

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

members to have an up-to-date revision of club tax legislation.

Forgetting entirely the number of city clubs, which we can estimate as being about twenty-five times greater than the number of golf clubs in the United States, the following figures, which I believe to be conservative, will show an unbelievable amount of cash is being paid by golf players. The amount, in my mind, is being collected without real justification or in fairness to those men who play golf for the health-building qualities of this recreation.

In the metropolitan districts east of the Mississippi river we find not less than 180,000 members of private clubs where the government taxation on initiations averages \$150.00 per membership. The government, then, has collected \$27,000,000 in taxes from these men and in addition the government continues to collect one-tenth of this amount, or \$2,700,000, yearly, because each club has an average turnover of 10 per cent each year.

Outside of these metropolitan areas we find more than 800,000 members of private clubs who have paid an average of \$50.00 tax on their initiation, making a total of \$40,000,000. Due to the 10 per cent turnover in membership the government is collecting an additional \$4,000,000 per year.

Up to this point we have said nothing about dues. In these metropolitan areas the same 180,000 members pay an average of \$175 each, or \$3,150,000, and outside of the metropolitan areas 800,000 men pay \$8,000,000 yearly for the privilege of helping to support their club by the payment of dues on which this tax is levied.

The above figures show, then, that our government has collected \$67,000,000 from the men who join private golf clubs, and this figure will be found to be perhaps \$7,000,000 or \$8,000,000 low if a check is made of the golf clubs in our country. After collecting this \$67,000,000 the government is charging us \$6,700,000 yearly for initiation tax and over \$11,000,000 annual tax on dues.

I am wondering now just how much this interests the U. S. G. A., the Western, and the various district golf associations. Is it not reasonable to believe that our two million private golf club members, and the million and a half daily-fee golf players would be interested in putting forth some effort to induce our senators and congressmen to see the light and have the government

tax eliminated from both initiation fees and dues?

This, of course, is only one angle to the tax situation as affecting golf clubs, inasmuch as the board of directors of every golf club knows that as soon as their club has made itself felt in their particular district, the state tax body and the real estate assessor proceed to remove that club's property from the farm tax class and after estimating as high as they can on the cost of the improvements insist that the club pay anywhere from \$1,800 to \$3,000 yearly tax. Following this the city officials become interested in having the club property annexed to the nearest city or town, that they in turn may boost values and have that particular club give a share of these taxes to the town. This, of course, means an increase in taxes as well as valuation because it is supposed to cover fire and police protection, high school and grade school taxes.

To the writer it sometimes appears that those men outside of golf clubs are inclined to believe that these clubs are "miniature mints" from which money may be extracted at will. Every politician of any consequence looks to the golf clubs and their members for financial assistance, and always gets it because at least 25 per cent of the club membership are outstanding, influential men of the community with the interest of their city and state uppermost in their minds.

## Pick Pro Shop Goods That Move

EVERY pro knows how he can get stuck with dead stocks of merchandise by loading up on products that are not in popular demand or not well enough known to create buyers' confidence to the extent of setting the stage properly for a sale.

In connection with this peril it is well to heed the advice of C. J. Whipple, president of Hibbard, Spencer & Bartlett company, one of the biggest sporting goods jobbers in the United States. He believes that to job sporting goods successfully, 80% of the stock should be in demand. He says: "We would prefer to be overcharged on lines that have a good demand rather than to secure keen concessions on merchandise which we will have difficulty in moving. Knowing what the public wants and how much it will take is a quality that comes only with experience and constant research."