

EXCISE TAX TECHNICAL CHANGES ACT

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The Excise Tax Technical Changes Act was passed by Congress in August and has now been signed by the President.

The Act includes a number of technical changes in the club dues tax which will be of interest to member clubs. Some of these changes are briefly described as follows:

ASSESSMENTS FOR CAPITAL CONSTRUCTION: One of the changes will exempt from the 20 per cent club dues tax assessments 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 improvement of any such facility).

It should be noted, however, that only assessments paid on or after January 1, 1959, for construction or reconstruction begun on or after that date will be entitled to the exemption.

The Congressional reports on the Bill contained the following further caution:

"Since the exemption is applicable only to assessments for construction, or reconstruction, of a facility, amounts used for the purchase of land will not be exempt from tax. Similarly, the use of funds for the purchase of existing facilities will not be tax exempt. Exemption will be available for the construction or reconstruction of buildings as well as various outdoor facilities, such as tennis courts, swimming pools, and golf courses. Mere upkeep and repairs do not constitute construction or reconstruction."

LIFE MEMBERSHIPS: The Act changes the taxation of life memberships so that the tax on such memberships will be equivalent to the tax upon the amount paid as dues or membership fees by members (other than life members) having privileges most nearly comparable to those of the person holding the life membership, or, at the election (made

at such time not later than the day on which the first amount is paid for life membership and in such manner as may be prescribed by regulation) of the person holding the life membership, a tax equivalent to 20 per cent of any amount paid for the life membership.

In order to provide for a transitional grace period for making the above election, the provisions of the Act are such that a person who already has a life membership or who purchases one within six months after the effective date of the Act has up to six months after the effective date to make the election. If the election is not made within such period, the life member will be required to pay an annual tax in the same amount as that paid by members (other than life members) having the most nearly comparable privileges.

HONORARY MEMBERSHIPS: The Act will eliminate the tax on life memberships, such as honorary memberships, for which no charge is made.

ADMISSIONS: The Act repeals the admissions tax on privately operated swimming pools, bathing beaches, skating rinks, and other places providing facilities for physical exercise, except dancing.

EFFECTIVE DATE: The Act provides that it shall take effect on the first day of the first calendar quarter which begins more than sixty days after the date on which it was enacted. The effective date of the Act will therefore be January 1, 1959.

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In view of their brevity, the above descriptions should not be relied upon for any action clubs may take in consequence of the passage of the Act. For this purpose, clubs should obtain the advice of their own counsel based on their study of the Act and the related Congressional reports. Regulations of the Bureau of Internal Revenue are not expected for some time.