

## **(Loop) hole in one: 33 elite, private golf clubs do not pay federal taxes**

They cater to the elite, pay their select employees up to half-a-million dollars a year and collect millions each year from their members, but these bastions of wealth in Westchester and beyond pay no federal taxes on their income.

A Journal News analysis of tax records found that 33 private golf and country clubs in Westchester, Putnam and Rockland counties — including some of the most storied, such as Winged Foot Golf Club in Mamaroneck — are organized as tax-exempt nonprofits and thus pay no federal income taxes.

[Click through an interactive graphic on 33 tax exempt golf clubs.](#)

Private golf and country clubs have the option of organizing as 501(c)(7)s, which are similar to their nonprofit cousins, 501(c)(3)s, but the country clubs are not charities and cannot accept tax-exempt donations.

Geoffrey Smith, a White Plains attorney who works with nonprofits, said the federal government is giving a tax exemption to a population of people that really doesn't need it.

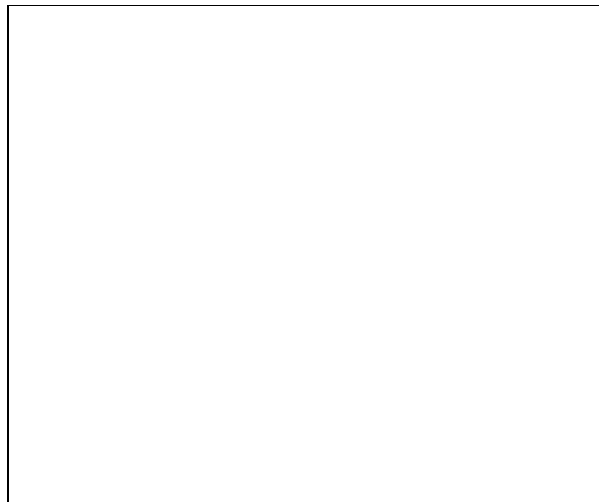
“Any elitist group that’s gained an exemption without giving back to the community I would say is not entitled to one,” he said. “They’re getting a personal benefit.”

There’s an increasing movement to privatize society, and private golf clubs are a form of class discrimination, said Smith, board secretary for the WESPAC Foundation, a liberal group that promotes peace and justice. “They don’t want to be with us or play golf with us. They want their own club,” he said.

All but a few of the institutions are private-equity clubs, meaning they are owned by members. Others are owned by corporations, such as Westchester Hills Golf Club in White Plains.

Access typically requires sponsorship by a current member and references, in addition to money for annual dues and assessments for capital improvements. It’s common for clubs in lower Westchester County to have members from New York

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City.

A Journal News analysis of documents filed with the IRS found that golf and country clubs in the Lower Hudson Valley collect millions of dollars a year in tax-exempt membership dues and initiation fees, with the Quaker Ridge Golf Club in Scarsdale topping the list at \$7.31 million for 2010. The remainder of the 71 clubs in Westchester, Putnam and Rockland are either public golf courses, semi-private or private, such as Trump National in Briarcliff Manor, and don't qualify as tax-exempt nonprofits. The clubs range from golf-only operations to full-service country clubs with pools, tennis courts and other amenities.

The counterargument from golf clubs is they preserve green space, contribute to the local economy and raise millions for charities and other worthy causes by hosting fundraisers. Members who pay dues and membership don't get to write that off, so they have already paid taxes on that money. Members used to be able to deduct dues from their federal taxes, but that option was quashed as of 1994.

"I cannot even imagine the amount of monies raised for charitable purposes by clubs and courses in Westchester County. It has to be astronomical," Charles Robson, executive director of the PGA Metropolitan Section, said in an email. "This along with the benefits of green space, revenues of real estate and sales taxes, programs for children, the disabled, Special Olympics and other important community groups has served Westchester County for a very long

time."

