



COMMONWEALTH of VIRGINIA

Department of Taxation
Richmond, Virginia 23282

MEMORANDUM

TO: John Neagle, Assistant Director
Field Services Division

DATE: January 11, 1991

RE: Membership Fees

This is in response to Bob Postans' questions on the taxability of membership fees.

The dealer in this case offers memberships that simply convey the right to make purchases from the dealer. The dealer has been charging the sales tax on membership fees on the basis of a previous department ruling relating to video club membership fees.

Our earlier ruling held that membership fees would be taxable when the fee entitles the member to tangible personal property free of charge. It also held that the fees would be taxable when they entitle members to purchase property at a lower price than nonmembers. The current situation apparently is not analogous to either of these scenarios as members do not receive any free property and as nonmembers are not eligible at all to make purchases from the dealer.

Based on the facts as I understand them, the dealer therefore should not be charging the tax on its membership fees.

A handwritten signature in black ink, appearing to read "JEB", written over a horizontal line.

Janie E. Bowen
Tax Policy Director

APPROVED: _____

W. H. Forst
Tax Commissioner

c: Max Beyer
Ron Holt