

TAXABLE STATUS OF "MEMBERSHIP FEES"

FOR JOINING A VIDEO CLUB

This memorandum reflects the policy of the Tax Department on the taxability of video club membership fees.

Video club "memberships" generally enable purchasers to rent movies at rates lower than the rates charged to persons who do not purchase memberships.

Even though vendors of memberships in video clubs characterize the charges as "membership fees", the substance of the charge is that of a prepayment for the rental of a movie. Therefore, the fee for joining is determined to be taxable (section 1105(a) of the Tax Law).