

Excise Tax Advisory

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ETA 3202.2017

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Deductibility of Membership Dues Paid to Chambers of Commerce and Visitor Bureaus

Purpose	This Excise Tax Advisory (ETA) explains that membership fees received by visitor bureaus and chambers of commerce are generally “bona fide dues” deductible from Washington’s business & occupation (B&O) tax.
What are bona fide dues?	<p>“Bona fide dues” are those amounts periodically paid by members solely for the purpose of entitling those persons to continued membership in an organization.</p> <p>Membership dues are considered “bona fide dues” deductible from the B&O tax if they are not paid in exchange for any <i>significant amount of goods or services</i>.</p>
What services are generally considered benefits of membership to visitor bureaus and chambers of commerce?	<p>Although advertising and marketing services are generally considered significant services, where the visitor bureau or chamber of commerce, offers general promotion and incidental marketing activities to promote tourism to a specific area, these services are considered benefits of membership. The dues paid to receive these services are generally deductible from the B&O tax as bona fide dues.</p> <p>Examples of activities that are benefits of membership to a visitor bureau or chambers of commerce include:</p> <ul style="list-style-type: none">• Maintaining a website that explains the goals and objectives of the organization’s members and promotes the organization’s membership and the members’ businesses by providing lists/directories of members, upcoming activities, member locations and services, and available deals.• Providing printed materials containing the same information as on the website.

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- Providing newsletters or magazines to members that typically contain news about the activities of the organization and its members, industry news, and/or editorial features on topical issues.
 - Providing printed membership directories.
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**What charges
are not bona
fide
membership
fees?**

Although the membership fees are generally bona fide dues, additional charges or membership dues that include more than the types of services described above may be subject to tax. Examples include:

- Graduated dues based upon the amount of goods or services rendered. For example, if members are given the option to choose between different packages/classes that offer escalated benefits in exchange for higher membership dues, then those membership dues are considered graduated dues. While graduated dues are not deductible, they may be distinguished between deductible bona fide membership dues and taxable dues.
 - Additional charges for advertising, including membership fee structures that account for additional advertising.
 - Charging members or nonmembers to recoup expenses for an event or advertising costs.
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Examples

The following examples identify a number of facts and then state a conclusion. The examples should be used only as a general guide. The tax results of other situations must be determined after a review of all of the facts and circumstances

**Example –
Benefits of
Membership**

Visitor Bureau is a nonprofit organization that promotes economic development in the region. Businesses may become members of the Visitor Bureau by paying annual dues. Benefits of membership are receiving a newsletter, being listed on the Visitor Bureau's website, a one-page advertisement in the Visitor Bureau's Visitor's Guide, as well as direct mailings of the Visitor's Guide to potential visitors of the area. These services are a benefit of membership and not considered "significant goods or services." Thus, Visitor Bureau may deduct the membership dues from the B&O tax.

**Example –
Graduated
Dues**

In addition to the facts described above, Visitor Bureau also utilizes a graduated dues structure in which the amount of its dues varies depending upon the number of employees of its members. Tier 1 members, those with less than 100 employees, are charged a \$250 annual fee. For Tier 2 members, those who have over 100 employees, Visitor Bureau charges a \$500 annual fee. There is no difference in benefits received by Tier 1 and Tier 2 members. Although, Visitor Bureau charges graduated dues based on a member's number of employees, the graduated dues (at both levels) qualify as bona fide dues, assuming all other requirements are met, because the dues are not graduated based on an amount of goods or services received by members.
