



# State of Alabama Department of Revenue

Montgomery, Alabama 36132

GEORGE E. MINGLEDORFF III  
Assistant Commissioner

LEWIS A. EASTERLY  
Secretary

GEORGE E. MINGLEDORFF III  
Commissioner

This document may not be used or cited as precedent. Code of Alabama 1975, §40-2A-5(a).

TO:

FROM: Commissioner of Revenue  
Alabama Department of Revenue

DATE: November 30, 1993

RE: Revenue Ruling 93-003

## ISSUES AND FACTS

City A, Alabama will host a national tournament in 1997. City B, Alabama will host the tournament in 1994. The tournaments are expected to attract more than 50,000 entrants who will participate in the tournament. Each person is required to pay an entry fee to participate in the tournament. The entry fees are returned to the participants as prize money. The sponsor of the tournament has also qualified with the Internal Revenue Service as a 501(c)(3) organization.

The request for a revenue ruling concerns whether the entry fees paid to participate in the tournament are subject to Alabama sales tax as a gross receipt from operating a place of amusement.

## LAW AND ANALYSIS

Code of Alabama 1975, §40-23-2(2) imposes a 4% tax upon the gross receipts of any person in the business of conducting or operating a place of amusement or entertainment within the State of Alabama. Regulations promulgated by the Department of Revenue consistently impose a tax upon admission fees which are charged to the general public and also upon other amounts charged by the operator which the operator retains. See Rule 810-6-1-.125, receipts from operating places of amusement, Rule 810-6-1-.139, receipts from parking on fairgrounds and Rule 810-6-1-.125.01, receipts of the golf courses open to the public.

However, the receipts which are subject to tax are retained by the operator of the place of amusement. The entry fees which are paid to participate in the tournament are returned to the participants as prize money. The entry fees are not retained by the operator of the place of amusement. Therefore, the entry fees are not subject to the amusement tax as a gross receipt

from operating a place of amusement. Any portion of the entry fees used to off-set expenses from operating the tournament is incidental to their purpose as a source of funds for prize money.

Although the national organization will conduct and operate the tournament, the national organization will not operate the tournament as an ongoing "business". Although the State of Alabama is fortunate to have two cities host the tournament in 1994 and 1997, this is not an activity or business regularly engaged or continuing within the State of Alabama.

HOLDING

Entry fees paid by participants in a bowling tournament which the sponsor of the tournament returns to the participants as prize money are not subject to Alabama sales tax.

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GEORGE E. MINGLEDORFF/III

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