

NIL Involvement In NCAA Sports Could Change Drastically As IRS Announces Crackdown

by [Clay Sauertieg](#) June 10, 2023 4:47 pm



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On June 29, 2021, the United States Supreme Court handed down a ruling that would forever change the world of college athletics.

The court ruled, in unanimous fashion, that NCAA restrictions on "education-related benefits" for college athletes violated antitrust law.

Thus the world of [NIL](#) began.

The decision meant that college athletes were free to profit off their name, image, and likeness without risking their college eligibility.

Since that point, universities and fan bases have found a number of creative ways to pump money into their favorite programs.

One of those ways includes creating NIL "collectives" that operate as 501(c)(3) nonprofit charities. Meaning that donations can then be used at tax writeoffs in the future.

Now that is no more.

IRS Makes Major Ruling Regarding NIL Collectives Nonprofit Status

Sports Illustrated's Ross Dellenger [reports](#) that the IRS has informed NIL collectives that they could be breaking the law by advertising tax deductions for donations.

"According to a memo released from the office of the IRS Chief Counsel, donations made to nonprofit NIL collectives 'are not tax exempt' because the benefits they provide college athletes are 'not incidental both qualitatively and quantitatively to any exempt purpose,'" Dellenger writes.

That's bad news for a number of Division I FBS programs.

"The news could have a resounding impact in the collective space, where booster-led groups are pooling donations to distribute to college athletes through NIL deals," Dellenger says. "More than 200 collectives exist among the 131 FBS schools, dozens of which have been granted 501(c)(3) status and are receiving millions in donations from boosters

who are under the impression that their gifts fall under tax deduction."

Michael McCann, a legal expert for Sportico, says the ruling should turns heads at a number of collectives.

Others said the collectives should have seen the news coming.

Either way, the decision marks a turning point in the NIL landscape. And schools, as well as donors, must pivot as quickly as possible.