could be eligible in the plan.

Private clubs have been excluded from the program since Baldwin fears the hassles his firm might have dealing with member-owned facilities.

Although many clubs have shown interest in the project, the first delivery of ballwashers won't be until October. Teemaster does not install the washers, but does do some of the maintenance chores over the span of the 36 months a club has the units.

According to Baldwin, the 18 washers are valued at $2,000 for the set. The washers are cast aluminum, double the thickness of metal which will support a mobile home unit.

As far as finding the advertising prospects to support the program, Baldwin is still waiting to get major companies involved.

CLUBS AND TAXES

Maryland laws tax patience, pockets

Clubs in Maryland and Florida are finding it just as hard to keep their tax breaks as it was to get them.

How do tax breaks work? Simple. Clubs are assessed at a lower value and taxed less. How do clubs qualify? That answer is not so simple, since it involves decisions from state and county levels.

Through such decisions some clubs stand to lose breaks currently saving them thousands of dollars annually.

Attorney General of Maryland Francis Burch must determine whether or not some country clubs in his state should be given an "open space" tax cut provided for in a 1966 state law. A 1974 amendment to the bill added anti-discrimination stipulations and left to him the job of deciding who should get the break.

The story started 10 years ago when supporters of a "differential real estate tax assessment" law (including the Lieutenant Governor of Maryland, Blair Lee III, who was then a lobbyist) got their bill passed by the Maryland General Assembly. The law allows clubs to have land assessed at "use value" instead of "market value," thus placing tax value at real estate worth as it is being used, rather than what it would sell for on the open market. The law is designed to protect "open space." Clubs taking advantage of it sign a 10-year

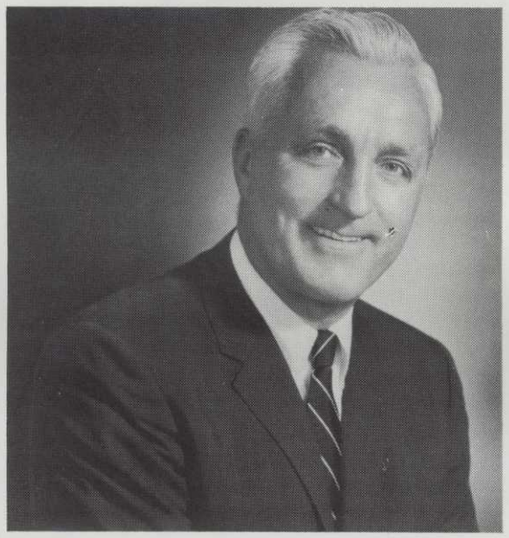
agreement promising to keep the land undeveloped for that period of time. At the end of that time, the agreement can be renewed.

Sources told GOLF BUSINESS proximity to the Capital influenced assessment of club real estate worth. The method utilized a circle drawn around Washington, D. C.. The closer a club was to the center of the circle, the greater was its tax value. Although assessment was adjusted according to each club's size and location, failure to adjust the assessment in relation to the rising market value of land has saved the clubs more tax dollars each year. For example, 20 clubs in Montgomery county were assessed at 54.7 percent of the fair market value when most of them signed agreements in 1966. By 1975, they were assessed at 28.3 percent of market value, because assessments were virtually the same as they were at the beginning of the agreements although land values had almost doubled.

There are 25 country clubs in Montgomery and Prince George's counties who own about 5,000 acres altogether and combined save more than $638,000 through the break annually. One of the big beneficiaries is the Chevy chase Club, which saves almost $80,000 a year. Others include the Burning Tree Club ($47,598) and Congressional Country Club ($35,466), both outside Bethesda. Burning Tree is a favorite course of President Gerald Ford and Chief Justice Warren Burger. The Congressional Club hosts many government officials and legislators.

A 1974 amendment to the law proved to be a fly in the ointment for those three clubs and others. It stated, effective July 1, 1975, any club that withheld membership or guest privileges from anyone because of race, creed, color, sex, or national origin forfeited its right to tax relief. Another amendment diluted the sex bias provision, allowing the break to clubs operated to benefit members of a particular sex.

In accordance with the law, the attorney general's office began an investigation to determine if clubs receiving the tax break qualified under the new amendment. In May of 1975, Burch's office sent out what Jon F. Oster, deputy attorney general, called a "very sophisticated and detailed questionnaire" to about 80 clubs in the state. The following January after clubs had responded to the five-page, 32-item survey, the attorney general found 22 clubs had not answered the questionnaire adequately enough to qualify for the tax break. The 22 clubs were then notified they must produce evidence to prove they are not discriminatory in their practices. The



Maryland Attorney General Burch: caught up in tax controversy.

attorney general will serve a cease-and-desist order to any club found discriminating, and if the order is not obeyed the club will lose its special tax status.

