

# Memorandum

**295.0925**

To: Headquarters – Audit Review (EVA)  
Return Review Unit

Date: March 1, 1990

From: Ronald L. Dick  
Tax Counsel

Subject: S--- F--- Clothing Company

SY --- XX-XXXXXX

This is in reply to your December 28, 1989 mini-memo regarding the application of sales tax to a charge for a “club membership”.

We understand that S--- F--- Clothing Company sells the club membership to customers for \$20. The membership fee entitles the customer to a 20% discount on all purchases from S--- F---. You asked whether the charge is subject to tax.

Yes, we believe that the \$20 membership fee for S--- F---’s club, the purpose of which is to provide a 20 percent discount on all purchases, is related to anticipated retail sales. Therefore, the amount is includable in the gross receipts of S--- F---’s sales of tangible personal property. (Bus. Tax. Law Guide Annots. 295.1540, 295.1580.)

RLD:sr