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NBA Starts Collecting Tax on Free Tickets to Players, Referees [Listen](#)

Jan. 19 (Bloomberg) -- Free tickets, one of the biggest perks in professional sports, now come with a price in the National Basketball Association.

The NBA on Jan. 1 began withholding income tax from its referees to account for the two complimentary tickets they get per game.

Some of the league's 30 teams, including the Sacramento Kings and New York Knicks, are withholding taxes on the tickets they give to their employees. Players say they are angry that about \$10,000 will be withheld from their paychecks for what is supposed to be a fringe benefit.

"It's bull," Kings forward Chris Webber, 31, said in an interview.

Responding to corporate scandals involving such companies as Enron Corp. and WorldCom Inc., the U.S. Internal Revenue Service is scrutinizing non-cash compensation such as homes and cars or -- in the case of professional athletes -- extras like free tickets, said Elizabeth N. Buchbinder, a tax partner with Ernst & Young LLP in Washington.

"There's an increased IRS audit focus on executive compensation, and a big part of it is the non-cash perk," Buchbinder said in a telephone interview.

IRS spokeswoman Nancy Mathis, citing privacy laws, wouldn't talk about the professional sports leagues. The section of the agency's Web site devoted to regulations governing professional sports leagues and teams doesn't specifically address free tickets.

Other Leagues

Giving free tickets to players is common among the major U.S. professional sports leagues. Section 9 of the National Football League's labor contract with its union, for example, requires that two complimentary tickets be offered to players for each home game. Baseball players get tickets from teams, while umpires can request as many as six free tickets for games they're working.

The decision to withhold taxes from referees rests with the leagues, while teams decide whether to withhold from players.

Covington & Burling, the Washington-based law firm that advised the NBA on the matter, referred questions to the league.

Representatives from the NBA, NFL and Major League Baseball, all based in New York, declined to comment. Ed Hochuli, a Phoenix attorney who is president of the NFL Referees Association, and Larry Gibson, an attorney for the Neenah, Wisconsin-based World Umpires Association, declined to comment.

The NBA informed its referees of the tax withholding in a Dec. 27 letter.

"We have been advised by tax counsel that the face-value amount of each of these complimentary tickets not only constitutes taxable income to you, but is subject to federal income tax withholding by the NBA, as your employer," it said.

Webber's Tax

For Webber, who made about \$16 million last season, the most that would have been withheld for free tickets would have been \$13,815.90, based on the maximum income-tax rate of 35 percent and the average price of tickets as calculated by the Team Marketing Report newsletter.

The average price last season of a premium NBA ticket -- the type that players typically get for free -- was \$152.93, according to the newsletter. In Sacramento, where Webber plays his home games, it's \$164.23.

Using those figures, if Webber accepted his four free tickets to all 41 home games and two tickets for all road games, he would have gotten \$39,473.98 worth of free tickets.

Kings President John Thomas didn't return a telephone call seeking comment.

Referees' Tickets

Free tickets make up a bigger percentage of a referee's compensation. Officials who work about 82 games a season would get \$25,080.52 in free tickets if they accept all that are available to them.

That compares with a \$300,000-a-year salary for 20-year veterans, and \$100,000 a year for rookies.

Lamell McMorris, lead contract negotiator for the New York-based NBA referees' union, declined to comment.

With the average price of NBA tickets rising 6.6 percent in the past three years, according to Team Marketing Report, the government no longer can ignore it as a form of compensation, said Louis Tuchman, a tax partner at the New York law firm Kaye Scholer.

"The problem is tickets have become so expensive," Tuchman said. "Over the course of a year, that's a lot of games and a lot of money. It's not going to slip under the radar."

Avoiding a Risk

Buchbinder, of Ernst & Young, the second-biggest U.S. accounting firm, said the leagues and teams are smart to collect taxes on tickets to avoid being forced to pay IRS-imposed penalties.

"Any team or league not collecting is taking a risk," she said.

Billy Hunter, executive director of the New York-based NBA players' union, said he would make the ticket tax an issue during negotiations to extend the labor agreement, which expires after this season.

Without that, athletes probably will seek clauses in their individual contracts providing for teams to cover the cost of the taxes, a practice called "grossing-up," said Joe Geier, president of Baltimore-based Geier Financial Management. For example, if a ticket costs \$100, the team would give the player an extra \$43 to cover the tax on the ticket and the additional money.

"That's the next step," said Geier, whose clients include New York Mets manager Willie Randolph and San Francisco Giants pitcher Armando Benitez. "Players will see the tax as just another thing the team is nickel-and-diming them on."

A number of NBA players, as well as team employees who can't afford the tax, have declined their free tickets since teams began the withholding, Webber said. The clubs, in turn, sell those tickets to the public.

Jerry Stackhouse, a two-time All-Star with basketball's Dallas Mavericks, is among the players balking at the perk. According to Stackhouse, who made \$6.5 million last season, free should mean not having to reach into his wallet.

"They can keep the tickets," the 30-year-old Stackhouse said in an interview. "Maybe I can get a better deal on the Internet."

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