



# This Week in State Tax (TWIST)

November 7, 2022



to listen to the  
podcast please  
[click here.](#)

## Missouri: Membership Dues Subject to Sales Tax

The Missouri Supreme Court recently affirmed an Administrative Hearing Commission decision that a sporting club's monthly membership dues were subject to sales tax. The taxpayer, a Kansas non-profit corporation, owned and operated a social club as a federal-tax-exempt entity in Missouri. Members enjoyed access to a variety of recreational activities and services, including equestrian facilities, a clubhouse, and a dining room. The club offered several levels of membership at various price points. Some levels granted members the right to vote on operational matters, such as selling real property or determining what happens to the Club's assets on dissolution. No membership level granted an ownership interest in the club, a property interest in the club's assets, or the ability to receive a distribution from the club upon resignation of a membership.

The taxpayer filed two refund claims for the tax periods from December 2003 to November 2006 and September 2009 through August 2012 for the full sales tax amounts that it remitted for monthly dues and food and beverage sales. The Commission concluded that the club was entitled to a refund of sales taxes charged to club members for food and beverage purchases, but not for those related to the monthly membership dues. The club subsequently appealed. In the club's view, the membership dues were not taxable because they also granted members the right to exercise control over the operations of the club and increased the value of each member's equitable interest.

On review before the Missouri Supreme Court, the Commission's decision was affirmed. The court determined that monthly membership dues were subject to sales tax because the dues represented fees paid solely for access to recreational activities, and the taxpayer was engaged in the taxable sale of retail goods or services. The court distinguished the taxpayer's monthly membership dues from fees that are paid to improve the value of a members' ownership interest or in exchange for the right to participate in the operation and control of an organization. Further, the taxpayer offered no evidence that a members' right to participate in operations decisions was secured by the monthly membership dues and not related to their initiation fees. Similarly, the taxpayer failed to show that the dues provided a member with any equitable ownership interest. No member had a guaranteed right to any of the proceeds arising from the sale of assets or the club itself. Merely voting to determine what happens to the assets on dissolution was not an equitable ownership interest. Also, the taxpayer failed to present any evidence to help differentiate between the amount of the monthly dues that were paid for something other than the recreational services. As a result, the court upheld the Commission's determination that the monthly membership dues were subject to Missouri sales tax and. Please contact [John Griesedieck](#) with questions on *Saddle and Sirloin Club of Kansas City v. Director of Revenue*.



For more news and insights on tax developments, follow KPMG's U.S. Tax practice on Twitter – [@KPMGUS\\_Tax](#).

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)

