

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

FILED SENATE
Mar 25, 2025
S.B. 563
PRINCIPAL CLERK

S

D

SENATE BILL DRS35211-MTfa-82

Short Title: The Michael Jordans of Tomorrow Act. (Public)

Sponsors: Senators Batch, Garrett, and Smith (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES TO THE LAWS TO ENHANCE THE
COMPETITIVENESS OF STUDENT-ATHLETES IN NORTH CAROLINA WITH
REGARD TO NAME, IMAGE, AND LIKENESS AGREEMENTS AND DIRECT
COMPENSATION OF STUDENT-ATHLETES.

The General Assembly of North Carolina enacts:

PART I. TITLE

SECTION 1. This act shall be known as "The Michael Jordans of Tomorrow Act."

PART II. FINDINGS AND PURPOSE

SECTION 2. The General Assembly finds all of the following with respect to Name, Image, and Likeness (NIL) compensation in North Carolina:

- (1) The evolving landscape of NIL compensation has created a competitive imbalance among states.
- (2) North Carolina must modernize its NIL policies to remain competitive in recruiting and retaining student-athletes.
- (3) The lack of institutional involvement and State-level incentives places North Carolina schools at a disadvantage as compared to other states with proactive NIL policies.
- (4) It is in the State's interest to provide clear laws and incentives to support student-athletes while ensuring fair competition and compliance with the rules of the National Collegiate Athletic Association.

PART III. HIGHER EDUCATION NAME, IMAGE, AND LIKENESS AGREEMENTS

SECTION 3. Chapter 116 of the General Statutes is amended by adding the following new Article to read:

"Article 39.

"Student-Athletes.

"§ 116-410. Definitions.

For purposes of this Part, the following definitions shall apply:

- (1) Constituent institution. – A constituent institution of The University of North Carolina.
- (2) NIL. – The use of a student's name, image, or likeness for commercial purposes and in exchange for compensation to the student. Compensation may include cash, in-kind gifts, or other tangible benefits to the student.



* D R S 3 5 2 1 1 - M T F A - 8 2 *

(3) NIL Clearinghouse. – As established in G.S. 143B-437.022.

(4) NIL collective. – An entity affiliated with a constituent institution with the purpose of supporting interscholastic athletics at that institution.

(5) Student-athlete. – A student enrolled in a constituent institution and participating in interscholastic athletics at that institution.

"§ 116-411. Name, Image, and Likeness agreements.

(a) A constituent institution may assist a student-athlete in securing one or more NIL agreements. Assistance permitted under this subsection may include any of the following activities:

(1) Facilitating introductions between student-athletes and potential sponsors.

(2) Providing NIL education and contract review assistance.

(3) Partnering with businesses and collectives to promote NIL deals.

(b) A constituent institution shall not directly compensate any student-athlete for athletic performance or participation.

(c) A constituent institution may collaborate with the NIL Clearinghouse to provide support to students when entering NIL agreements.

"§ 116-412. Student-athlete compensation.

(a) A constituent institution may directly compensate a student-athlete for participating in interscholastic athletics at that institution in addition to any other benefits provided to student-athletes.

(b) A constituent institution may allocate up to twenty million five hundred thousand dollars (\$20,500,000) per year from interscholastic athletics revenues for direct compensation to student-athletes. For purposes of this subsection, the term "interscholastic athletics revenues" includes all of the following:

(1) Revenues received by athletic departments, including revenues from ticket sales, television contracts, and merchandise.

(2) Contributions from private donors.

(3) Donations from an NIL collective.

(c) A constituent institution that provides students with direct compensation in accordance with this section shall report all of the following information no later than October 15 of each year to the Joint Legislative Education Oversight Committee and the Department of Commerce:

(1) Total amounts provided to each student-athlete.

(2) Total amounts provided for student-athlete compensation for each interscholastic athletic team.

(d) A constituent institution shall collaborate with the Department of Commerce to ensure direct compensation of student-athletes provided in accordance with this section complies with federal and State law and any other applicable rule or policy."

PART IV. NAME, IMAGE, AND LIKENESS TAX CREDITS

SECTION 4.(a) G.S. 105-153.5(b) reads as rewritten:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

(17) The amount received by the taxpayer as NIL compensation in accordance with Article 29E of Chapter 115C of the General Statutes during the taxable year.

...."

SECTION 4.(b) Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-153.12. Name, image, likeness tax credit.

(a) Definitions. – The definitions in Article 29E of Chapter 115C of the General Statutes and the following definitions apply in this section:

(1) Eligible business. – A business that has entered into an NIL agreement with a student-athlete.

(2) Name, Image, Likeness (NIL). – As defined in G.S. 115C-407.50.

(3) NIL agreement. – An agreement between an eligible business and student-athlete to use the student's name, image, or likeness in accordance with Article 29E of this Chapter.

(4) Pass-through entity. – A partnership, an S-corporation, or a limited liability company subject to income tax under Part 1A or Part 2 of Article 4 of this Chapter.

