

Congressional Adopts New Plan for Membership

Congressional CC of Washington, D.C., which like many private golf clubs has had to depend upon revenues that come from renting its facilities to outside organizations to avoid operating at a deficit, has adopted a new membership plan which is expected to make the club completely self sustaining without dependence upon rental income.

The plan, introduced by W. Theodore Pierson, club treas., retains the minimum charge but keeps it on a voluntary basis so that it is not taxable. When the plan was submitted to the Internal Revenue Service for an opinion on possible tax provisions, the tax ruling division of that department assured the Congressional board that as long as members are not required to spend a minimum amount at the club each year for food, liquor, etc., as a condition of membership, the customary 20 per cent Federal dues tax does not apply.

Becomes Effective Nov. 1

The new plan was adopted in December by Congressional members but will not go into effect until next Nov. 1.

Here is how it works:

A member who, for example, spends \$540 a year for food, liquor, golf and tennis equipment and accessories and other items, in addition to regular dues of \$260 (total \$800) is classed as a resident member and is not subject to an increased amount of dues. (The \$800 figure, Congressional officials point out, is not an arbitrary one. If an average total of \$700 were paid in during the year by the member and no operating deficit was incurred by the club, no additional dues would be charged.)

If, however, a member spends less than \$540, which is necessary according to estimates, to profitably operate all Club facilities, plus dues of \$260, for a total of less than \$800, he is classified as a resident member-sustaining and is subject to increased dues if the club incurs a deficit.

Total dues in the latter case would be

not less than \$300 nor more than \$420 per year, or an additional dues charge of from \$40 to \$160 over the established figure.

Acceptance Must Be Voluntary

The Internal Revenue Service ruling made it very plain that a club cannot arbitrarily charge a member a flat minimum without expecting to pay a 20 per cent tax on the total charge. If Congressional, for example, were to insist that a member spend at least \$540 a year in addition to dues, the government could legally collect \$108 in taxes. This, of course, would be in addition to the \$52 tax on the regular dues of \$260. The entire crux of the matter, so far as the government is concerned, is that the minimum charge must be kept on a voluntary basis.

The Pierson plan was conceived because Congressional has had to depend upon outside revenues, such as are realized from renting its facilities to outsiders for parties, banquets, golf outings, etc., to pay its way. Members and club directors were long agreed that the privacy and exclusive features that are desirable in private club operation were lacking in an arrangement of this kind, but it was only in the last year or so that serious thought was given to changing it.

Regular Patrons Exempted

During the time the situation was being studied it became apparent that it would be unfair to levy added assessments against persons whose patronage of the club was equal to or above the level that each member should maintain in order to keep all facilities operating profitably.

The only alternative was to assess members who made only occasional use of the club and, in effect, did not contribute enough to pay for the stand-by facilities that are constantly kept ready for them.

When the new plan goes into effect in November, Congressional CC will set up its accounting procedures so that at the end of every quarter members will know whether they are being billed at a rate of \$800 a year. Thus, members will know far in advance of the end of the year whether they may have to pay additional dues and can step up their spending accordingly to avoid doing so.

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