

# CLUB DUES TAX

by

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**T**HE USGA Executive Committee has authorized a special committee and the General Counsel to follow in detail developments in respect of the Federal club dues tax.

In the April, 1956 issue of the USGA JOURNAL AND TURF MANAGEMENT, there was an article of our former General Counsel discussing this tax and the status of various matters under it at that time.

Since then, there have been several administrative developments of interest:

**CLUB CLEANING AND STORAGE** — The Internal Revenue Service recently issued a ruling (Rev. Rul. 56-620) to the effect that payments for the service of cleaning and storage of golf clubs are not subject to the tax if those payments are made by the members to the professional golfer as an independent contractor or concessionaire, even though collected for him by the club as a matter of convenience. On the other hand, if the professional performs such service as an employee of the club, payments for the service for a period of more than six days, whether made to the club or to the professional as a collection agent of the club, are subject to the tax.

**VALET SERVICE**—The Internal Revenue Service also recently ruled (Rev. Rul. 56-621) that a charge made by a club to its members for valet service is not subject to the tax.

**MINIMUM CHARGES FOR FOOD AND BEVERAGES**—It has been brought to the attention of the Internal Revenue Service that some clubs have adopted or contemplate adopting, a minimum charge for a specified period against which members may eat or drink, and that to the extent the member does not use up the charge, he is billed by the club for the difference. The Service has ruled informally that the entire amount of the minimum charge is

subject to the tax even though the member more than uses up the charge.

In a report, dated December 31, 1956, of the Subcommittee on Excise Taxes to the Committee on Ways and Means of the House of Representatives, there were two recommended changes in the club dues tax which will be of interest to our members:

**ASSESSMENTS FOR CAPITAL CONSTRUCTION**—Under one of these, there would be exempted from the tax any assessment paid for the construction or reconstruction of any social, athletic or sporting facility (or for the construction or reconstruction of any capital addition to, or capital improvements of any such facility). Such assessments would be exempt only if paid after the effective date of the bill for construction or reconstruction begun on or after such date.

**LIFE MEMBERSHIPS** — Under the other recommendation, it would be provided that, in the case of life memberships, an annual tax could be paid by the member equivalent to the tax upon dues paid by other members having similar privileges to those of the life member, or, at the election of the life member, a single tax could be based upon the amount paid for the life membership. The life member would be required to make the election to pay either the annual tax or the single tax at the time of the first payment for the life membership, or in the case of those who are already life members, within six months after the effective date of the bill.

The President of our Association has written to the Chairman of the House Subcommittee and has endorsed these recommendations, advanced suggestions for the elimination or amelioration of the application of the tax to charges for such voluntary services as locker rentals and club storage and cleaning, and recommended reduction in the rate of the tax.