(5) Student-athlete. – A student enrolled in a constituent institution of The University of North Carolina or an independent college or university located in the State and participating in interscholastic athletics at that institution.

(b) Credit. – A taxpayer who is an eligible business is allowed a nonrefundable credit against the tax imposed by Part 1, Part 1A, or Part 2 of Article 4 of this Chapter, as appropriate, equal to fifty percent (50%) of the compensation paid by the eligible business to one or more student-athletes during the taxable year pursuant to an NIL agreement.

(c) Allocation. – This subsection applies to eligible businesses that are pass-through entities. Each individual who is a shareholder, partner, or member of an eligible business that is a pass-through entity must be allocated the credit allowed the entity in an amount determined in the same manner as the proportionate shares of income or loss of such entity would be determined. The entity must make an irrevocable election with the Department of Revenue as to the manner in which the credit is allocated. If an individual's share of the pass-through entity's credit is limited due to the maximum allowable credit under this section for a taxable year, the entity and its owners may not reallocate the unused credit among the other owners.

(d) Limitation. – The credit allowed under this section per eligible business shall not exceed five hundred thousand dollars (\$500,000) per taxable year."

SECTION 4.(c) This section is effective for taxable years beginning on or after January 1, 2026.

PART V. STATE-SUPPORTED NIL COLLECTIVE PROGRAM

SECTION 5. Article 39 of Chapter 116 of the General Statutes, as enacted by Section 3 of this act, is amended by adding the following new section to read:

"§ 116-413. Name, Image, and Likeness collective entities.

(a) The Board of Governors of The University of North Carolina shall establish the North Carolina NIL Advancement Fund (Fund) to provide matching funds with NIL collectives to support NIL agreements.

(b) Constituent institutions may collaborate with NIL collectives to ensure compliance with State and federal law and to provide financial oversight for NIL agreements.

(c) When providing matching funds from the Fund in accordance with this section, a constituent institution shall prioritize support for all the following:

(1) Student-athletes who qualify for in-State tuition under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the State Education Assistance Authority.

(2) Student-athletes who have officially committed to that constituent institution.

(3) NIL agreements involving local businesses and tourism boards."

PART VI. HIGH SCHOOL STUDENTS MAY ENTER NIL AGREEMENTS

SECTION 6.(a) G.S. 115C-407.50 reads as rewritten:

"§ 115C-407.50. Definitions.

The following definitions apply in this Article:

...

(4) Name, Image, and Likeness (NIL). – The use of a student's name, image, or likeness for commercial purposes and in exchange for compensation to the student. Compensation may include cash, in-kind gifts, or other tangible benefits to the student.

(5) NIL Clearinghouse. – As established in G.S. 143B-437.022.

...."

SECTION 6.(b) G.S. 115C-407.55(1)h. reads as rewritten:

"h. Student amateur status ~~requirements, including requirements and rules~~ related to use of a student's name, image, and ~~likeness~~. likeness in accordance with G.S. 115C-407.56."

SECTION 6.(c) Article 29E of Chapter 115C of the General Statutes is amended by adding a new subsection to read:

"§ 115C-407.56. Student-athlete use of name, image, and likeness.

(a) A student participating in interscholastic athletics may enter an agreement to use the student's name, image, or likeness subject to the following restrictions:

(1) The agreement shall not condition the receipt, type, or extent of any compensation to the student on the extent or quality of the student's athletic performance.

(2) The agreement shall not condition the receipt, type, or extent of any compensation to the student based on the student's current or future enrollment at a specific institution.

(3) If a student is under 18 years of age, the student's parent or legal guardian shall be a party to the agreement.

(4) A student shall be provided financial literacy resources prior to signing an agreement, which may be provided by the school the student attends or the NIL Clearinghouse.

(5) The agreement shall otherwise comply with State and federal law.

(6) Within 30 days of signing an agreement or an amendment to an agreement, a copy of the agreement or updated agreement shall be provided to the NIL Clearinghouse.

(b) If a high school student signs a contract or other binding document committing to attend an accredited North Carolina college or university, then that student becomes eligible for the following:

(1) State-endorsed NIL grants and sponsorships.

(2) Priority consideration for partnerships facilitated through the NIL Clearinghouse.

SECTION 6.(d) This section is effective when it becomes law and applies beginning with the 2025-2026 school year.

PART VII. NORTH CAROLINA NIL CLEARINGHOUSE

SECTION 7.(a) Part 2 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-437.022. North Carolina NIL Clearinghouse.

(a) Definitions. – The definitions in Article 29E of Chapter 115C of the General Statutes and the following definitions apply in this section:

(1) Department. – The Department of Commerce.

(2) In-State college. – A constituent institution of The University of North Carolina or an independent college or university located in the State.

