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It's Goalkeeper vs. Bookkeeper as I.R.S. Audits Youth Soccer

By TINA KELLEY

FAIRFIELD, Conn., June 22 — Soccer seemed a simpler game when Jay Skelton coached his eldest son's kindergarten team nine years ago. This was before 5-year-olds went to goalie clinics, before teams took two-week trips to Europe, before the world's most popular game consumed his suburban life.

Today Mr. Skelton is president of his son's league, the Fairfield United Soccer Association, and he presides over a far more complex enterprise. Its 45 elite teams travel across the state and beyond for tournaments, training rigorously with paid college-level coaches. And its budget has boomed, with the group raising $392,000 in dues in 2004, according to tax returns.

The Internal Revenue Service has taken notice.

For the past two years, the association has been grappling with an I.R.S. audit that found the association failed to withhold taxes for a dozen paid coaches and scores of referees in 2003 and 2004. The I.R.S. assessed the association $334,441 in back taxes and fines, an amount Mr. Skelton says will drive the nonprofit league out of business.

The audit, which became public this month and is now under appeal, was not just a rude awakening for the association. It has raised this deeper, almost theological question relevant to many youth sports clubs across the country: Are they growing too fast for their parent managers to keep up?

"We didn't do anything wrong; we're volunteering to help our kids," said Mr. Skelton, a 46-year-old lawyer from Fairfield. "I'm not Joan of Arc, I'm not Rosa Parks; I'm just trying to get through this without losing my mind."

The Fairfield case — which centers on a dispute over whether coaches and referees are employees or, as the league contends, independent contractors — is not the first time the I.R.S. has fined a nonprofit youth sports league. But the penalty is one of the largest, and it has sent worried sports officials from Connecticut and other states scrambling to review the finer points of the tax code.

"A lot of clubs are going through the same type of audit situations, and they're watching our case to see how it turns out," Mr. Skelton said.

Indeed, youth sports clubs, literally once mom-and-pop operations, have grown so large and sophisticated that they now require payrolls, registrars and 1099 forms. Some boards have hired accountants and lawyers. United States Youth Soccer, a nonprofit umbrella group, even offered a seminar on the use of independent contractors at its national convention in Houston in February, run by an I.R.S. representative.

Soccer may have run afoul of the I.R.S. partly because of its immense growth, from a pickup sport 30 years ago to a national phenomenon today, as judged by the avid interest in the World Cup this month.

In 1974, United States Youth Soccer counted 100,000 players; today it says there are over 3 million. Fairfield United, which had 350 players a decade ago, today has 800. And while many of its coaches were parent volunteers back then, today it pays $2,500 a season to 25 skills coaches.

Soccer has also become big business. The Sporting Goods Manufacturers Association estimates there is a $215 million industry for wholesale soccer goods.

The IRS has declined to comment on the Fairfield case. But the agency "has an important interest in proper classification of workers," said Bruce I. Friedland, a spokesman. He said some groups intentionally mischaracterized employees "to avoid paying employment taxes."

Generally speaking, if an organization has direct control over a person's work, he or she is considered an employee. Independent contractors, on the other hand, tend to own their own businesses, work for a variety of clients, supply their own uniforms and gear, and have the right of refusal to work any assignment.

Mr. Skelton said that many of the league's skills coaches were employed by a Long Island soccer camp and defined under the contract as independent contractors. And many of the referees in the Fairfield case are older children officiating at the games of younger ones, for $20 to $40 a game.

"Are these 10-year-old children employees of Fairfield soccer? That's what we're facing," he said. All the workers in question received the payments they were due, he added.

Tax officials have also taken a hard look at high school sports. Mike Colbrese, the executive director of the Washington Interscholastic Activities Association, the governing body for that state's high school sports, said that 10 years ago, an IRS auditor concluded that the association's referees were employees, and that it had failed to withhold taxes for them. It took the association months to get that conclusion reversed.

In California, a 1995 law declared that officials were independent contractors after the state Employment Development Department created an uproar by assessing one high school sports governing body $200,000 for back employment taxes.

Fairfield United learned of the proposed penalties in the fall of 2004, and soon requested that the case be reviewed by the auditor's supervisor. The audit became public this month after an unidentified parent sent it to The Fairfield Minuteman, a newspaper that first published details about the case. The club hopes to learn the results of the supervisor's review by the end of the year.

Mr. Skelton, who played soccer in college, first got involved with suburban soccer by coaching his eldest son, Jaime, on a recreational team. Last November, he agreed to become president of the association, saying he wanted to guide it out of its I.R.S. problems so that the youngest of his sons, Mattie, 7, could play. The volunteer job has taken a toll, he said, keeping him up some nights until 3 a.m.

And he still coaches Jaime's team. On Thursday, as the team finished its last game of the season against Westport, losing 3-2, Mr. Skelton congratulated the sweat-soaked boys.

"You did everything we asked for this year, and you're twice the team you were at the beginning of the year," he said. Then he urged them to start thinking about the fall, when they would be raising money and practicing for a trip to Barcelona, Spain.

But some parents worry that travel soccer has become too much like big business.

Howard Rubenstein, 69, the referee administrator for the Eastern New York Youth Soccer Association, based in Rockville Centre, on Long Island, volunteers about 40 hours a week doing paperwork for the youth organization and a senior soccer group. He has an accountant check his books monthly.

A former chemistry teacher who started volunteering with soccer teams 35 years ago when he took pity on a coach "surrounded by 18 screaming first graders," Mr. Rubenstein said the corporatization of soccer had taken away "the fun of it."

"I remember when the parents used to run hat sales and bake sales and you had people who were the orange juice mother," he said. "You'd pile the kids in three or four cars and take them to a game. Now the clubs come up in brand-new 18-passenger vans."

Dante Gallucci, a Little League baseball leader in Fairfield, raised another worry. More aggressive I.R.S. scrutiny, he said, might make parents afraid to sit on boards of youth sports associations, especially if members are held liable for tax penalties, as could happen with Fairfield United.

"They have to remember, this isn't the board of directors of Enron," said Mr. Gallucci, a lawyer whose daughter plays with a Fairfield United team. "This is Joey who runs the pizza place who's really good at concessions, and a carpenter who's good at getting the kids to hit in T-ball, and a guy who's great on designing uniforms."

"We want to teach kids baseball and teach them something about growing up," he said. "We don't want to be involved in 27 hours of federal inquiry."