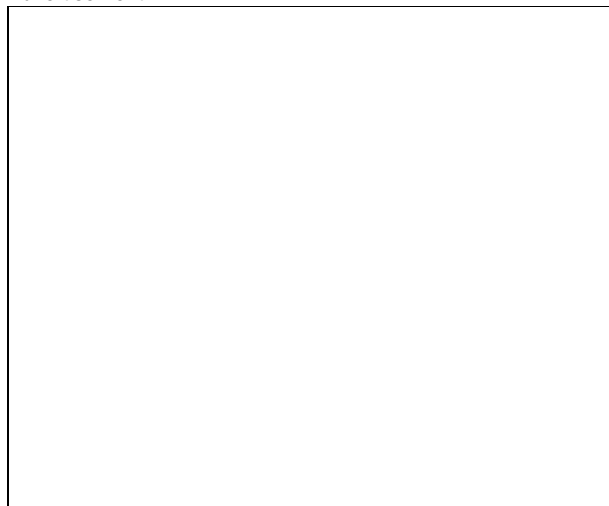
## Big bucks, no profits

One-time initiation fees in the region range from \$35,000 to \$200,000, Mike Edelman, a longtime member of St. Andrew's Club in Hastings-on-Hudson, estimated. Annual dues are about \$12,000 at St. Andrew's and likely are between \$10,000 and \$20,000 at other local clubs. Clubs may add capital charges and assessments on top of that, such as clubhouse improvements, he said.

Edelman, 64, joined St. Andrew's more than 30 years ago as a junior member, which is less expensive. The club was in need of members at the time, and his initiation fee was \$1,500, paid in installments over a few years, he said.

St. Andrews, the oldest continuously run club in the country, is not out to make a profit, he said. It is named after St. Andrews Links in Scotland, where golf has

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been played for more than 600 years. The 136-acre course was redesigned in 1983 by Jack Nicklaus, who imprinted it with swell and swale topography, several multi-tiered greens and plenty of bunkers.

“We are in the business of making sure members are playing and having a good golf experience and a nice dining experience. So everything that we take in goes right back into the club,” said Edelman, a Westchester attorney and political consultant.

The special tax-exempt status comes with restrictions, said Rollin Groseclose, shareholder of Johnson Price Sprinkle, a North Carolina-based CPA firm whose areas of expertise include country clubs and resorts. The clubs must have strict membership requirements and cannot solicit public use of their facilities for commercial activity. If their revenues or percentages of income from nonmembers exceed certain thresholds, they could lose their tax exemption, he said.

“The things that trip country clubs up in that area generally relate to the amount of nonmember activity,” he said.

Clubs can collect up to 35 percent of their gross receipts, including investment income, from sources outside their membership without losing their tax-exempt status. Not more than 15 percent of the 35 percent can be from the use of the club's facilities by the public.

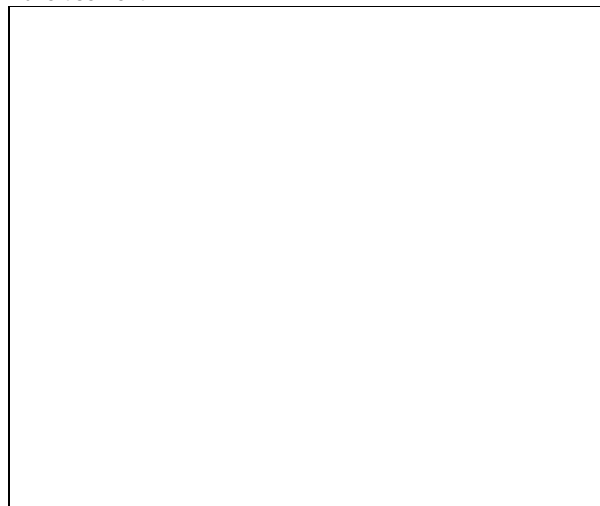
Clubs are exempt from taxes on income

from members for club-related goods, services and use of facilities. They are subject to federal and state income taxes on investment income, revenues from nonmembers, advertising income from members and nonmembers and other so-called nontraditional income.

They are not exempt from property taxes. Like most businesses, many have challenged their property assessments and had them reduced. For example, the Tuckahoe school district voted in March 2010 to give a \$90,643 tax refund to the Siwanoy Country Club based on a state Supreme Court judgment on a lawsuit the club filed against the Eastchester assessor and the town.

Due to the restrictions, more tax-exempt golf and country clubs across the country have opted to ditch the special status in the past decade to survive in a competitive environment, Rollin said. Tournaments and weddings, for example, bring in people who aren't members and generate more money for the club.

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"We're seeing more and more that are just going ahead and recognizing that they're going to have to be a little bit more nimble," he said.

### **Westchester clubs remain the same**

But that doesn't appear to be happening in the Lower Hudson Valley, where there has been little movement in changing operational structures, said Jay Mottola, executive director of the Metropolitan Golf Association in Elmsford. Most clubs are 501(c)(7)s that operate on a break-even basis, he said.

"Probably more have operated on a less-than-break-even basis recently," he added, referring to the economic recession.

