

Jilted Cavaliers Fans Should Blame The Income Tax, Not LeBron James

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Supporters of the Cleveland Cavaliers, [especially the owner of the team](#), are upset that basketball superstar LeBron James has decided to sign with the Miami Heat. The anger is especially intense because the Cavaliers offered \$4 million more over the next five years. But their anger is misplaced, because more money in Cleveland, Ohio, actually translates into about \$1 million less disposable income when the burden of state and local income taxes is added to the equation. Rather than condemn James for making a rational choice, local basketball fans should tar and feather Ohio politicians. This [story from CNBC](#) walks through the calculations.

...if you match up what James' salary would be for the first five years in Cleveland and the five years in Miami, you find that the Cavaliers are only offering him \$4 million more. That advantage gets erased — and actually gives the Heat the monetary edge over — when you consider the income tax difference. ...Playing in Cleveland, LeBron would face a state income tax of 5.925 percent, plus a Cleveland city tax of two percent. Over the first five years of a new contract with Cleveland, James would give back \$3,953,060 combined to the state and city for the 41 games each season he'd play at home. But James would have to pay none of that for home games in Miami since Florida doesn't have an income tax. Athletes have to pay income taxes to states that they play in on the road, so the games he'll play away from home — whether he played for Cleveland or Miami — are essentially a wash. But there are, on average, 11 away games per season where James would have to pay Ohio and Cleveland taxes. Why? Because he has to pay when he plays in the six areas — Florida, Texas, Washington D.C., Illinois, Toronto and Tennessee — that have no jock taxes. That's another \$1,061,128 he'll have to pay in taxes that he wouldn't have to pay in Miami.

New York basketball fans also should be angry. With some of the highest taxes in the nation, many of which target highly productive people as part of a [class-warfare policy](#), New York is bad news for professional athletes. The New York Post, commenting on the probability that James would sign with the Miami Heat, [identified the real villains](#).

...blame our dysfunctional lawmakers in Albany, who have saddled top-earning New Yorkers with the highest state and city income taxes in the nation, soon to be 12.85 percent on top of the IRS bite. There is no state income tax in Florida. On a five-year contract worth \$96 million -- what he'd get from the Knicks or the Heat -- LeBron would pay \$12.34 million in New York taxes. Quite a penalty for the privilege of working in Midtown.

Now let's look at the big picture. The calculations that LeBron James made when deciding to sign with the Miami Heat are the same calculations that companies make when deciding whether to build factories and create jobs. So when people wonder why high-tax states such as Ohio, California, and New York are losing jobs to zero-income tax states such as Florida and Texas, part of the answer should be obvious. And if we move to the global level, folks should not be too surprised that companies and investors, all other things equal, are likely to avoid the United States, with its [punitive 35 percent corporate tax](#), and instead create jobs and build wealth in places such as Hong Kong, Ireland, and Switzerland.