GCSA will entertain their husbands at a theater party in New York on Oct. 17 . . . It's about mid-October before a supt's wife can count on his being free from work in the evening . . . Interesting story in Orange (N.J.) Transcript on development of 15-year old Sandra Paine, winner of N. Y. Women's Metropolitan Junior and New Jersey State Junior championships . . . Joe Albanese and Art Marks are the pros who have taught and encouraged the young lady . . . Her father was captain of a Brown university golf team.

Frank G. Brunner, 89, dean of club managers in the Chicago area, died in Sept. in Hammond, Ind. . . . He was manager of the Flossmoor (Ill.) CC from 1922 until 1943 and then stayed on until 1959 as a consultant . . . Prize money of $5,000 will be offered in the Washingtonian Open, to be played Oct. 20-21 at the Washingtonian Motel & CC, Gaithersburg, Md., where Clarence Doser is pro . . . 18-hole course under construction at Illinois State Normal in Bloomington will be ready next Memorial Day . . . Greens were planted in early

(*Continued on page* 106)

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THE PERFECT FOLLOW-THRU . . . DiFini Originals is proud to announce the consolidation of the Golf Shirt operations of Playpar Sportwear under a new and separate company, known as DiFini Knitwear, Ltd. Under the direct supervision of DiFini Originals, Knitted Shirts and Sweaters for Men and Knitted Shirts and Tailored Blouses for Lady Golfers will be styled under the DiFini Knitwear label. This will enable you to sell coordinated golfwear, backed up by the fine reputation of the DiFini name.

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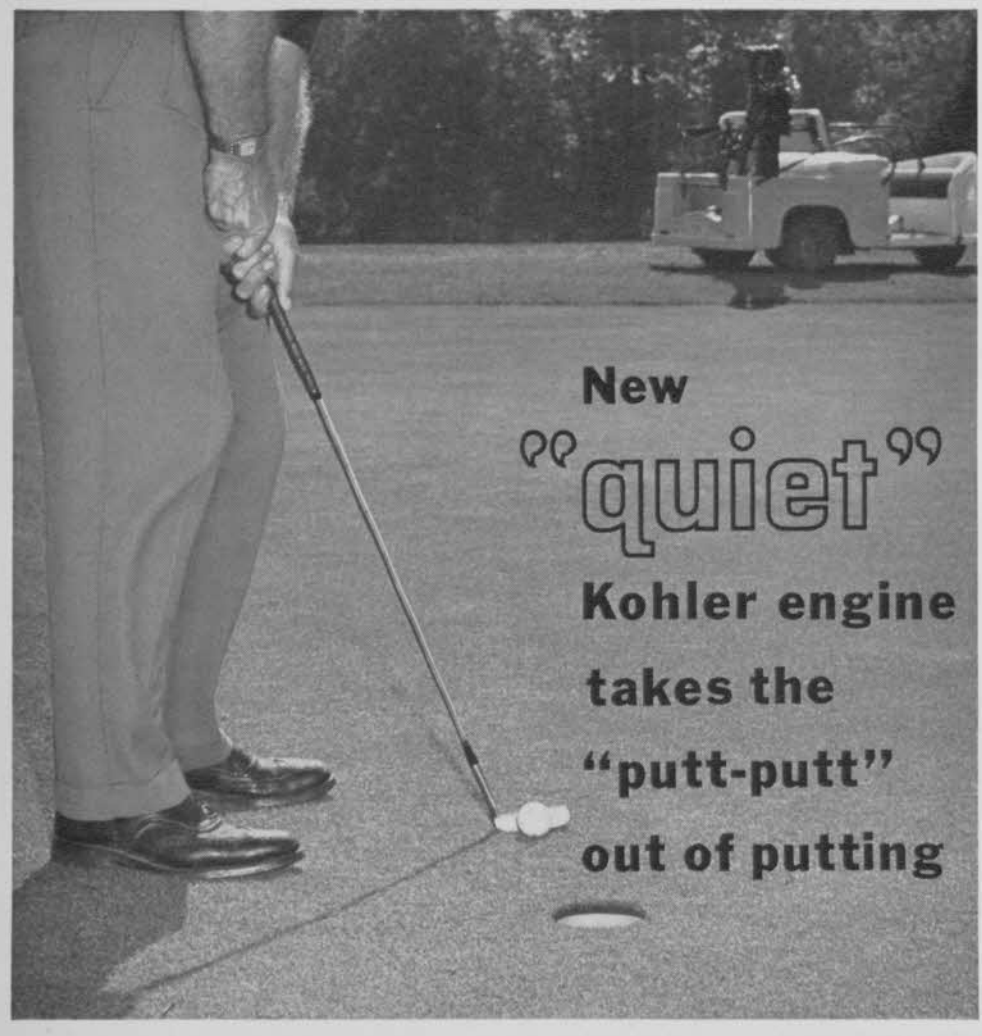

