

## Rev Share: Independent Contractor vs. Royalties

When compensating athletes for revenue share or other NIL-related agreements, payments need to be categorized as passive royalties, active royalties or independent contractor compensation. Here's some help to tell which is which.

Payment Type	Example	How It's Taxed	Dollar Threshold	Form & Box
<b>Royalty payments (passive)</b>	University uses the athlete's NIL on merchandise or promotional materials, and the athlete is not actively involved in promoting the merchandise.	Taxed as ordinary income; not subject to SE tax if passive (reported on Schedule E).	\$10 or more in royalties	1099-MISC, Box 2
<b>Royalty payments (active)</b>	Athlete actively promotes university-branded merchandise featuring their NIL (e.g., social media campaigns, appearances), making it part of their business activity.	Taxed as ordinary income; subject to SE tax if part of active trade or business (reported on Schedule C).	\$10 or more in royalties	1099-MISC, Box 2
<b>Independent contractor</b>	Athlete is paid by the university for making appearances at alumni events.	Taxed as self-employment income; subject to both income tax and SE tax (reported on Schedule C).	\$600 or more in nonemployee compensation	1099-NEC, Box 1
<b>Hybrid Payments</b>	Athlete earns royalties from university merchandise sales and is also paid for attending promotional events hosted by the university.	Royalties taxed as ordinary income (with or without SE tax depending on activity); services taxed as self-employment income.	\$10 for royalties, \$600 for services	1099-MISC & 1099-NEC