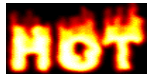




"Educating & Consulting The Private Club Industry"

November 2011

We hope that you find this brief newsletter of interest and that it provides you with useful and meaningful information. If you have any questions about any of the topics or issues, please do not hesitate to give me a call.



Club Tax Book Issues

Voluntary Gratuity Vs. Mandatory Service Charge – Why is it that everything in the business world seems so dadgum complicated? Just when I think I have a set of rules and regulations memorized and down pat, some governmental agency or court decides to change the rules? So it was this past month, when I attended a webinar regarding "Tipping Tips: Avoid Lawsuits from New York to L.A".

Do you know the differences between "voluntary gratuities" vs. "mandatory service charges"? My letter to the Department of Labor and their response ("Voluntary Gratuities; Wage & Hour" found in **Club Tax Book**) sets forth relatively clear guidance regarding what makes a gratuity classified as voluntary for Wage and Hour overtime purposes. Besides the fact that an automatically computed "voluntary gratuity" must be adequately disclosed to the patron up front for the patron, the moneys must be paid out to the appropriate employees on a timely basis. In other words, "voluntary gratuities" belong to the servers, just as if cash tips were left on the table. "Mandatory service charges" on the other hand, belong to the Club.

Well, the above may be true in some places, but apparently not in New York or in California. (Or some other places I have not found out about.) I was informed that in New York and in California, "mandatory service charges" must now be paid out to the employee, 100% or there can be dire consequences. Yikes!!!! State law trumps federal law, causing me a headache to figure out what to do now.

My quick reaction to this revelation, as it applies to the Private Club Industry, is to ask the following question: For Clubs in NY and CA and other states where "mandatory service charges" must be paid out to employees 100%, does the Club need to consider increasing the price of the meal and do away with the "mandatory gratuity"? (Or is there a sales tax issue to consider?) If a Club has no gratuity, it gets to keep all of the funds and they then pay the employees the exact amount they want them to earn. That way a Club can use the funds any way it wants. Pay the employees more per hour or not. At least with this suggestion, you know what your employees will be earning hourly. I want your response. Send me your reaction and thoughts to mitch@clubtax.com.

If "It's All About Golf"

I have revised my website to add a section for the PGA Professional at your Club. The web site can be accessed either by:

www.itsallaboutgolf.com

or

www.clubtax.com/AllAboutGolf.htm

Either link will take you to the musings of a "Tax Guy" about what seems to be missing from the Club golf experience. If your best customer is the Full Equity Golf Member: The one paying the highest joining fee; paying the highest dues; and using the profitable services of the Club, why is the golf experience not at the same level as that found in F&B? Are you shortchanging your Members? Are you missing out on a great reason for a person to join your Club?

Club Tax Book

In October, I attended PCMA's (Private Club Marketing Association's) Annual Conference held in Chicago at the Union League. With 100+ Club Marketing Professionals in attendance, the educational sessions were excellent and you could tell there was a great deal of networking going on, sharing ideas on how to market Clubs in this challenging economy.

I was made aware that most attendees were not aware that Chapter 6 of **Club Tax Book** was written specifically for 501(c)(7) Club Marketing Professionals. In short, easy to understand language, I address the tax implications of some of the most common questions being asked by these Professionals. Is your Club a subscriber?

Visit www.clubtax.com for more info or call us at 561-776-0452. To subscribe/unsubscribe, e-mail info@clubtax.com.