



SC INFORMATION LETTER #91-17

TO: Vicki Ringer
Public Information Director

FROM: Deana West, Tax Analyst
Tax Policy and Appeals Department

DATE: June 28, 1991

SUBJECT: Membership Fees to Health Clubs, Spas, Etc.
(Admissions Tax)

REFERENCE: S. C. Code Ann. Section 12-21-2410 (1976)
S. C. Code Ann. Section 12-21-2420 (As Amended June 1991)
SC Revenue Ruling #90-7
SC Information Letter #91-10

AUTHORITY: S. C. Code Ann. Section 12-3-140 (1976)
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

IMPOSITION OF ADMISSIONS TAX:

Effective July 1, 1991, SC Revenue Ruling #90-7 concluded that charges for membership to health clubs, spas, gyms, fitness centers and other similar places are subject to the admissions tax, pursuant to Code Sections 12-21-2410 and 12-21-2420. This ruling further concluded that the admissions tax was not applicable to:

- (1) membership fees paid pursuant to a binding, written contract, which does not permit any increase in fees or charges, that is executed prior to July 1, 1991 or
- (2) any charge made to any member of a nonprofit organization for the use of the facilities of the organization (health club, spa, gym, etc.) as provided in Code Section 12-21-2420(4).

NEW EXEMPTION FROM ADMISSIONS TAX:

On June 28, 1991, the Governor signed into law a bill that amends Section 12-21-2420 by adding the following exemption for:

"... admissions to a physical fitness center subject to the provisions of Chapter 79 of Title 44, the Physical Fitness Services Act, that provides only the following activities or facilities:

- (a) aerobics or calisthenics,
- (b) weightlifting equipment,
- (c) exercise equipment,
- (d) running tracks,
- (e) racquetball,
- (f) swimming pools for aerobics and lap swimming, and
- (g) other similar items approved by the commission.

The entire admission charge of a physical fitness center which provides any other activity or facilities is subject to the tax imposed by this article."

APPLICATION OF THE LAW:

In summary, membership fees to health clubs, spas, gyms, fitness centers, etc. subject to the Physical Fitness Services Act are exempt from the admissions tax if the facilities or activities of the club, spa, gym, etc. are limited to providing only aerobic or calisthenic activities, weightlifting or exercise equipment, running tracks, racquetball or swimming pools for aerobics and lap swimming or similar items approved by the Commission.

The entire charge for membership fees to a for-profit club, spa, gym, etc. which provides any activity or facilities in addition to those listed above, such as tennis or basketball courts, recreational swimming or a television room, are subject to the admissions tax effective July 1, 1991. However, memberships fees paid pursuant to a binding, written contract which does not permit any increase in fees or charges and is executed prior to July 1, 1991 are an exception and will be exempt from admissions tax until the contract is renewed.

FORMS FOR EXEMPTION OR REGISTRATION:

Health clubs, spas, gyms, fitness centers, etc. whose charges are exempt from the admissions tax as a result of the recent amendment to Section 12-21-2420 or are an exempt nonprofit organization (see SC Revenue Ruling #90-7) must apply for an admissions tax exemption certificate. The application for exemption must be submitted on South Carolina Form L-2068. This form will be revised as soon as possible to reflect the exemption for health clubs. Until it is revised, applicants should answer question 4 as "new exemption for health clubs". Exempt health clubs, spas, gyms, fitness centers, etc. who subsequently add a non-exempt activity or facility must immediately surrender their exemption certificate and apply for an admission tax license.

Facilities whose charges are subject to the admissions tax must register for an admissions tax license. The application must be submitted on South Carolina Form L-514.

Admission tax returns are due by the 20th day of each month following the period covered.

ADDITIONAL INFORMATION:

Questions concerning admissions tax exemption or registration should be directed to the License and Registration Section at 803-737-4872.

As provided in the amendment to Section 12-21-2420, the Commission may approve other activities or facilities exempt from the admissions tax if they are similar to those exempted by the legislation. Recommendations of activities or facilities that the Commission should consider exempting in the future should be sent in writing to:

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