



# Guideline

## Sales Tax Clubs and Lodges

*Cory Fong*  
*Tax Commissioner*

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### **Clubroom Facilities, Dining Room, and Bar**

Many fraternal organizations like the Elks, Eagles, Moose, and Knights of Columbus maintain club facilities which include clubrooms, dining facilities, and a bar. If the club maintains a dining room, snack bar or beverage bar, then the club is engaged in a retail activity which requires the club to obtain a North Dakota sales and use tax permit and to charge sales tax on their prepared meals served at their dining facilities and for drinks and snacks served in their bar facilities. Purchases of items which are to be resold in either the dining facilities or the bar, should be purchased under the theory of resale and the club should then charge sales tax on the meals, lunches or drinks which are served through their facilities.

The gross receipts from bar facilities which provide mixed drinks and other alcoholic beverages as well as soft drinks or snack items, are subject to sales tax. The sales tax rate on alcoholic beverages is 7%.

### **Membership Fees or Dues**

Membership fees or dues paid to a health club, community club, fraternal lodge, service club, civic group, religious organization, political party, or similar organization, may or may not entitle the member to the use of amusement or entertainment facilities of a kind that are subject to sales tax when provided by other establishments which furnish such amusement or entertainment to the public. These taxable amusement or entertainment facilities may include a golf course, tennis court, swimming pool, dancehall, bowling alleys, billiard tables, exercise machines, weight lifting equipment, and racquetball courts.

Admissions to places of amusement or entertainment, or to athletic events, including amounts charged for participation in such activities, are taxable. If membership fees or dues entitle a member to free use of these facilities or the use of these facilities at a reduced rate, then all or part of the membership fees or dues may be subject to sales tax.

Any club or organization whose membership fees or dues entitle its members to the use of facilities for amusement, entertainment or athletic events, must allocate a portion of such fees or dues to those activities and must remit sales tax on that portion. Failure to allocate dues between taxable and nontaxable privileges subjects the entire amount of membership fees or dues to North Dakota sales tax.

Example: A country club has annual dues of \$1,500.00. Those annual dues entitle the member to play golf without payment of green fees, and also entitle the member to admission to the clubhouse, locker room and other club facilities. If the membership fee is charged to the member at a flat rate of \$1,500.00, without a proration of the fees charged for the golfing privileges, then North Dakota sales tax must be charged on the entire amount of the dues and must be remitted to the North Dakota Office of State Tax Commissioner.

If, on the other hand, the total annual membership of \$1,500.00 is divided into a club membership fee which merely entitles the member to clubhouse facilities and a separate fee to cover golfing privileges only the portion attributed to golfing is subject to sales tax since this is an admission to an entertainment or athletic event and the receipts from such charges are subject to North Dakota sales tax.

Any club or organization whose membership fees or dues do not entitle the members to the use of any specific amusement or entertainment facilities is not required to prorate their membership receipts since the entire amount is exempt from sales tax.

### **Sponsorship of Amusement, Entertainment, or Athletic Event**

The taxable status of receipts from educational, religious or charitable activities is dependent upon the location of the activity and the distribution of the net proceeds.

Generally, nonprofit fraternal, religious, community or civic groups may sponsor an amusement, entertainment or athletic event without the collection of sales tax as long as all of the “net receipts” are expended for or donated to an educational, religious or charitable purpose. The term “net receipts” refers to the gross receipts minus necessary expenses connected with the sponsorship of the event. However, if these events are held in a “publicly owned” facility such as a civic center, college auditorium, fair grounds or city hall, or if the activity is in direct competition with other taxable activities, the gross sales receipts are taxable to the sponsor regardless of whether or not the net receipts are donated to religious, educational or charitable purposes.

If an event is sponsored by a fraternal or social organization and the net proceeds are merely put into the treasury of the organization, the gross receipts from the event are subject to North Dakota sales tax since the “net receipts” are not being expended solely for or donated to an educational, religious or charitable purpose.

## Purchases for Use by the Organization

Country clubs, lodges, community and civic groups, churches, religious and charitable organizations, political organizations and similar groups making purchases from local suppliers and out-of-state suppliers for use by the club or organization, are subject to North Dakota sales or use tax.

If materials or supplies are purchased from a North Dakota supplier, or from an out-of-state supplier who has a North Dakota sales and use tax permit, the supplier must be advised that North Dakota sales tax should be charged on these purchases. If materials or supplies are purchased from an out-of-state supplier who does not have an obligation to collect and remit North Dakota sales or use tax, or if a North Dakota supplier fails to charge the tax properly, then the organization must account for these purchases and report the total cost of all such purchases on line 4 of the sales and use tax return, covering the period during which such purchases were made. The following is a list of some of the items which are taxable when purchased by any of the above groups for final use.

Trophies	Towels	Playing Cards
Party Decorations	Toilet Tissue	Soap
Chemicals	Janitorial Supplies	Office Supplies
Employee Uniforms	Matches	Rakes
Hand Tools	Insecticides	Shovels
Lawn Mowers	Fertilizer	Grass Seed
First Aid Supplies	Repair Parts	Glassware
	Ashtrays	Furniture

## Games of Chance

Any organization licensed by the North Dakota Attorney General to conduct bingo games pursuant to North Dakota Century Code § 53-06.1-03 must collect and remit sales tax on the furnishing of bingo cards. The furnishing of bingo cards is subject to North Dakota’s general sales and use tax rate of five percent. Any applicable city sales tax should also be added to charges for bingo.

Any organization wishing to conduct games of chance should be aware that they must pay sales or use tax when they purchase bingo equipment, jars, pull tabs, punchboards, raffle tickets, or any other implements of gambling. If these goods are purchased from a North Dakota supplier or an out-of-state supplier who is registered to collect North Dakota sales and use tax, the tax should be paid directly to the supplier. If such equipment is purchased from an out-of-state supplier who is not registered to collect North Dakota sales and use tax, the organization making the purchase is responsible for remitting use tax on the cost of the goods.