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# Golfdom

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## U. S. G. A. MARSHALS FORCES TO Urge 10% Tax Repeal AS NEW YEAR GIFT TO CLUBS

IN an effort to bring about the repeal of the present revenue tax on club dues and initiation fees, the U. S. G. A. is seeking the co-operation of all social, athletic and sporting clubs. John G. Jackson, general counsel of the association, has conferred with officials of the Treasury Department at Washington recently and it is probable the U. S. G. A. will sponsor an amendment to the 1928 revenue act for the repeal of the tax.

A bulletin sent out by the U. S. G. A. on November 19 gives an interesting picture of the present discrimination against clubs. It reads, in part, as follows.

"The Federal Revenue Act of 1928 continued in effect the war tax of 10 per cent on dues and initiation fees to social, athletic and sporting clubs and added a new war tax which had not theretofore been in force, to-wit, a tax equal to 10 per cent of any amount paid as the purchase price of shares of stock, bonds or other securities, ownership of which is a condition precedent to membership, *irrespective of the person to whom the payment is made.* Thus, if a golf club is organized and financed by the sale of shares of stock to the members a tax of 10 per cent of the cost of these shares must be paid to the federal government. If, as usual, ownership of a share of stock is required in order to qualify for membership, then when a resigning member sells his stock to an incoming member the latter must again pay to the federal government 10 per cent of the purchase price as a tax. It follows that if a complete turn-over in club memberships occurs in ten years the federal government will have received in that space of time taxes equal in amount to

the total cost of buying and building the club properties. This feature of the Act is particularly oppressive and burdensome. Moreover the statute results in discrimination between old clubs which have completed their permanent financing before the tax was put in effect and new clubs being presently formed and which have not completed their financing. Instances of hardship resulting from the added tax which have come to the attention of the United States Golf Association are, for example, a club which assessed each of the members to pay off its capital indebtedness secured by a mortgage. A tax of 10 per cent had to be paid on this assessment. In another case a club had sold \$50,000 of 5 per cent bonds for the construction of a course and club house. 250 members paid dues of \$100 each upon which the federal tax is \$2,500, the exact amount of the bond interest. In 1929, the club defaulted on its bond interest which it could have paid had it not been for the tax. This default resulted in serious injury to the club's credit. Instances of this kind can doubtless be multiplied and the Association requests it be advised of further cases where hardship has resulted from the imposition of the tax.

"It is the belief of the Executive committee of the U. S. G. A. that the entire tax on athletic and sporting clubs is fundamentally wrong in principle and that it would be a better policy on the part of the government to promote rather than to tax health-giving outdoor sports. The old objection to the removal of this tax, that golf is a rich man's game, would certainly not be advanced at this time by anyone at all familiar with the development of golf in this country.

"At the last regular Congress when the

revenue act was under consideration, the association endeavored to secure the elimination of this tax on dues and initiation fees. The chairman of the finance committee of the Senate and other members of that committee were consulted and letters were sent to certain senators and representatives urging favorable action. These efforts at one time promised success but in the end the tax was continued with the added burden referred to above. This is sent in the hope of obtaining the co-operation of all member clubs of the U. S. G. A. and of sectional, state and district golf associations in urging their representatives and senators to bring about a repeal of this tax and this association earnestly urges that each such Club and Association and the members thereof use every effort toward this end by sending letters and telegrams urging the repeal of the Act at the coming session of Congress. As Congress convenes on December 2, prompt action is essential. The Association would greatly appreciate receiving copies of all such letters and telegrams so sent and any replies that may be received."

## Pleads to Congressman for Club Tax Relief

GOLF continues to suffer from the old idea that it is exclusively a rich man's game. Apparently the erroneous impression persists in Congress without any correction for it has been for some time that golf clubs have sought tax relief in vain.

The case of the smaller club is presented convincingly in a letter Henry P. Smith, president of the Spring Lake C. C., Waco, Tex., has written to John N. Garner, representative from Mr. Smith's district. If other club officials would go after their members in Congress in the same manner and keep after them, possibly there would be favorable action taken. Nothing effective has been done to date but there have been signs to indicate that a continuation and strengthening of the golf clubs' representation might get the necessary help.

Mr. Smith writes Representative Garner:

"My dear Mr. Garner:

It is with a considerable amount of interest and gratification that your con-

stituents and the citizenship of Texas note your activities in the direction of reducing federal taxes, to the extent of \$300,000,000 to \$400,000,000.

There is one particular matter in this connection in which the writer is distinctly interested, namely, the last of the nuisance taxes of ten per cent on club dues in excess of \$25 per annum.

As an instance, I would point out to you the Spring Lake Country Club of Waco, Texas, which provides healthful recreation for our citizenship, not limited to the well-to-do class, but to all those in moderate circumstances who desire to participate in these healthful activities.

In order to provide facilities such as a clubhouse, grounds, etc., it was necessary to sell approximately \$50,000 bonds, carrying the moderate rate of 5%. This amounts annually to approximately \$2,500. And, based upon 250 members at \$100 per annum, the Federal Tax of 10% is equivalent to \$2,500, the amount of our bond interest.

This year we were unable to pay the bond interest, but if we had had the 10% that the government takes from us, perhaps we could have done so. Our failure to pay the interest on these bonds has injured severely the club's credit, and has made it very difficult for the institution to meet its current obligations.

I believe that this is typical of many of these clubs all over the country, the majority of them struggling to keep their heads above water financially; and it certainly would be a very great misfortune if they had to discontinue operations.

There must be, and unquestionably are, many sources or bases for taxation that would provide this great government with ample funds without going to the length of taxing healthful out-door sports, athletic institutions, etc., like the golf clubs and other clubs throughout the country.

Anything that you can do in the direction of removing this iniquitous and unreasonable nuisance tax would be tremendously appreciated by thousands of members of clubs throughout the country.

With best wishes for you and your party's success in reducing corporation taxes, as well as the comparatively insignificant tax above referred to, I remain,

Yours truly,  
HENRY P. SMITH, President.

# NOW....

what is your club going to do—take prompt action, properly directed, or risk continuance of the 10% tax?