

# Huge Baseball Contracts Come With Record Breaking Taxes

In the past week, several record-breaking contracts were signed by Major League Baseball players.

Stephen Strasburg, the 2019 World Series MVP, was first, re-signing with the Washington Nationals on a [seven-year, \\$245 million deal](#). That was a record for the largest contract ever for a pitcher, both in terms of total value and in annual average value (\$35 million.)

Those records lasted [all of 33 hours](#) before Gerrit Cole signed with the New York Yankees, obliterating Strasburg's record via a nine-year, \$324 million contract (\$36 million annual average value.)

Just one day after *that*, Strasburg's now *former* teammate, third baseman Anthony Rendon [signed with the Los Angeles Angels](#), also for seven years and \$245 million.

In total, these three premier clients of super-agent Scott Boras signed contracts for 23 years and \$814 million.

That's quite the haul. It's a pity their choices in teams will cost them so much money.

Washington D.C. New York City. Los Angeles. From a taxation point of view, these are not exactly friendly places for the multimillionaires to ply their trade.

There is some difficulty in determining the exact tax burdens of any professional athlete. Aside from not being able to know their exact circumstances, endorsement deals, tax breaks, charitable donations, and many other factors, performers such as professional athletes have an added wrinkle: the tax location for their salary is [based on where they perform](#).

In practice this means that only half of a player's salary is taxed based on their home stadium's location. The Yankees will play 81 games at Yankee Stadium, but they'll also travel to Tampa Bay, Boston, Baltimore, and Toronto frequently, as well as at least one series against every other American league team and some trips to play National League teams. Based on the team's 2020 schedule, Gerrit Cole will pay taxes in 11 states and Canada next year.

These tables, therefore, are based solely on the 81 home games each player will have in their new home. Only half of their "total salary" is accounted for in the tax calculations in these tables. Details are, at time of writing, also rather scarce regarding the year-by-year breakdown of these players contracts. Even distribution of the salaries has been assumed where no detailed information has been found.

You might think that Cole got the better tax deal, given that Rendon will pay California's top income tax rate of 13.3 percent rather than New York's 8.82 percent. However, the difference is much closer than one might believe. That's because, over the life of his contract, Cole will pay more than \$6.25 million in *city* income taxes to the New York City government.

Los Angeles, mercifully, will not afflict Rendon in the same way. Not that that's much comfort. Annually, he's still forking over the most in state and local income taxes of these three.

Strasburg's [contract](#) includes deferred money paid out from

2027-2029. Since it's not being paid out over a period of 10 years or more, his income from these years will be [taxed the same](#) way as if he'd earned it playing for the Nationals during a given year. What a headache that will be for his accountants to figure out where he earned that money and in which states he owes what amount in taxes.

Since all three of these players signed with teams based in the United States, their federal taxes would have been comparable had they signed with any of the other 28 American teams they spurned.

What a difference changing states makes.

Had Cole signed the same deal with the Houston Astros instead of the Yankees, he would have saved himself somewhere around \$20 million over nine years. Heck, he could have signed for an annual average value of \$34 million, instead of the \$36 million he's making with the Yankees, and probably *still* brought home more money.

D.C. is [surprisingly merciful](#) compared to [New York](#) and [California](#). But even with his drawn-out contract laden with deferred money, Strasburg will pay more than \$1 million a year in state and local income taxes, just for the half of the season he's at his team's home ballpark. For Rendon and Cole, they'll each be forking over more than \$2 million annually.

If they'd signed with teams in Florida or Texas instead, they wouldn't be paying a dime.

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