



A Message from Ned

Challenging Times for Clubs

Welcome to BFMM's World's Smallest Newsletter™, a quarterly communication that I hope will be a source of useful insights and information to you. This edition will give you some guidance about how to achieve the balance of additional revenue while maintaining your tax exempt status, or for taxable clubs to understand the potential tax liability at year end.

Private clubs are facing difficult times as we navigate our way through a tough economy and uncooperative weather. These combined factors have many Clubs looking to generate revenue beyond the traditional member sources as a way of trying to balance budgets and control costs—all while maintaining the expected high level of service.

I understand that drastic times can call for drastic measures, however, I caution you to be mindful of IRS limitations on non-member revenue. Please reach out to me if I can provide additional information or answer any questions you may have.

See you at the Club,

Ned McCrory, CPA
Principal
Private Club Practice Group
Batchelor, Frechette, McCrory, Michael & Co.

TAX TIPS

- Ensure proper **documents are maintained by the Club** for groups of eight or more and are signed by the member
- Implement a system to **monitor non-member revenue** and **calculate the "15% test"** on a monthly basis
- Realize **investment income is taxable** in excess of the standard \$1,000 deduction



Ned McCrory and Bernadette Dion at the HFTP Annual Convention held in Las Vegas. The pair spoke on 'Important Tax Issues for the Club Controller'.

Tax Concerns for the Club Controller

Return Service Requested

We all know that the ultimate goal is to generate the maximum amount of non-member revenue without jeopardizing the Club's tax exempt status. This is critically important now in light of increased IRS audit scrutiny of this area.

Here are some things to be aware of in the event of an audit:

- Proper documentation of non-member revenue is imperative. If you aren't completing the checklist recommended under IRS Revenue Procedure 71-17, **START NOW!** It's the first thing the IRS agent will request.
- The "Banquet Reservation Book" is the second requested item to determine the outside functions.
- Income generated from reciprocal Clubs is considered non-member income by the IRS.
- Non traditional income (e.g. take out food) is also considered non-member income by the IRS.

Pay attention to these items and you can help your Club achieve the goal of maximizing dollars and maintaining tax exempt status.