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GOAL!!!! U.S. and Canada Agree on World Cup Prize Money Tax Rules

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Miami is all the hype these next two weeks as a FIFA World Cup host city. With seven matches lined up at Hard Rock Stadium — including group-stage thrillers and a bronze final — our city will welcome teams, players, staff, and plenty of activity. Just on the eve of the first match, there has been a score with some helpful tax news for the teams and players heading our way.

When national associations, clubs, players, coaches, and support staff earn income from the World Cup—like prize money for winning matches—U.S. federal tax law generally treats it as compensation for personal services. If those services happen in the United States the income is U.S. source and is usually subject to U.S. federal income tax and withholding. That's why teams, players, and their advisors have been looking at ways to reduce their U.S. tax exposure while they are here for the tournament.

U.S. and Canadian tax authorities have reached an agreement designed to simplify how FIFA prize money and related compensation are taxed. The goal: reduce the risk of double taxation for teams, players, and staff working across the three host countries.

Separately, reports indicate that FIFA has reached an understanding with the U.S. Treasury that may allow national associations to apply for tax-exempt status under section 501(c) for certain tournament earnings. This potential benefit applies at the team level only — individual players and staff remain subject to their own tax obligations.

What the Agreement Says

The IRS and Canada Revenue Agency have outlined a straightforward method for allocating (or sourcing) FIFA income based on where matches are played:

Formula: Prize Money × (Matches in Country ÷ Total Tournament Matches)

Example: A team earns $10 million in prize money and plays 4 of its 7 total matches in the U.S. Approximately $5.7 million would be allocated to the U.S. for tax purposes.

This same approach can apply when teams distribute funds to players and contractors. For non-player staff, a time-based allocation is generally considered reasonable.

Important Caveats:

- This is guidance, not a binding rule. Teams and players may use a different allocation method if it better reflects their circumstances.
- Using this method does not provide audit protection.

Why This Matters for Your Clients

With record prize money at stake — FIFA approved $727 million for the 2026 tournament, including $655 million distributed to the 48 participating teams — proper tax planning is essential. Clear sourcing rules help reduce the risk of the same income being taxed in multiple jurisdictions.

However, this guidance is limited to FIFA prize money and related compensation. Sponsorship income, endorsement deals, and other commercial payments are generally not covered and may be subject to separate withholding and filing requirements.

For additional detail, the IRS has released a “Tax Playbook for Foreign Participants in the 2026 FIFA World Cup,” which addresses withholding obligations, treaty benefits, and filing requirements for foreign athletes and team personnel.

The allocation agreement and the potential 501(c) opportunity bring welcome clarity to an otherwise complex area. If you or your clients have connections to teams or players participating in this summer’s tournament, we would be glad to discuss how these developments may apply.

This summary is provided for general information purposes and does not constitute tax or legal advice. Please consult with a qualified advisor regarding your specific circumstances.

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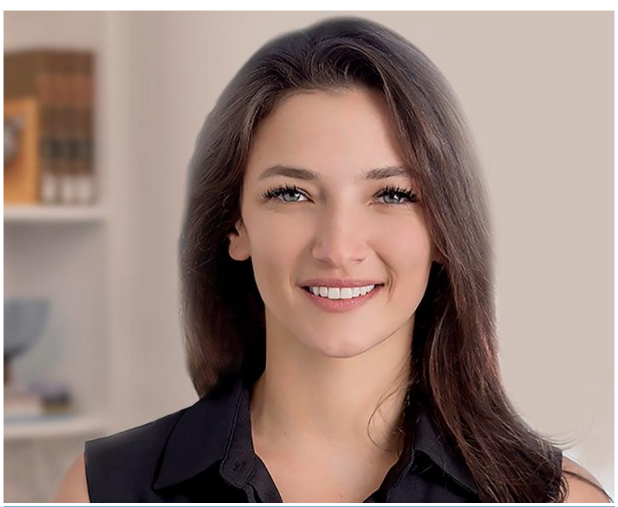

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