Although the Lower Hudson Valley has some of the wealthiest residents and priciest real estate in the country, golf clubs were not immune to the 2008 collapse of the economy and its slow and protracted recovery, experts said. They are heavily reliant on Wall Street and the financial industry for membership.

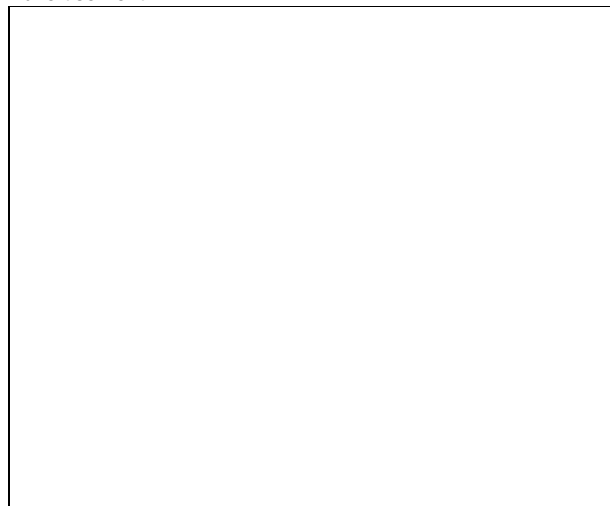
A significant percentage of clubs currently do not charge an initiation fee, and others have reduced theirs, Mottola said. The fees generally go for capital improvements, rather than operating expenses. Not many clubs have reduced dues, but those that might typically boost them 3 percent to 5 percent a year have had lower increases or kept them flat in recent years, he said.

Clubs that didn't list initiation fees in the 2010 tax year include the Bedford Golf and Tennis Club, Hudson National Golf Club, Sleepy Hollow Country Club, Mahopac Golf Club, Sedgewood Golf Club and the Ridgeway Country Club, which has closed.

Average dues for Westchester and lower Fairfield County, Conn., are between \$10,000 and \$12,000 a year, ranging from \$5,000 or \$6,000 on the low end to about \$20,000, Mottola said. The average initiation fee for clubs in the same two counties that charge one is \$50,000 to \$60,000. Many clubs in the Lower Hudson Valley don't have waiting lists, and for those that do, they have been shrinking in recent years, he said.

A few clubs in the Lower Hudson Valley have closed or changed hands in recent years. Ridgeway Country Club in White Plains fell on hard times after losing too many members and was sold to the French American School of New York last year. The Hampshire Country Club in Mamaroneck closed in December 2009 due to declining

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membership. It was sold to a Manhattan-based real estate firm, which continues to operate it as a country club.

The nine-hole Sedgewood Club in Kent collects a modest amount of dues compared to some of the swankier Westchester clubs. Sedgewood took in \$358,427 in dues for the 2010 tax year. It came up short that year, spending about \$127,000 more than it took in. Sedgewood does not charge an initiation fee.

"The place runs on an absolute shoestring," said John Wareham, treasurer of the club's board and a New Zealand native.

The small club, which sits between the Boyd Corners and West Branch reservoirs, was at risk of being developed, but residents banded together and bought 200 acres in 2001. It is looking for nonresident members to help keep the club going.

"We've had a terrible recession and we're not alone, but golf is a luxury for many people today," said Mike Gibbons, a board member and resident. "I mean they're (people are) trying to put food on the table."

## Golf aids economy

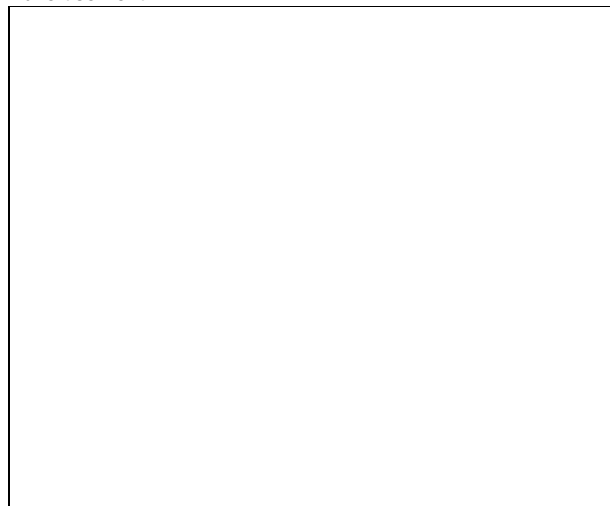
A September 2009 report on New York's golf economy by SRI International found that the industry's economic impact was \$5.3 billion in 2007. The size of the direct golf industry was \$2.9 billion in 2007, which includes course operations, capital investments, golfer supplies, championship

and tour events, hospitality and tourism and other areas. The golf industry and its ripple effects on the economy supported roughly 57,000 jobs, with total wages of \$1.6 billion that year, the report said.