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GOLFDOM
THE BUSINESS MAGAZINE OF GOLF

October

1962

IRS Reverses Dues Ruling, Then Agrees to Tax Refund

Government makes settlement on 20 per cent excise charged Midwestern club on food and drink

A rather prolonged struggle between a Midwestern country club and the internal revenue service over the right of the latter to collect a 20 per cent excise tax on a supplementary dues issue was settled this summer when IRS decided not to contest an action started by the club in a U.S. District Court to reclaim the tax. The revenue service returned more than $1,000 in taxes and interest to the club in what it termed an "administrative settlement".

The basis for the litigation was established in 1959 when directors of the club decided that additional and needed operating income could be realized by charging members supplementary dues if they did not spend $15 per month from April through December on green fees and house charges. The assessment was to amount to the difference between the $15 and the sum actually spent by the member on these items. The 20 per cent excise tax, it was explained, was to be paid only on the extra dues charge.

Before this rule was put in effect, the club asked the internal revenue service if it was correct in assuming that the excise tax did not apply to expenditures for food, drink, etc. since these were, in effect, voluntary. The member had the choice of foregoing them and paying the entire $15 in the form of supplementary dues, if he chose to do so.

Not Subject to Tax

The IRS ruled that if the member paid an amount required by the club for continued membership, the assessment was subject to tax. However, it stated that amounts paid for food and drink are not subject to tax unless the club has a mandatory minimum expenditure rule or by-law covering such items.

A little more than a year after this the IRS reversed itself. It said that after a re-study of the case it had decided that where there is a requirement for a monthly minimum expenditure, whether for food or supplemental dues, or a combination of the two, the amount involved constituted a mandatory minimum charge. Thus, the entire $15 was taxable.

Liability Incurred

In the spring of 1961, members of the Midwestern club approved a resolution suspending the expenditure provision of the club rules (it had been increased to $20 by this time). In view of the recent IRS ruling, though, the club had incurred

Club attorneys contend that assessment can be made on a required contribution but not a required purchase

a tax liability of a little more than $1,000 on the alleged supplementary dues the revenue service said it owed. This was paid under protest.

In the meantime, other clubs in the area, concerned with the revocation of IRS's original ruling, agreed to share the expense of litigation involving the supplemental dues issue.

Actual vs. Threatened Dues

In a brief filed with a U. S. District court, the club argued that an assessment (which it recognized is legally subject to the excise tax) is a required contribution and not a required purchase. The latter, it pointed out, is not taxable. It further contended that the revenue code does not say that the threat of an assessment shall constitute dues, but states that only an actual assessment shall constitute dues. The IRS commissioner, the club declared, was not interpreting the revenue code, but attempting to introduce legislation, something that he doesn't have the power to do.

The club's brief went on to state that the only U.S. Supreme Court decision touching on the subject of dues (White vs. Winchester CC, 315 U.S. 32, 86 L. Ed. 619 (1941) says that a purchase wherein a member receives equivalent value for his money is not considered dues. Dues, the court added, connote a fixed payment for repeated and general use of common club facilities regardless of how often such facilities are used.

