Golf Club Taxes Get Another Boost

CONTRARY to the general government policy of tax reduction, part of the Revenue Act of 1928 affecting golf club dues is more drastic in its demands from golf club members than was the act of 1926, against which so many of the officials of clubs protested.

That these protests were not only overruled but were followed by increased taxation must be somewhat of a mystery to club members whose practices and policies are for just taxation and against tax dodging. General announcement of the material changes made in Section 501, Revenue Act of 1926, as these changes are embraced in Section 413 of the Revenue Act of 1928, coming about at the time when so many active members of golf clubs are being solicited for campaign contributions, and when one of the national committees publicly appeals to golf clubs to close on election day, thickens the bewilderment.

In the 1926 Act the tax on dues and assessments exempted those "active resirent annual members" whose dues and assessments were not in excess of $10 a year. This year's act puts the deadline at $25 a year. This insignificant concession in total revenue comes right at a place where the fewest number of golf club members are effected and in comparison with the total golf club national tax outlay which may be safely said, on the present basis, to be several times too high, is meaningless even to those making the customary grandstand play for the votes of the "common peepul."

The 1928 Act defines dues and assessments subject to taxation in a manner that leaves no leeway. Assessments for capital expenditures now are taxable, as are amounts paid as "initiation fees" for shares of stock, promissory notes or transferable certificates representing an interest in the property and assets of the club.

A Tax on Taxes

Golf club dues in reality are the club's own tax on their members for belonging to the clubs. Seldom do these dues suffice in the metropolitan districts to do much more than handle the carrying charges, and when something's left over, do a bit toward paying the "readiness to serve" cost demands of course and clubhouse. Then come the assessments which are virtually additional taxes on the members for the privilege of belonging to a going social and quasi-family establishment, to be followed by the crowning government tax on those who happen to select a golf club for enjoying a certain part of life, liberty and the pursuit of happiness.

In Section 413 of the Revenue Act of 1928 there is only a mirage, and a very tiny one at that, for those who entertain hope of bringing down the cost of golf to any golfers. It is obvious that the golf club quest of reason in taxation must continue vigorously until the logic, fairness and force of the golfer's position receives fitting consideration and favorable action.

A bulletin from the office of the Collector of Internal Revenue at Chicago tells of the golf club details in the Act of 1928 as follows:

Section 413 of the Revenue Act of

Salient details of the section of the 1928 Revenue Act affecting golf club members are given here and followed by the comment of one of the country's well known golf club presidents.

It seems strange that golf clubs never have been able to get anywhere in securing tax relief from the government but we understand that the U. S. G. A. now is preparing to act strenuously in behalf of the golf field.

In any campaign for lightening this burden it is up to every golfer in the United States to work vigorously and in co-operation with the agencies that are planning the tax battle.

1928 makes material changes in the tax on club dues and initiation fees imposed by section 501, Revenue Act of 1926. The new law will apply to any payments made by club members on or after June 29, 1928.

The first change to be noted is that dues of social, athletic, or sporting clubs are exempt from tax if the regular members pay dues of $25.00 per year or less. Under the 1926 Act club members were exempt from tax if the dues of active resident annual members were not in excess of $10.00 per year, but under the new Act the tax does not apply to dues if the dues paid by active resident annual members of a club are not in excess of $25.00 per year. If the dues of active resident annual members are in excess of $25.00 per annum, then the tax attaches to the dues of all classes of members, even though some members pay less than $25.00 per annum.

In this connection attention is called to the fact that the 1928 Act specifically defines "dues" as including any assessment, irrespective of the purpose for which made. Under prior Acts the Bureau held in its regulations that special assessments for capital expenditures would not be regarded as dues. Since in the 1928 Act Congress has defined dues to include all assessments for whatever purpose made, assessments for capital expenditures will not be exempt from tax when paid on and after June 29, 1928, provided the sum of the assessments and ordinary dues to be paid by an active resident annual member exceeds $25.00 per year.

Attention is also called to the change in the tax on initiation fees. The 1926 and prior Acts merely taxed amounts paid as "initiation fees" without elaborating on what should be included in that term, and as the result of the decision of the United States Court of Claims in the case of Alliance Country Clubs vs. United States, the Bureau in Treasury Decision 3950 held that amounts paid for shares of stock, bonds, promissory notes or transferable certificates representing an interest in the property and assets of the club were not subject to tax as initiation fees. However, section 413 of the Revenue Act of 1928 not only imposes a tax on initiation fees if they exceed $10.00, or on all initiation fees, regardless of the amount, if the dues of active resident annual members exceed $25.00 per annum, but it also defines initiation fees. Under this Act, the term "initiation fees" includes any amount which an application for membership must pay as a condition precedent to membership. It is not material whether the applicant has any hope or expectation of a return of his payment upon resignation, death, or other circumstances, nor is it material to whom he pays the money. For instance, if an incorporated golf club requires incoming members as a condition precedent to membership to purchase either from it or from others a $100.00 share of stock, the tax attaches to any such payment after June 28, 1928, regardless of the fact that it represents a property interest in the assets of the club. Likewise, if the purchasing of a share of stock in a land-holding corporation is a necessary precedent to membership in a club, the amount paid for such share of stock is taxable.

Life members are not subject to a tax on the amount paid for life membership, but are subject to an annual tax equivalent to the tax payable by active resident annual members on dues or membership fees OTHER THAN ASSESSMENTS, such tax by life members to be paid at the time for payment of dues by active resident annual members.

How Long Is Cry for Tax Justice to Be in Vain?

By B. T. B.

HAVING been connected with three golf clubs for the past eighteen years, during which period the writer has given considerable time assisting in the business operations of these clubs, the various tax problems have attracted my attention, and I am wondering whether or not such data as you could obtain from other club executives might not be of interest to the individual members and the various district associations.

Naturally the government tax situation affects not only golf clubs but city clubs, and I believe it is about time for club