

LeBron's Real Reason?

Sure, New York's a pressure cooker for pros—but maybe it was the tax man that scared King James

EXECUTIVE SUMMARY:

- New York is the city for a pro athlete to test himself.
- Maybe that's why LeBron James balked at becoming a Knick.
- Or! Maybe he wanted to avoid New York's excessive tax burdens.
- In his new home of Florida, there's no state income tax; in New York, including local taxes, he would have owed 12.85 percent of his income.

John F. Kennedy once said, "Those who dare to fail miserably can achieve greatly."

One can only assume that last Thursday night when he announced, "I'm going to take my talents to South Beach and join the Miami Heat," LeBron James was thinking that he didn't want to fail miserably in New York, on the world's brightest stage. This forgone, once-in-a-lifetime opportunity is something that the self-proclaimed "King" may come to regret.

There is no doubt that New York can be an intimidating place, particularly for professional athletes. To succeed here, you need to be strong, you need the intestinal fortitude for the fight, the ability to live under a microscope and deal with the unrelenting pressure from the media and the suffocating expectations for success. Former Giants coach Bill Parcells used to say that in New York there is no in between. It is either euphoria or disaster—anything less than a championship is considered failure.

Many of our local sports heroes have been homegrown; some have come via trades; and others have willingly chosen to come to New York to provide themselves with the greatest challenges of their careers.

Knicks owner James Dolan hit the nail right on the head last week when he exclaimed, "It takes courage to play where the lights shine the brightest." Perhaps the challenge of carrying the Knicks franchise on his shoulders was too daunting for LeBron. Perhaps the challenge was too intimidating. Or perhaps LeBron would have wilted under the pressure of New York City. He certainly won't find anything near that level of pressure in Miami.

By coming to the Big Apple, LeBron had a chance to create a legacy far beyond basketball. He could have demonstrated his many talents in the World's Most Famous Arena. He could have interacted intimately with a city pulsing with not only a

rich sports history, but with culture, politics and global significance.

Winning is great, but how you win is equally important. Something lost on LeBron was the fact that all rings are not the same. The way you win determines your legacy, as do the challenges you overcome. Moreover, there is nothing in the world like winning in New York.

In New York, we have seen a host of champions, warriors and athletes who have had that killer instinct that is so necessary to excel here. We have also been witness to many who have tried and were unsuccessful because they couldn't live up to the challenge.

My beloved New York Yankees clearly have the richest history of local sports superstars. They include Babe Ruth, Lou Gehrig, Mickey Mantle, Joe DiMaggio, Yogi Berra, Don Mattingly and present Yankees Derek Jeter and Mariano Rivera.

Other local sports heroes include Giants Phil Simms and Lawrence Taylor; Rangers Mike Richter and Brian Leach; Mets Tom Seaver and David Wright; and Knicks Patrick Ewing, Walt Frazier and Willis Reed.

Others were great in other cities and decided to come to the Big Apple to test their mettle. Piazza was a star in Los Angeles and excelled in the New York spotlight. In his eight seasons with the Mets, he played 972 games, accumulated 1,028 hits, had a batting average of .296, and a slugging percentage of .542. In six of those years, he was named a National League All-Star.

This city has made legends out of other local sports heroes. Joe Namath famously led the Jets to a Super Bowl title in 1969, guaranteeing victory even though the Baltimore Colts were heavily favored.

When Mark Messier's contract with the Edmonton Oilers expired prior to the '91-'92 season, he chose to come to New York to do something

that hadn't been done for decades: win the Stanley Cup in New York. Messier played just 10 of his 25 seasons in Broadway Blue and scored just 183 of his 694 career goals wearing a Ranger uniform. However, even though he won five cups in Edmonton, his leading the Rangers to the championship in 1994 has made Messier a legend in sports history.

And no list of New York's sports legends would be complete without Reggie Jackson. Reggie played only five of his 21 Major League seasons in pinstripes and hit only 144 of his 563 home runs as a Yankee. In those five seasons, Reggie reached the 100 RBI mark only twice and had a batting average of just .262. Yet, for his dramatic and clutch World Series per-

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formances, he was dubbed "Mr. October." No such moniker was bestowed upon him when he had even greater success years before in Oakland. The bigger the stage, the bigger the hero.

