



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

A281.9
Ag83E
Cof. 2

ERS-144

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service
Resource Development Economics Division

TAXATION OF RECREATIONAL ENTERPRISES ON PRIVATE RURAL LANDS 1/

Taxes, State and local, as well as Federal, are not likely to be one of the more serious problems facing the proprietor of an outdoor recreational enterprise. However, such proprietors may face for the first time the necessity of collecting and paying taxes associated with the operation of a commercial business. It is important that they become adequately informed on tax matters and that these be handled in such a way as to both comply with the law and contribute to the success of the recreational enterprise.

This report is not intended as a handbook to provide ready answers to tax questions which might come to the mind of a prospective proprietor of a recreation business. The tax laws of the Federal Government alone are highly complex. In addition, every State and numerous subdivisions of State governments -- cities, counties, townships, school districts -- have their separate revenue systems. This paper describes the kinds of tax problems which the proprietor of a recreational business will have.

Tax Liabilities

Farmers and others entering the business of outdoor recreation are not likely to encounter tax problems which differ greatly from those of other small businessmen. However, recreational developments on private land in rural areas are comparatively new in many parts of the country. Consequently, it is important that proprietors consult Federal, State, and local revenue authorities to learn of the taxes for which they are liable, how to file the returns properly, and to keep records consistent with good business practices. Individuals may find it convenient and desirable to seek the advice of private tax consultants. Every community of any size will have attorneys or others who specialize in tax matters.

Federal Income and Social Security Taxes

If the proprietor of an outdoor recreational enterprise already has had experience as a small businessman, he probably will face few new problems

1/ This paper was prepared by a subcommittee appointed by the Working Party on Outdoor Recreation (established by the U.S. Department of Agriculture in 1962). The subcommittee consisted of Bennett S. White, Cooperative State Experiment Station Service; Glennwood Smith, Rural Electrification Administration; and C. B. Markeson, Farmer Cooperative Service. The report is being issued by the Economic Research Service as a reference for Department employees, other rural leaders, and farmers.

U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

January 1964

MAR 13 1964

CURRENT SERIAL RECORDS

if the dues and membership fees exceed \$10 per year. Normally, the collection and payment of such taxes would be the responsibility of the appropriate club official. However, the proprietor should be aware that such taxes exist if he contemplates leasing land and other facilities to a sportsmen's organization, particularly if dues or membership fees are to be paid directly to the owner of the facilities by club members. Necessary forms and instructions, including copies of "Your Federal Income Tax" and "Tax Guide for Small Business," may be obtained from the District Director of Internal Revenue.

Taxes Levied by State and Local Governments

Tax laws vary widely from State to State. The proprietor of an outdoor recreational enterprise must acquaint himself with taxes which he may be obligated to pay or to collect and remit to revenue authorities in his particular locality.

Farmers and others who develop outdoor recreational enterprises on a considerable scale may find the value of their property enhanced and it is possible that their tax assessment will be changed. No doubt, the promptness and the extent to which the changed assessment follows changing market values will vary widely among communities. Construction of new buildings, remodeling of existing structures, or addition of personal property, such as horses, boats, and playground, picnic, and camping equipment, all may result in increased property taxes.

Other State and local taxes which for the first time may become of concern to farmers and others entering the recreational business include income taxes, licenses, occupation and business privilege taxes, amusement, admission, and sales taxes, and others. Usually the initial step to be taken in becoming acquainted with the State and local tax situation is to contact the State tax commissioner or comparable officer.

In Illinois, as an illustration, sales taxes definitely would be of importance. The operator of an outdoor recreational enterprise selling tangible personal property, such as food, soft drinks, and fishing equipment, would be classified as a retailer and required to collect the State retail sales tax from his customers. This tax is $3\frac{1}{2}$ percent for the State, and most cities and villages add an additional half percent. Property outside the city or village limits would not be subject to the latter, but some counties add a half percent to the tax on retailers in rural areas to equalize the tax burden between these and their city or village counterparts.

The seller of recreational services in Illinois (and this would be true in most States) is considered to be a retailer and, as such, is responsible for registering with the Department of Revenue (or comparable agency in other States), securing a license, and displaying it in his place of business. In some States, licenses are obtained free of charge and in others upon payment of a fee. Licenses to sell alcoholic beverages are expensive in most States, and such beverages are subject to State excise taxes.

Hotels and motels in Illinois are subject to a 4 percent tax on rentals. Similar taxes are in effect in some other States. Farmers and other rural

residents who keep guests such as farm vacationers and hunters and fishermen in their own farm houses will need to determine whether they are required to collect this tax from their patrons. In most States, farmers who provide campsites for a fee would not be subject to hotel and motel taxes.

