

Membership Dues & Fees

Notice #08-08

Sales and Use Tax

August 2008



Highlights

➤ *Effective 7/1/2008 the \$150 exemption applicable to membership dues is repealed*

➤ *Dues for membership covering periods after 7/1/2008 are fully taxable*

➤ *Examples of clubs & organizations affected*

➤ *\$150 exemption applies to contract payments made prior to 7/1/2008*

➤ *\$150 exemption does not apply to contract fees billed after 7/1/2008*

INTRODUCTION

This notice is intended to provide taxpayers and the general public with information concerning a change in the sales tax statute pertaining to membership dues and fees to recreation clubs and community service organizations.

Effective July 1, 2008, Public Chapter 1106 (2008) repeals the sales tax exemption applicable to the first \$150 per individual per year in membership dues or fees to recreation clubs or community service organizations. The change applies to dues and fees billed on or after July 1, 2008, for memberships periods occurring on or after July 1, 2008.

DISCUSSION

Tenn. Code Ann. § 67-6-212(a)(1) provides that dues and fees to membership recreation clubs, including fees paid for the use of facilities or services rendered at spas, health clubs or similar facilities, are subject to sales tax. The exemption from sales tax on the first \$150 per member per year in membership dues or fees to recreation clubs or community service organizations has been repealed. Examples of clubs and organizations whose charges for membership dues or fees are now fully taxable include:

Gymnasiums	Exercise salons	Reducing facilities	Riding clubs
Hockey clubs	Soccer clubs	Health clubs/spas	Tennis clubs
Golf clubs	Racquetball	Fitness salons	Baseball clubs
Football clubs	Aviation clubs	Boating/yacht clubs	Bridge clubs
Hunting clubs	Gun clubs	Swimming clubs	Shooting clubs

Billing

Clubs and organizations must collect tax on charges that are billed on or after July 1, 2008, and cover membership periods occurring on or after July 1, 2008. In cases where dues or fees are paid by members according to a membership contract:

- The exemption for the first \$150 of annual membership dues will apply to any dues that are billed prior to July 1, 2008.
- Tax must be collected on all membership dues or fees covering membership periods occurring on or after July 1, 2008 and billed on or after July 1 2008.

➤ *Organizations whose dues are exempt from sales tax*

Organizations exempt from sales tax on membership dues

Organizations that qualify for federal exemption under Internal Revenue Code Sections 501(c)(3), 501(c)(8), or 501(c)(19) and those organizations listed in Major Group 86 of the Standard Industrial Classification Manual of 1987 continue to be fully exempt from sales tax on membership dues and fees. Major Group 86 includes the following types of organizations:

- Professional memberships – bar associations, dental associations, engineering associations, medical associations
- Labor unions
- Civic, social, fraternal-alumni clubs, booster clubs, civic organizations, fraternal lodges, fraternities, sororities, homeowners' organizations, university clubs, veterans organizations, youth associations
- Political organizations
- Religious organizations

Other exemptions

Dues and fees paid to a physical fitness or health club facility that has qualified for and received from the Department of Revenue an authorization for exemption under Tenn. Code Ann. § 67-6-330(a)(17) are not affected by the statute change. These dues and fees continue to be fully exempt. In order to qualify for this exemption, certain criteria must be met as provided in Tenn. Code Ann. § 67-6-330(a)(17).

➤ *Certain qualified health club dues continue to be fully exempt under § 67-6-330(a)(17)*



References:

*PC 1106 § 2 (2008)
T.C.A. 67-6-212
T.C.A. 67-6-330*

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.