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Dear Client:

Like many other enterprises, your business may pay club dues to one or several types of organizations. These dues may or may not be deductible, depending on the type of organization and its purpose.

Your business generally cannot deduct dues paid to a club organized for business, pleasure, recreation or other social purposes. This disallowance rule takes in country clubs, golf clubs, business luncheon clubs, athletic clubs, and even airline and hotel clubs. However, you can deduct 50% of the cost of otherwise allowable business entertainment at a club, even if the dues you pay to the club are nondeductible. For example, if you have dinner with a client at your country club after a substantial and bona fide business discussion, 50% of the cost of the dinner is deductible as a business expense.

The club-dues disallowance rule generally doesn't affect dues paid to professional organizations including bar associations and medical associations, or civic or public-service-type organizations, such as the Lions, Kiwanis or Rotary clubs. The dues paid to local business leagues, chambers of commerce and boards of trade also aren't affected. However, an organization isn't exempt from the disallowance rule if its principal purpose is to provide entertainment facilities to its members, or to conduct entertainment activities for them.

Finally, keep in mind that even if the general club-dues disallowance rule doesn't apply, there's no deduction for dues unless you can show that the amount you pay is an ordinary and necessary business expense.

For more details on the club dues question, or on the status of your other business expenses, please feel free to call our offices. We look forward to hearing from you.

Very truly yours,

Sherrin Fielder