The New York metropolitan area, including the northern suburbs, Long Island and New Jersey, has the best collection of golf clubs in the country in terms of prestige and quality, Mottola said. There is a larger number of courses in Palm Beach County, Fla., but they aren't on the same level as New York's, he said.

Key employees at the region's most prestigious clubs, such as general manager, can earn hundreds of thousands of dollars a year. In 2010, the Golf Club at Purchase superintendent, Carl Alexander, was paid a total of \$521,303 from the club and related organizations. The general managers at Winged Foot, Quaker Ridge and Sunningdale Country Club in Scarsdale, all trailed Alexander by more than \$100,000. Their compensation was \$413,153, \$384,495 and \$374,038,

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respectively.

Figures are for the 2010 tax year in most cases, the latest available. Fiscal years for the clubs vary. Several, including Ardsley, Sleepy Hollow and Whippoorwill, have filed 2011 returns. Sleepy Hollow's fiscal year runs from April through March, and Ardsley's is May through April.

The post of general manager of a golf or country club is demanding, said Tom Blaney, partner and director of private clubs and private foundation services for O'Connor Davies LLP in New York City.

"One of the toughest jobs there is being the general manager of a club," he said. "If you have 300 members, that means you have 300 bosses."

Golf professionals typically are compensated near those levels, although Robson cautioned that can include pro shop sales, revenue from lessons, fees from bag storage and other income.

"The expense side of it is something that would be on a case-by-case basis. Some pay for shop help and for assistants," he said.

Tax records show that Michael Gilmore, the golf professional at Winged Foot, was compensated \$330,459 in the 2010 tax year and compensation for Steven Dougan, the PGA professional at the Bedford Golf and Tennis Club, was nearly \$366,000.

But the total listed for Dougan is

misleading, Bedford Golf and Tennis Club President Jeff Cox said in an email. The figure includes wages and money the club collects from members for purchases in the golf shop.

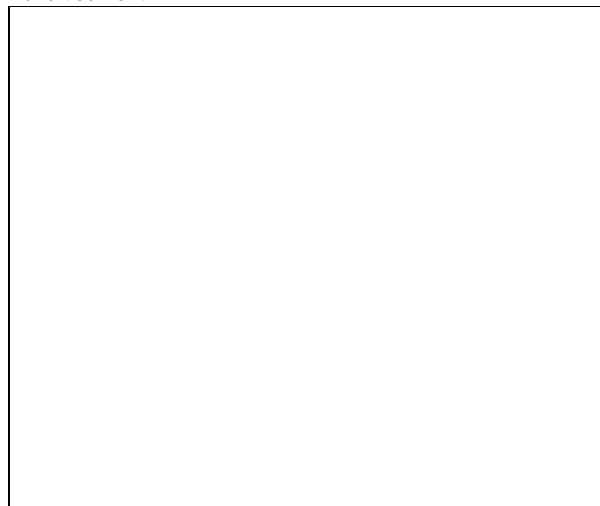
"These amounts, which are significant, are paid over to the pros in the gross amount collected, and the pros only make income to the extent, if at all, such amounts exceed the costs of the goods paid for by the pros," said Cox, who did not disclose Dougan's actual salary.

PGA Metropolitan Section, which certifies PGA pros, does an annual survey of 40 clubs in the Lower Hudson Valley, Long Island and Connecticut.

The average salary for those 40 professionals in 2011 was \$135,000, Robson said.

Annual income for head professionals can range from \$150,000 to \$175,000, he said. The organization does not publicly release its surveys.

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“It’s just a reflection of supply and demand, and club pros here are generally recognized as the best in the country,” Robson said. “Certainly when jobs are available, there’s incredible demand for those jobs.”

