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**STATE BOARD OF EQUALIZATION**

July 23, 1969

Attention: Mr.---

Gentlemen:

This is in response to your letter of April 28, 1969, in which you request a ruling as to the taxability of club initiation fees and monthly dues under the following circumstances.

The partnership of Eddie G. Wood and James C. Josephson operates an aircraft dealership which in addition to the use of aircraft for demonstration purposes also uses such aircraft for flight instruction and rental to private pilots. In conjunction with the above operations the partnership has created a "club" whereby pilots may pay an initiation fee of \$25 and a monthly fee of \$10 for which they may rent an airplane at a lesser rate per hour than would be charged to a "non-club member". The initiation fee and monthly dues are used for maintenance of the aircraft.

From the above description it appears that club membership entitles the member only to rental of an aircraft at a reduced rate. There are no other advantages of purchasing a membership. Members of the Club and nonmembers alike are permitted to rent the aircraft; no restrictions are imposed upon the nonmembers. Nonmembers merely must pay a higher rental price than a club member.

The plan described above differs significantly from membership in a true discount house plan in which the membership fees are for the privilege of buying at discount houses, at which a nonmember is not permitted to participate.

Under the above facts, it is our opinion that the initiation fees and monthly dues are directly connected to anticipated rentals and constitute a part of the rental receipts subject to the tax in the same manner as other receipts for the rental of the aircraft.

The initiation fees and monthly dues are in the nature of advance payments for rental of the aircraft. It is immaterial that the money received is used for the maintenance

of the aircraft. "Gross receipts" mean the total amount of the sale or lease or rental price without reduction on account of the cost of materials used, labor or service cost interest paid, losses on any other expense. (Rev. and Tax. Code, §6012(b).)

Very truly yours,

T. P. Putnam  
Tax Counsel

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By: Joseph Manarolla

bc: Fresno - Dist. Admin.