Three of the 22 clubs were quickly lopped off the list, with two providing sufficient evidence to clear themselves of any question of discrimination and one relinquishing its right to the tax break. Said Oster, "Of the 19 clubs, there are a number which I think will have to alter their guest and membership policies somewhat, if they are going to continue to receive this tax privilege."

Hearings constitute a large part of the investigation. Each club is called in by the attorney general to account for membership procedures and guest policies and asked to produce evidence to substantiate compliance with the amendment.

An element making the investigation slow and frustrating for the attorney general's office is its lack of power. According to Oster, "When the legislature gave this responsibility to the attorney general's office, it nowhere provided the office with subpoena powers to permit it to make its determination." The fact some clubs refuse to provide membership lists and pertinent data his office cannot subpoena has led Ward Coe, assistant attorney general representing the

Department of Assessments and Taxation, to "assume the worst" — obvious discrimination - in the case of those clubs which appear to be uncooperative.

Some clubs have labeled the examination of membership lists an unconstitutional invasion of privacy and denounce presumptions made because of their refusal to provide those lists.

Thomas Washburne, lawyer for the Green Spring Valley Hunt Club, said, "It would be most unfair to draw an adverse inference where the club is only seeking to protect the privacy of its members."

The very basis for the investigation has been criticized also. Most investigative actions are based on charges or allegations, but the attorney general's office has reported no known instances of discrimination or official complaints from victims of discriminatory practices. Results of the questionnaires and records the clubs choose to present are the only basis the attorney general has to work from. Some club officials consider that evidence too superficial to base accusations on, let alone make a judgment from. A precise definition of discriminatory practices, or rather lack of one, was another criticism of the amendment and investigation. Then there are those who resent hanving a real estate tax cut modified by an amendment that deals more with non-real estate specifications.

Some club spokesmen were almost oblivious to the matter, saying if their club lost the tax break then higher dues would subsidize additional costs, maintaining that members would rather pay more if it meant retaining control over choice of members.

"No comment" was probably the most widely heard opinion of club officials, but others were quite vocal in expressing their view of the law itself.

Blasting the differential assessment law, Richard Cohen, columnist for ***The Washington Post.*** recently wrote, "For most people, the clubs represent open space for those who can afford to join and have the proper blood lines for membership. . . . For the people of the state to be forced to subsidize clubs only the rich can join . . . is absurd."

Frank Ecker, Montgomery County public advocate for assessments and taxation, calls the tax break a "form of subsidization." He and others pushed a recent bill in the Maryland General Assembly to raise use assessments to 50 percent of fair market value. Current use value is about 28 percent of market value. The bill died in the House Ways and Means Committee without a vote.

David E. Betts, an attorney for the Montgomery clubs, called the 50 percent minimum, with no maximum mark, "slightly ridiculous" and said it would be a "very great hardship to hit them all at once. I don't think it would be unfair to bring it up to 50 percent, but don't do it tomorrow."

Branch Chief of the Chief Counsel in the IRS, George Jelly, who is also a club president, explained how much a club that breaks its agreement is required to pay in back taxes. He told GOLF BUSINESS the difference between the regular taxes and the differential assessment tax a club pays is called the "escape tax," the added amount a club would have to pay without the break. Jelly said the Maryland State Department of Assessment and Taxation requires payment of three years of escape taxes if a club breaks an agreement under the tax law. A penalty can be placed on the club for three years after an agreement expires if terms are broken.

Jelly is president of Lakewood Country Club in Rockville, Md. Until recently his club leased its land and took advantage of the tax cut. It decided to buy 15 of the 20 acres it had been leasing and give up the other five acres. When it did so, it violated the tax law agreement, and the state recovered the escape taxes for the past three years on the five acres.

The Maryland attorney general's office and Jelly both agreed that revocation of the break (as in the case of clubs that lose it because of non-conformity to the anti-discrimination amendment) would result in no penalty except immediate loss of the tax privilege.

As factions start to take sides on the tax law issue, it seems the main arguments are not against the law but against its lack of lucidity. Clear cut qualifications, as in the Florida case, would make application for tax relief an easier and less painful process, some maintain. A definite annual formula to determine "use value" in relation to "market value" at a fair rate is the basis for attack on the laws by others. And there is definite confusion when interpreters of the Maryland differential assessment law (and probably those in other states) try to figure penalties involved in deviation from the 10-year agreements.

Aside from the law, there is controversy over anti-discrimination qualifications. Where tax relief is available, there is a strong argument from those who say if the state helps pay a club's taxes, then any citizen of the state should be able to join that club. Such legislation must travel a narrow path if it is also to protect clubs that wish to maintain their character and personality by reserving the right to choose its members. Critics say there is a need for explicit definitions of discriminatory practices, as well as exact procedures for ascertaining violators.