

**TENNESSEE DEPARTMENT OF REVENUE
LETTER RULING # 11-24**

WARNING

Letter rulings are binding on the Department only with respect to the individual taxpayer being addressed in the ruling. This presentation of the ruling in a redacted form is informational only. Rulings are made in response to particular facts presented and are not intended necessarily as statements of Department policy.

SUBJECT

Application of the Tennessee sales and use tax to charges for locker rentals and golf bag storage.

SCOPE

This letter ruling is an interpretation and application of the tax law as it relates to a specific set of existing facts furnished to the Department by the taxpayer. The rulings herein are binding upon the Department and are applicable only to the individual taxpayer being addressed.

This letter ruling may be revoked or modified by the Commissioner at any time. Such revocation or modification shall be effective retroactively unless the following conditions are met, in which case the revocation shall be prospective only:

- (A) The taxpayer must not have misstated or omitted material facts involved in the transaction;
- (B) Facts that develop later must not be materially different from the facts upon which the ruling was based;
- (C) The applicable law must not have been changed or amended;
- (D) The ruling must have been issued originally with respect to a prospective or proposed transaction; and
- (E) The taxpayer directly involved must have acted in good faith in relying upon the ruling; and a retroactive revocation of the ruling must inure to the taxpayer's detriment.

FACTS

The [TAXPAYER] is a private country club located in [CITY], Tennessee, that provides a variety of services and amenities to its members. The Taxpayer offers a golf course, tennis courts, a health club, a swimming pool, and food service, among other amenities, to its members.

The Taxpayer also provides locker rentals and golf bag storage to its members for additional fees.

The Taxpayer sends a monthly billing statement to its members in which each item is billed as a separate line item. For example, there is a separate line item for dues, assessments, food service, golf carts, health club services, locker rentals, and golf bag storage.

For an additional fee, the Taxpayer provides storage of golf bags to its members, allowing the members to keep their golf clubs at the Taxpayer's facility year-round. The golf bags are stored on shelves located in a storage room. At the member's request, the Taxpayer's employee will retrieve the member's golf bag and place the golf clubs on a golf cart for the member's use. After the member is finished playing golf, the Taxpayer's employee will replace the member's golf bag in the storage room.

QUESTIONS

1. Are charges for locker rentals to the Taxpayer's members subject to the Tennessee sales and use tax?
2. Are golf bag storage fees charged to the Taxpayer's members subject to the Tennessee sales and use tax?

RULING

Both charges are subject to sales tax in Tennessee pursuant to TENN. CODE ANN. § 67-6-212(a)(1) (Supp. 2010).

ANALYSIS

The Tennessee Retailers' Sales Tax Act, TENN. CODE ANN. § 67-6-101, *et seq.*, generally imposes the sales and use tax on retail sales of tangible personal property and certain enumerated services. In addition, TENN. CODE ANN. § 67-6-212 (Supp. 2010) generally imposes the sales tax on retail sales of admission, dues, and fees to various recreational activities and events.

Specifically, TENN. CODE ANN. § 67-6-212(a)(1) levies the sales tax on the sales price of "[d]ues or fees to membership sports and recreation clubs ... including any fees paid for the use of facilities or services rendered at a health spa or club or any similar facility or business." Accordingly, the Taxpayer's charges for locker rentals and golf bag storage fees will be subject to the Tennessee sales tax if the Taxpayer is considered a "membership sports and recreation club" and the charges constitute "dues or fees" to such clubs. In this case, the Taxpayer is a private country club that offers a golf course, tennis courts, a health club, a swimming pool, and food service, among other amenities, to its members; the Taxpayer is clearly a "membership sports and recreation club" within the meaning of TENN. CODE ANN. § 67-6-212(a)(1).

Locker Rentals

Because the Taxpayer is a membership sports and recreation club that charges its members fees to use the lockers, the Taxpayer's locker rentals are subject to the Tennessee sales tax pursuant to

TENN. CODE ANN. § 67-6-212(a)(1). Such charges constitute “fees paid for the use of facilities,” thereby rendering the charges for locker rentals subject to the sales and use tax.

Golf Bag Storage

Because the Taxpayer is a membership sports and recreation club, the Taxpayer’s furnishing of golf bag storage to its members for a fee is also subject to the Tennessee sales and use tax pursuant to TENN. CODE ANN. § 67-6-212(a)(1). The golf bags are held in a storage room on the country club’s premises. At the member’s request, the Taxpayer’s employee will retrieve the member’s golf bag and place the golf clubs on a golf cart for the member’s use. After the member is finished playing golf, the Taxpayer’s employee will replace the member’s golf bag in the storage room. The fee for this service accordingly constitutes both a fee “paid for the use of facilities” and a fee for “services rendered,” making the charge subject to the sales and use tax.

Kristin Husat
Senior Tax Counsel

APPROVED: Richard H. Roberts
Commissioner of Revenue

DATE: 06/14/11