

## Tax Is Unfair on Golf Clubs

By BERNARD T. DUFFY, Jr.\*

**W**HY should the United States Government take \$40,000 or more when a new golf club is formed?

Why should the metropolitan clubs of this District pay the government an average operating tax of \$6,000?

Why should the government exact a larger amount if the club owns its property outright and a much smaller amount if it leases its property or borrows outside its membership?

There is no answer. There is merely the fact.

In drafting the present revenue law the Senate Finance Committee and the administration established a 10 per cent tax on initiation fees and club dues in excess of \$25 per annum and in Section 412-D defined dues as including "any assessment irrespective of the purpose for which it is made" and continued "the term initiation fees includes any payment, contribution, or loan required as a condition precedent to membership, whether or not any such payment, contribution or loan is evidenced by a certificate of interest or indebtedness, or share of stock and irrespective of the person or organization to whom paid, contributed or loaned."

These provisions were included in an act entitled "An Act to Reduce and Equalize Taxation" after the House Ways and Means Committee had provided a 5 per cent tax on dues and operating assessments only.

This law represents an outstanding attempt on the part of the Federal Government to tax real and personal property as such by an indirect method. That Congress has seen fit to lay down an arbitrary definition of the phrases "initiation fees" and "assessments" does not alter the real fact that a club owned by its members is nothing more nor less than a co-operative enterprise, the ownership of which is distributed among the members in shares. These shares represent the investment in land, buildings, golf course, equipment, furnishings and necessary working capital.

The fact that shares are issued and later pass from the resigning member to an incoming member means nothing to the club except that its personnel has been enlarged or changed in part. Certainly, no income is realized by anyone unless the member



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receives upon resignation a price greater than he paid; in that event he is bound to report the profit so obtained in his personal income tax return without reference to the section quoted.

So too, the making of a loan, the purchase of a bond, or the payment of capital assessments can be nothing more in fact than a transfer of capital assets by the members individually to themselves collectively.

Dues and operating assessments are nothing more nor less than an apportionment of the expense of maintaining and operating a club. The money so obtained is applied to the payment of taxes, interest, labor and repairs. Supplies, food, machinery and fertilizer are purchased and the process is exactly that of running one's household on an allowance. It is manifestly impossible to realize an income or profit from the payment of these dues because the members are paying to themselves and any surplus is either an anticipation of future expenses or an application to capital.

Little objection was made to the old law because of its limited effect but under this law and with the organization of a metropolitan golf club involving the investment of an amount usually exceeding half a million dollars, the tax becomes prohibitive.

First, about one hundred and fifty acres of land must be obtained at a price usually exceeding \$1,000 an acre. The golf course must be constructed and equipped, which involves upwards of another hundred thousand. Then there are such items as club house, water supply, sewage disposal, garages, barns, sheds, roadways, power and light lines, furnishings, equipment, grading, landscaping, commissions and a multitude of miscellaneous items which is astonishing. A tax on the money invested in these items is certainly a tax upon property.

The club being established, it is found that annual dues of forty to fifty thousand dollars are necessary to operate it; then the members die or resign and are replaced by others and a transfer of about twenty shares a year is necessary in these instances. With family playing fees and special items, it is not surprising to find 10 per cent tax applying to more than sixty thousand dollars a year in nearly all of our clubs. And this is a tax upon expense, not income.

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*The Business Journal of Golf*

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area within the Cleveland District, and after due allowance for lesser capital requirements and costs in the associate clubs, it is probable that the government is exacting about \$250,000 per annum from golfers within the boundaries of the District alone and without taxes upon the organization of new clubs.

Why?

It is not possible that our law makers consider golf a vice that deserves such a penalty as this. Surely they must be cognizant of the tremendous development of interest in the game during the last two decades and that is at least some indication of merit. If they know golf at all, they must know that it offers the only means of outdoor recreation that has sufficient appeal to bring out both the old and young in great numbers; that it has had probably the greatest influence in transforming our nation from one which watched others exercise to one which participates in its exercise and finds recreation, benefit and health in the playing.

The fact is that these gentlemen want money and they have disregarded the mere questions of double taxation, logic and justice. That there is no income here but merely invested capital and expense is not a major consideration with them. Their thought is that any club member is able to pay so long as he remains a member regardless of what other taxes he may pay, and, as an individual, his irritation isn't going to amount to much anyway. As for clubs, they are merely collecting agencies whose officers are not paid for their work and there is little chance of trouble there.

Good practical politics that!

Whether or not this governmental action towards confining private club golf to the wealthy alone will hold water or not, is a question for the clubs' counsel and the courts but quick relief and perhaps the most certain is by action of the next Congress.

The present bill did not have the easiest sledding. After the House Ways and Means Committee had provided the 5 per cent rate by a vote of 16 to 1, Senator Smoot, Chairman of the Senate Finance Committee, in referring to this tax, stated that he "would like to get rid of all the nuisance taxes" but Secretary Mellon interested himself and the 10 per cent rate and definition previously given carried in the Senate Committee by one vote, was included in the bill and so approved by both houses as the bill was rushed through.

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Perhaps we have ourselves to blame in that our efforts were not sufficiently widespread and timely. If that is the case, club officers and members may well afford the effort of a letter to each of their Senators and Representatives before the next session of Congress convenes and certainly the frankest expression of opinion can't hurt us much.

Of course, we are good Americans and good Americans do not call their Senators or Representatives to account for "good practical politics." Still we have been crowded a little here; another quarter of a million on top of the rest of the tax levied in this District is a little burdensome; so, even if we don't consider the matter before we cast our votes in November, a nice gentlemanly little note from each of us to these legislators before the next session of Congress may save us some money.

Perhaps the squeaking wheel does get the first attention after all. Well why not squeak—Loud?

*\*In Cleveland District Golfer.*

## How We Ward Off Winter Damage

By C. A. TREGILLUS

*Supt., Mill Road Farm Golf Course, Everett, Ill.*

FEAR of "winter kill" seems to be the ever recurring "fly in the greenkeepers' Christmas ointment." So much depends upon favorable weather conditions, suitable snow fall and so on that it is practically impossible to undertake preventive measures against all the possibilities or even probabilities of turf loss.

Fortunately at Mill Road Farm the greens are sufficiently undulating to assure fairly efficient surface drainage during the winter. This is a great help since I have found throughout my experience that much turf is lost annually as the result of water flooding the putting surface, either held in natural pockets or penned up by snow and ice. Most of this drainage occurs, I think after this water has frozen and commences to thaw out on sunny days, causing a sudden and abnormal rise in temperature at the surface

In spite of the fact that the water does

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