STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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TO: Assessing Officials

FROM: Barry Wood, Assessment Division Director *BW*

RE: Legislative Changes – Golf Course Assessments

DATE: August 17, 2009

The purpose of this memorandum is to inform assessing officials of the changes made during the 2009 special session of the Indiana legislature to the assessment process of golf courses.

Assessment Practices

HEA 1001 – 2009 (ss) stipulates that for assessments after January 15, 2010 (i.e. starting with the March 1, 2010 assessment), the true tax value of a golf course will be determined by applying the income capitalization approach. The income approach should provide for the uniform and equal assessment of golf courses of similar grade quality and play length. The value of personal property, intangible property, and the income derived from personal property or intangible property is excluded. Golf carts are considered to be personal property; hence, the DLGF has interpreted this statute to exclude the income derived from the rental of golf carts from the income approach to valuation. Additionally, the DLGF believes this would be applicable to pro shop income as well. This could have a significant impact on the valuation of the golf courses. Assessing officials should closely review the income and expense statements of the taxpayer to ensure golf cart rental income is not included in the valuation.

For assessment dates after January 15, 2010 and before March 1, 2012, a township assessor (if any) or the county assessor shall gather and process information from the owner of a golf course to carry out these provisions. For assessment dates after February 28, 2012 (i.e. the March 1, 2012 assessment date and thereafter), the DLGF is to establish uniform income capitalization tables and procedures for the assessment of golf courses. Assessing officials shall use these tables and procedures to assess, reassess, and annually adjust the assessed values of golf courses.

<u>This mandated approach will replace the Cost Approach, which, after January 2010, will no longer provide an approach to valuation of a regulation play golf course.</u>

<u>Cost Approach</u>
Currently, the basis for the assessment of a regulation play golf course is the 2002 Reassessment Guidelines (see Appendix G – page 37 - http://www.in.gov/dlgf/files/bk2apG.pdf), which provides for the costs per hole for five (5) quality grades of golf courses, ranging from cheaply

built courses to excellent quality courses designed for professional play. Pricing guidelines are also provided for hybrid courses, short play courses, and determining golf course land values.

Using the Guidelines pricing sheet, the Assessing official takes the following steps:

- Price by grade per hole
- Delete land under course value @$1,050 per acre
- Apply the appropriate physical and/or external depreciation
- Add value of other improvements
- Add land value
- Adjust to Market Value-in-Use

The Income Approach

Broadly speaking, the Income Capitalization approach is one of three approaches to the valuation of real property. The appraiser derives a value indication for income-producing property by converting the anticipated benefits through ownership of property. It is based on the economic principles of:

- Anticipation
- Change
- Supply and demand and competition
- Substitution
- Balance and contribution

There may be several different sources (basis) of income for a golf course, including green fees, membership dues, concessions, and other miscellaneous sources. If properly calculated, the income approach should closely approximate the cost approach to valuation.

If you have any questions, please contact Assessment Division Director, Barry Wood at bwood@dlgf.in.gov or 317.232.3762.