



Club Tax Network

An association of Accounting firms and Law firms serving the Private Club Industry with an appreciation of the role that state and federal taxes play in the overall equation.

Did You Know?

NONTRADITIONAL INCOME Food-To-Go

Clubs now want to do food-to-go, due to the current circumstances. Can a 501(c)(7) tax-exempt Club enter into this type of transaction?

The IRS does not seem to offer an out for 501(c)(7) tax-exempt Clubs, other than to quote Congress in allowing a de minimis amount of nontraditional income.

Small, insignificant, non-recurring, trifling, so small that it is not budgeted for, etc.

(See Club Tax Book for a further definition of de minimis.)

This clearly seems to be non-recurring, and not budgeted for. Therefore, I believe the IRS will not have a huge problem with this at 501(c)(7) tax-exempt Clubs. Additionally, I can not imagine that the gross receipts will rise to a significant level if this is the only time a Club enters into a nontraditional activity.

A word of caution:

Once this horse is out of the barn, is it possible to get it back in? In advising your 501(c)(7) clients, make sure they understand food-to-go is not an activity that can be continued after this national event goes away.

Try to keep the sales to food vs cases of wine. Wine sales moves the gross receipts up in a hurry.

Section 277 taxable Clubs do not have such a limit, therefore, carry-out food is not prohibited.

Finally, send an e-mail from your firm to inform them of this non-formal opinion. **Be proactive with caution.**

For more information contact Mitchell Stump at www.clubtax.com