- (3) Name, Image, Likeness (NIL). – As defined in G.S. 115C-407.50.
- (4) NIL agreement. – An agreement in which a student-athlete agrees to allow the use of the student's name, image, or likeness in exchange for compensation in accordance with Article 29E of Chapter 105 of the General Statutes.
- (5) Program. – The North Carolina NIL Clearinghouse Program created by this section.
- (6) Student-athlete. – A student participating in interscholastic athletics in this State.
- (b) Creation; Administration. – The North Carolina NIL Clearinghouse is established and shall be administered by the Department of Commerce in accordance with this section.
- (c) Purpose. – The purpose of the Program is to do the following:
- (1) Educate student-athletes and their families about NIL agreements.
- (2) Assist student-athletes in reviewing NIL agreements and navigating the NIL process.
- (3) Facilitate State-endorsed NIL partnerships by prioritizing student-athletes attending in-State colleges.
- (4) Provide grants to student-athletes who commit to in-State colleges.
- (d) Agreement Review. – The Department shall review all NIL agreements paying more than five thousand dollars (\$5,000) of compensation to student-athletes to ensure that the agreement (i) affords the student-athlete fair market value compensation, (ii) complies with the requirements governing NIL agreements set forth in Article 29E of Chapter 115C of the General Statutes, and (iii) provides any other relevant protections the Department deems necessary to promote the well-being of the student-athlete.
- (e) Grant Disbursement. – The Department may offer grants to student-athletes in accordance with this subsection. Grant amounts to student-athletes shall not exceed the lesser of (i) the amount received by the student-athlete as compensation under an NIL agreement or (ii) five thousand dollars (\$5,000). A student-athlete must apply to the Department for a grant during the time frame and on a form prescribed by the Department. Grants shall be awarded on a first come, first served basis. The total of all grants awarded under this subsection may not exceed the total amount of funds appropriated to the Program.
- (f) Compliance Board. – The Department shall hire or contract for, as necessary, any relevant legal, financial, athletic, or other staff necessary to accomplish the purposes set forth in this section.
- (g) Administration. – The Department may use up to five percent (5%) of the funds appropriated to the Program for administrative expenses.
- (h) Rulemaking Authority. – The Department shall adopt rules to implement this section."

SECTION 7.(b) There is appropriated from the General Fund to the Department of Commerce the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the 2025-2026 fiscal year to be used by the Department for purposes consistent with Section 2 of this act.

SECTION 7.(c) Subsection (a) of this section is effective when it becomes law and applies to NIL agreements entered into on or after that date. Subsection (b) of this section becomes effective July 1, 2025.

PART VIII. JOINT LEGISLATIVE STUDY COMMITTEE ON NIL REVENUE SHARING

SECTION 8.(a) There is established the Joint Legislative Study Committee on Name, Image, and Likeness Revenue Sharing (Committee). The Committee shall consist of three members of the Senate appointed by the President Pro Tempore of the Senate and three members of the House of Representatives appointed by the Speaker of the House of Representatives. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each

1 appoint a cochair of the Committee from among its membership. The Committee and the terms
2 of the members shall expire when the Committee submits a final report to the General Assembly.
3 Members shall serve at the pleasure of the appointing officer.

4 **SECTION 8.(b)** The Committee shall study and make recommendations on the
5 following:

- 6 (1) The feasibility of entering into Name, Image, and Likeness (NIL) revenue
7 sharing agreements with student-athletes at constituent institutions of The
8 University of North Carolina.
- 9 (2) Models for NIL revenue sharing agreements from other states.
- 10 (3) Minimum criteria for NIL revenue sharing agreements.
- 11 (4) Any other issue the Committee considers relevant to the study.

12 **SECTION 8.(c)** The Committee shall meet upon the call of its cochairs. A quorum
13 of the Committee is a majority of its members. No action may be taken except by a majority vote
14 at a meeting at which a quorum is present. The Committee, while in the discharge of its official
15 duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120
16 of the General Statutes. The Committee may contract for professional, clerical, or consultant
17 services, as provided by G.S. 120-32.02. Members of the Committee shall receive per diem,
18 subsistence, and travel allowance as provided in G.S. 120-3.1. The expenses of the Committee
19 shall be considered expenses incurred for the joint operation of the General Assembly.

20 **SECTION 8.(d)** The Legislative Services Officer shall assign professional and
21 clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the
22 House of Representatives and the Director of Legislative Assistants of the Senate shall assign
23 clerical support staff to the Committee.

24 **SECTION 8.(e)** The Committee shall submit a final report on the results of its study,
25 including any proposed legislation, to the members of the Senate and the House of
26 Representatives on or before March 31, 2026, by filing a copy of the report with the Office of
27 the President Pro Tempore of the Senate, the Office of the Speaker of the House of
28 Representatives, the Joint Legislative Education Oversight Committee, and the Legislative
29 Library. The Committee shall terminate on March 31, 2026, or upon the filing of its final report,
30 whichever occurs first.

31 **PART IX. EFFECTIVE DATE**

32 **SECTION 9.** Except as otherwise provided, this act is effective when it becomes
33 law.
34