In Purchase Category

Minimum charges, the club contended, are clearly in the purchase category; to come under the dues category, a by-law would have to provide that a member be supplied, upon payment of a certain sum, with all the food or drink he desired. He would then be paying for repeated and general use of a club facility rather than paying for an individual item.

After the brief had been filed, the IRS petitioned the Court for dismissal of the action without prejudice, agreeing to refund the tax paid by the club, plus interest, in what it called an administrative settlement.

Dismissal without prejudice, the club's attorneys explained, means that the issue may never be litigated again. However, since the government withdrew and no judgment was made in the case, it is technically possible for the IRS to assess a tax in another or different month and again take the issue into court. No judicial precedent has been set in the district in which the club is located because of the settlement made by IRS.

No Chance for Success

The club's attorneys, in attempting to interpret the reasons for the internal revenue service's request for dismissal of the case, said that the administrative decision to withdraw the tax claim indicates that IRS didn't feel it had a reasonable chance for success in defending an excise tax levied upon monies spent for food and drink under a supplemental dues program. Thus, a District Court judgment was avoided or at least delayed since a similar issue hasn't been litigated elsewhere in the U.S.

The attorneys also speculated that the commissioner of internal revenue wishes to protect his ruling as it now stands relative to minimum spending. If it were held to be erroneous by a U.S. District Court, country clubs throughout the country would be encouraged to disregard the IRS ruling and refuse to pay excise taxes on money actually spent, such as for food and drink, under minimum spending programs.

No Test Judgment

The attorneys concluded that because of the administrative settlement, the club has no right to insist upon a test judgment in the case. The fact that the money was refunded and the internal revenue service asked for dismissal, makes the case a moot issue.

The last previous celebrated tax case that involved a country club came in 1958 when Congressional CC of Washington, D.C. received a ruling from IRS stating that minimum charges to members have to be kept on a voluntary basis if they are to be excise tax free. The Congressional ruling, incidentally, took in minimum charges on food and drink as well as other club services, but apparently it wasn't questioned by the club. This probably was because every effort was made to keep the minimum charge plan on a voluntary basis.

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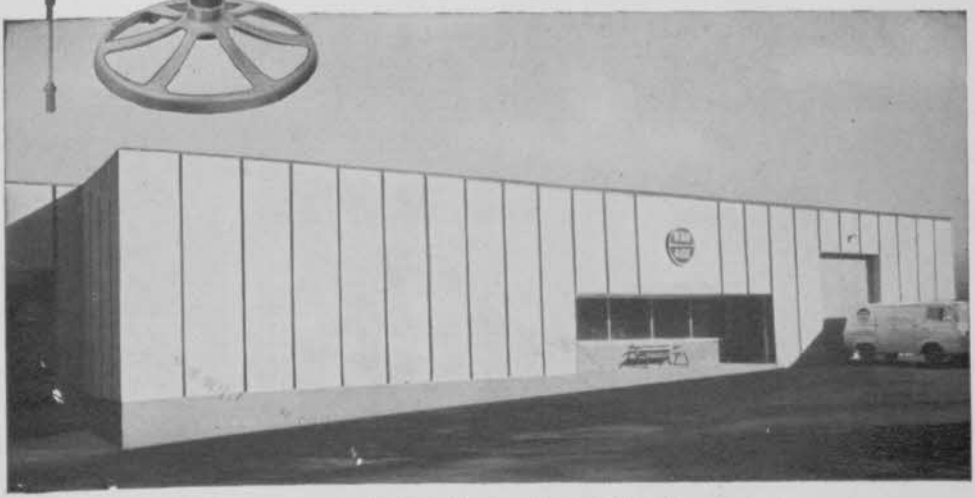