There have been several free agent signings that were deemed "busts" by the local media. In Pedro Martinez's years with the Mets, he earned \$51.56 million and recorded just 32 victories—\$1.6 million per win. This wasn't quite what the Mets had in mind when they brought the previous Cy Young Award winner to Flushing.

When the Yankees signed Randy Johnson, he earned approximately \$32 million for two seasons and had a very respectable 17 wins in each of them. However, it was obvious from the beginning that Johnson was uncomfortable under the New York microscope.

Other free agent signings turned out far worse. The Yankees signed Carl Pavano in 2005 to a four-year contract. He pitched 100 innings in his first season, then, over the next three seasons, he threw just 45.2 innings. His \$30 million contract broke down to \$206,000 per inning pitched.

The Rangers signed Luc Robitaille after eight incredible seasons as an L.A. King. During these seasons, Robitaille averaged 50 goals and 100

points per season. In his two seasons at Madison Square Garden, he averaged just 23 goals and 55 points, leaving town with his tail between his legs.

Perhaps the most stunning free agent bust came in 1995, when the Yankees signed Chicago White Sox star pitcher Jack McDowell. Just two years earlier, in 1993, Mr. McDowell won the American League Cy Young Award and went 22-10. The expectations for McDowell were so high that every time he didn't pitch well, the boos grew. Toward the end of the year, as he was hooked after a poor performance, the taunts were so abrasive that he famously flipped the bird to the entire crowd at the stadium. Needless to say, he wasn't back for a second season in the Big Apple.

While some who came to New York became legends and some failed, some came merely to take a final bow on the world's brightest stage. These included Phil Esposito, who came to the Rangers in a trade with the Boston Bruins in the mid-1970s and led the Rangers to the Stanley Cup Finals in 1979, a series the Rangers lost to the Montreal Canadiens (that one still hurts!). Others include Montreal Canadian great Guy Lafleur and San Francisco 49er great Ronnie Lott.

Even the greatest hockey player in the world, Wayne Gretzky, decided to take a curtain call in New York. There are still more athletes who met the challenge of playing in the world's most challenging market. These include Alex Rodriguez, who easily could have left the Yankees when the going got tough but decided to stay and face intense scrutiny and criticism.

Today, he has a championship ring to show for it.

Winning in New York is unlike anything else imaginable. Championships these days are followed by parades down the famous Canyon of Heroes in Lower Manhattan. In deference to my home state of New Jersey, a parade in a parking lot in the middle of the Meadows just doesn't quite cut it.

Some pundits have speculated that LeBron was afraid of the bright lights of New York and didn't want to be at the mercy of the intense scrutiny of the tabloids. Others say that he has lost confidence in himself and that his recent performance in Game 5 of the series against the Celtics showed signs of vulnerability. Others say that he simply wanted to be a big fish in a small pond.

Speculation on exactly what were the key variables in his decision-making process will go on. However, one thing many people are not talking about are the tax implications of his decision and how these may have impacted things.

In the NBA—unlike Major League Baseball, where the Yankees can throw as much money as they like at a player—there are salary caps and maximum contracts that create limitations on how much a team can



spend on a particular player. With gross salary capped, players may increasingly look at after-tax income. In LeBron's new home state of Florida, there is no state income tax.

In New York, including state and local taxes, LeBron would have paid 12.85 percent on his income. In Miami, he signed a max contract for approximately \$110 million over six years, or \$18.35 million per season. The additional tax that he would have had to pay in order to be a Knick would be approximately \$2.38 million per year (not taking into consideration the deductibility of state and local taxes from a federal tax obligation).

Additionally, professional athletes pay taxes to every state where they play away games. Therefore, this tax penalty would be mitigated somewhat by the amount of games played in the lower tax jurisdictions.

More importantly, the majority of LeBron's income comes in the form of endorsements, promotions and investments. This income is entirely taxed in the state of your residence. There are some estimates claiming this figure could be as high as \$50 million annually over the course of his Miami contract. This \$300 million package would be entirely taxable if he lived in New York, creating a tax obligation of nearly \$40 million. You would think that his businesspeople pointed this fact out to him.

At some point, counting after-tax dollars when you are so wealthy may not sway lifestyle decisions, but there is always a straw that breaks the camel's back. This is why our legislators in New York should be cognizant of the fact that they may be driving athletes, businesses and other economic engines out of the city and the state because of the excessively high—and increasing—tax burdens faced by New Yorkers.

Tax policy should not be structured to make the Knicks a better team, but there is clearly a lesson to be learned here.

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