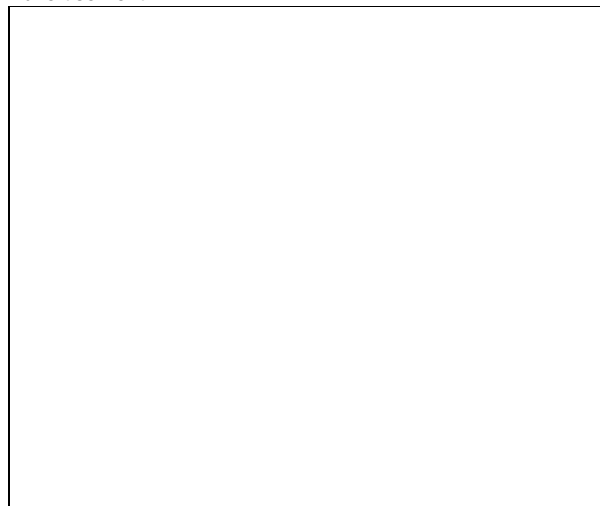


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Townhouses sit off the 9th fairway at the St. Andrews Golf Club in Greenburgh. The exclusive, private club is among those exempt from federal income taxes. / Joe Laresse/The Journal News

33 of 71 golf clubs in Westchester, Putnam and Rockland are nonprofits exempt from federal income taxes  
35 percent is the max proportion of gross receipts from sources outside membership that tax-exempt clubs are allowed without losing status  
15 percent of that 35 percent is the max that can be from the use of club facilities by the public

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## Big money

- Member dues for the 2010 tax year ranged from \$358,427 for Sedgewood Golf Club in Carmel to \$5.52 million for Hudson National Golf Club in Croton-on-Hudson.
- The oldest club was founded in 1888 (St. Andrew's in Hastings-on-Hudson) and the newest opened in 1996 (Golf Club of Purchase and Hudson National in Croton-on-Hudson).
- The number of employees ranged from none at Elmwood Golf Club in White Plains to 253 for Siwanoy Country Club in Bronxville.
- Apawamis Club in Rye had the highest end-of-year net assets or fund balances at \$34.9 million.

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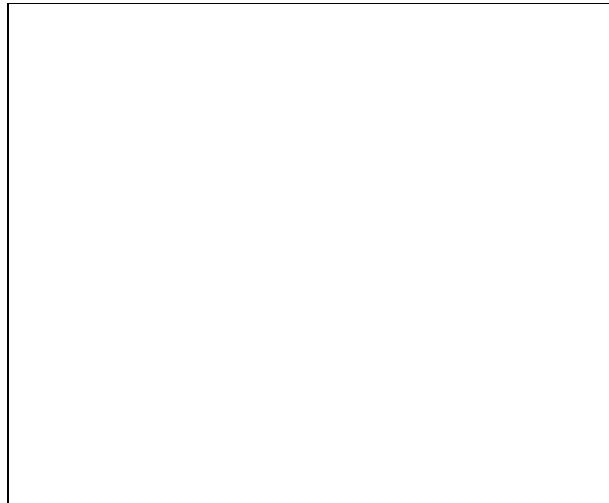
[Forms filed by tax-exempt golf clubs in Westchester, Rockland and Putnam](#)

[Top 10 earners at tax-exempt golf clubs](#)

### Fun facts on local golf courses

- The fourth hole at the Apawamis Club in Rye is named after former first lady Eleanor Roosevelt. It's called "Eleanor's Teeth" for the 16 bunkers that protect the two-tiered, elevated green. There are 11 "teeth" in the front, situated on two levels, and five on the right side.
  - The Fenway Club in Scarsdale, which opened in 1922, was originally called the Fenimore Club after James Fenimore Cooper, who wrote "The Last of the Mohicans." The group of businessmen began their "quest" to open the club almost 100 years exactly after Cooper settled in Scarsdale.
  - Golf Digest listed the Winged Foot Golf Club in Mamaroneck's West Course as the eighth greatest golf course in the United States for 2011-12 and Hudson National Golf Club in Croton-on-Hudson as the 83rd greatest course in America. Winged Foot's East Course tied for 97th place out of 100.
  - When the Siwanoy Country Club of Bronxville opened in 1901, the initiation fee for new members was \$10 and annual dues were \$25. The cost of the golf course and tennis courts and maintenance charges for the first year was roughly \$2,500.
  - St. Andrew's Golf Club in Hastings-on-Hudson, founded in 1888, is the oldest continuously run golf course in the country. A 1988 event celebrating the first 100 years of golf in the U.S. brought famous golfers including Ben Hogan, Sam Snead, Arnold Palmer, Nancy Lopez and Jack Nicklaus, who redesigned the course in 1983.
- Source: Golf club websites.

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