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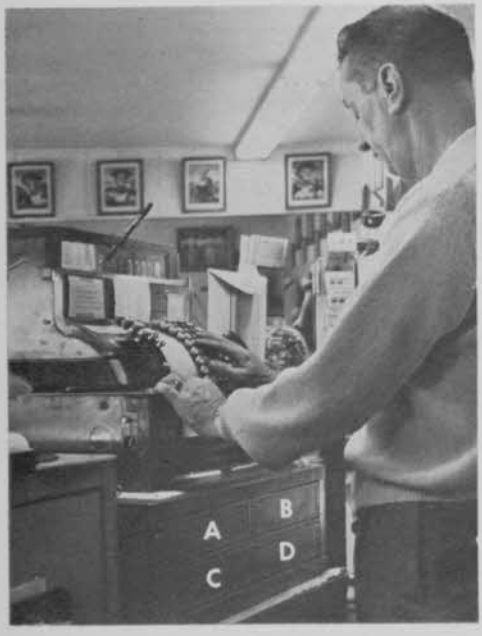
Modernized Record-Keeping

Shop accounting is simplified by cash registers that handle almost everything except making entries in the ledgers

(Above) Price tags are attached to register tapes and totals are checked against each other at Fox Hills in West Los Angeles. (Below) Each assistant working the register at Fox Hills has his own receipts and cash drawer, making him accountable for money taken in on sales.



The volume of play on public courses provides real merchandising opportunities for the pros. With a constant stream of new golfers, the pro who knows his business can operate at a handsome profit. However, to do this, he must be at least as good a merchandiser as he is a golfer.

Two such pros are Harry Bassler of Fox Hills CC, in West Los Angeles, and Don Collett, Coronado CC, Coronado, an island near San Diego. The former is a privately owned public course. Coronado is municipally owned.

Both men share a simple formula for the successful operation of a pro shop:

1. Make certain golfers get all the services they desire.

2. Be available in the shop to answer questions and see that golfers are getting the service that converts them to being customers.

3. Establish a businesslike approach to sales, so every penny of inventory counts with stock which can be readily moved.

Bassler and Collett agree that any successful head pro soon will determine for himself how much time he needs to spend on the course and in the shop. It is a third area — which is critical in determining how profitable the pro's work will be, they agree.

. . . and eases you over fairways with smooth-flowing power. It's the G-N 1140, the battery your electric cars need to go places—quietly, quickly, economically, dependably.

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(Left) Harry Bassler, who has been at Fox Hills since 1939, has set up an excellent system for keeping a running index on shop business. (Right) Register and machine for recording charges, at right, do much to keep chaos out of the selling picture at Don Collett's busy shop at Coronado CC.

Working Business Systems

The two pros have taken similar approaches to establishing working business systems. Both pro shops use Class 6000 multi-total National Cash Registers. Every sales transaction is recorded with these machines.

In each shop, the cash register provides the pro with a detailed listing of all sales at the end of each day. Using its multiple-total capabilities, each machine accumulates separate figures according to seven different merchandise and sales categories. The pros then enter the daily figures on running sales ledgers. Each ledger, in turn, provides a running index of how its shop's business is going. For each pro, the ledger serves as a guide for sales efforts and for the buying of merchandise inventories.

Forwarded to Accountant

The same cash register tapes are forwarded to the public accountants retained by the pros. The accountants use them for the books of the respective businesses, distilling the information to provide each pro with a monthly profit and loss statement. The tapes also are used in dealings with the California board of equalization, the state's sales tax agency.

Although both shops use the same basic accounting plan, the cash register accounting system is flexible enough so that it is easily adapted to the special needs of any user. Therefore, Bassler and Collett have each tailored procedures to their own individual situations.

Handles Large Volume

At Fox Hills, for example, the pro shop has been set up to accommodate high business volumes. The facilities here include two 18-hole courses. Bassler estimates there are as many as 30,000 homes within the immediate vicinity of the club. More to the point, he estimates that the percentage of golfers in this residential area is well above average.

During an average weekday, 400 rounds are played at Fox Hills. Average for weekend and holidays is between 750 and 800. Bassler has done a number of things to take advantage of this volume. Each player must make a telephone reservation at least two days in advance. Upon arrival at the course, the golfer must sign in. Bassler has his shop set up so every player must walk in the front door, pass the main display counter, and then go out the back door.

This traffic gives Bassler an opportunity to help keep in touch with his regular golfers. He reserves most of his time for the shop where contact work pays the best dividends. Harry is usually in the shop.

(*Continued on page* 121)