

# NCA report

WASHINGTON, D.C.—According to a recent release from the National Club Assn., the following is a review of current legislation.

**New legislation and problems:** The House Ways and Means Committee has been sifting through the comments filed by interested parties on the pending bill (HR 1934), designed to increase the present 5 per cent rule to 15 per cent on outside income.

Informed sources deduce that the Internal Revenue Service is now planning to issue a series of rulings regarding the tax exempt status of clubs, the most important of which will be the restriction of living quarter rentals to permanent residents. A negative IRS ruling is expected for condominiums and cooperative apartment houses, which have sought to organize themselves as private clubs to affect a tax-exempt status.

**Release from wage and price controls:** The National Club Assn. filed last January a special request with the Cost of Living Council, which asked that all

social and recreational clubs be exempt from Phase 4 Economic Stabilization Regulations. As of January 25, the Council exempted "pleasure and recreational clubs" from the regulations, but only those that were "non-commercial and non-profit in nature."

NCA based its request on the following points:

1. That private clubs are organized and operated to serve the recreational needs of the members.
2. That, although they earn their income in a variety of ways, all their charges may be regarded as self-assessed.
3. That the club industry has no inflationary impact upon the nation's economy, and the prices they charge do not go beyond the industry itself.

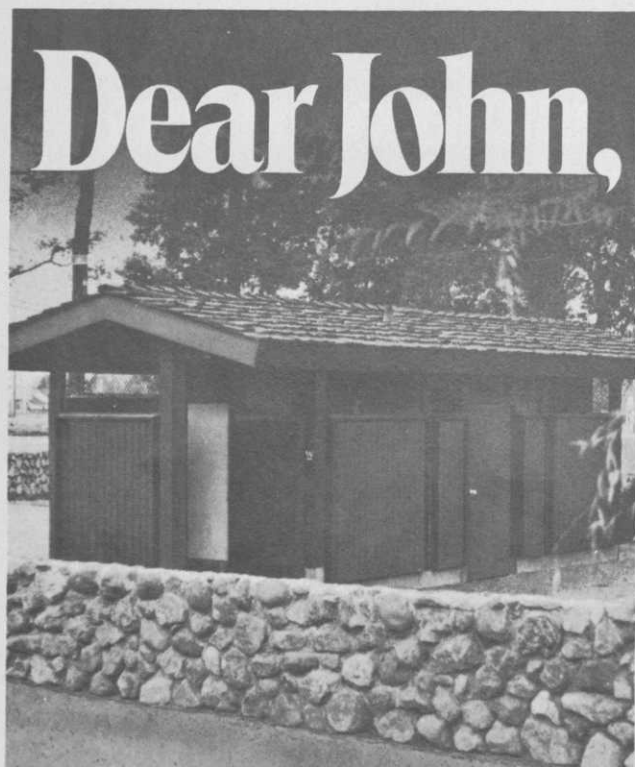
In granting the January 25th exemption, Cost of Living Council noted that dues paid by tax-exempt organizations, which operated on a membership basis, were already exempt from Phase 4 regulations and that many such

organizations were also exempt from economic controls because of their small size. NCA recently filed a supplementary request seeking a similar exemption for proprietary and non-exempt clubs, to which a reply is expected shortly.

Reliable sources predict a reverse in the dilatorious approach the IRS has taken to club problems over the past few years.

**Unrelated business tax regulations:** Experts say that, in redrafting of the Proposed Regulations interpreting the Unrelated Business Income Tax Provisions of the Tax Reform Act of 1969, IRS technicians will seek to tighten up what the new IRS Commissioner considers "the overly munificent benefits to the club industry," contained in the original draft. One of the particular areas of contention was record-keeping, and it appears that in the new draft, these regulations will require more scrupulous attention to this time-consuming necessity.

**Overhead deduction:** There is every indication that many revenue agents will not accept the gross-to-gross allocation method for overhead deductions. □



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