USGA Warns of Tax Liability Arising from Calcutta Pools

According to the USGA, the Internal Revenue Service has been active recently in enforcing federal tax laws involving Calcutta pools.

Two IRS agents appeared at one club just before a Calcutta pool was to be conducted and advised the club it would have to buy a federal gambling stamp if the event were staged. It was further stipulated that 10 per cent of the pool proceeds would have to be turned over to the government. The club decided to buy the stamp, hold the Calcutta and pay the government 10 per cent of the pool.

Two days later the agents returned to the club and asked for 10 per cent on Calcuttas held in the last five years, a period not barred by the statute of limitations. The club eventually agreed to settle the retroactive assessment for $5,000.

Sponsored by Individuals

In another case, after a Calcutta was sponsored by certain individuals, the IRS agents insisted on being provided with the names of participants and amounts won, the latter being subject to income tax. The club was informed that if it had conducted the Calcutta it would have been liable for a 10 per cent tax on receipts, and its exemption from the federal income tax would have been jeopardized.

Expectancy of Benefits

The USGA's disapproval of gambling in connection with tournaments is well known. From time to time it has inveighed against the practice. Three years ago, its general counsel, Philip H. Strubing, pointed out the tax liabilities incurred through the staging of Calcuttas in an opinion sent to USGA member clubs. In it, Strubing emphasized that even if a club doesn't retain any portion of a pool, IRS has ruled that there is an "expectancy of other benefits" such as advertising the establishment or increasing attendance at a tournament in which there are charges for admission. The government says expectancy of indirect benefits constitutes "profit" for purposes of the wagering tax.