act from imposing an income tax on non-residents.

States	Top Rate
Arizona	4.54%
California	13%
Colorado	13%
Illinois	3%
Massachusetts	5.20%
Michigan	4.25%
Minnesota	9.85%
Missouri	6%
New Jersey	8.97%
New York	8.82%
North Carolina	5.80%
Ohio	5.39%
Pennsylvania	3.07%

Despite Tennessee not having a state income tax they previously had a jock tax. In 2009, Tennessee introduced a \$2,500 per game tax for each game played in Nashville up to a total of \$7,500 for NHL and NBA players. Bizarrely, the revenue from this tax was used to subsidize the operation of the Nashville Predators stadium. This tax also meant that some NHL players received no after tax pay for games they played in Nashville. However the NHL's 2012 collective bargaining agreement forced the team owners to pay the tax. Luckily, this absurdity ended in June when Gov. Bill Haslam signed legislation ending the tax.

Five cities have jock taxes. Detroit, Columbus, Philadelphia, Pittsburg and St. Louis charge income tax on income earned in their cities by non-residents. Philadelphia has the highest tax at 3.495%. New York has a city income tax that's almost as high but state law prevents it from taxing non-residents.

<i>Cities</i>	<i>Rate</i>
Philadelphia	3.495%
Columbus	2.5%
Detroit	1.35%
Pittsburg	1%
St. Louis	1%

For the purpose of this report, jock taxes were not included in the calculations for the income taxes of NHL players.

This was done for two reasons. First, the purpose of the report is to point out that income taxes have a major impact on where highly skilled, highly mobile individuals will reside, using NHL players as the example. Since this is only an example and since jock taxes are only charged to professional athletes and entertainers, it doesn't provide a realistic snapshot for most North American citizens. Second, the calculation is extremely difficult. It depends on factors such as schedule (teams playing in the same division as the three California teams will spend much more time in California than teams playing in other divisions), travel days and whether tax credits for these taxes paid in other states are provided in the player's home state.