

This notice was revoked and replaced on May 22, 2000 by Revenue Notice # 00-05. Please see Revenue Notice # 00-05.

Minnesota revenue notice 98-24

Sales and Use Tax - Golf, Country Club, and Athletic Club Memberships; Revocation of Revenue Notice # 94-09

The following position of the Department of Revenue is being stated in response to the Hennepin County District Court case, Edina Country Club v. Commissioner of Revenue, (Hennepin County District Court File No. MC 97-022697) decided August 19, 1998, and the Minnesota Tax Court case, Interlachen Country Club v. Commissioner of Revenue, (Minnesota Tax Court Docket No. 6899) decided September 4, 1998.

General Rule

All one-time initiation fees and periodic membership dues that a member must pay as a precondition to becoming a member of a club or as a condition to remain a member of a club are subject to Minnesota sales tax as sports and athletic membership dues and fees.

Discussion of the Law

Minnesota Statutes, § 297A.01, subdivision 3 (k), provides that for sales tax purposes, a sale includes the granting of membership in a club, association, or other organization if: (1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and (2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members. The charges which are taxable for granting of memberships include both one-time initiation fees and periodic membership dues.

One-time Initiation Fees and Periodic Membership Dues

One-time initiation fees are non-refundable payments required by a club from an individual as a precondition for the individual to initially become a member of the club. Periodic membership dues are periodic payments required as a condition for the member to retain the rights and privileges of membership in a club. Payments are considered periodic if they are regularly due at average intervals not exceeding 12 months.

Charges Not Subject to Sales Tax

If the following charges are not one-time initiation fees or periodic membership dues, they are not subject to sales tax: special assessments to fund capital improvements, redeemable equity contributions, capital surcharges for capital improvements, stock purchase payments, stock transfer fees, or social membership fees.

Revenue Notice # 94-09: Sales Tax - "Golf, Country Club and Athletic Club Memberships", is hereby revoked.

Dated: 14 December 1998

Terese Koenig, Director
Appeals, Legal Services and
Criminal Investigation Division